

**SCHEME FOR REDUCTION OF SHARE CAPITAL
BETWEEN
PADMANABH INDUSTRIES LIMITED
AND
ITS SHAREHOLDERS**

**UNDER SECTION 66 READ WITH SECTION 55 AND SECTION 52 OF THE COMPANIES
ACT, 2013 AND NATIONAL COMPANY LAW TRIBUNAL (PROCEDURE FOR
REDUCTION OF SHARE CAPITAL OF COMPANY) RULES, 2016**

=====

PREAMBLE

The Scheme of Reduction of Capital is made pursuant to the provisions of Section 66 of the Companies Act, 2013 read with National Company Law Tribunal (Procedure for Reduction of share capital of the company) Rules, 2016 as well as various other matters consequential or otherwise integrally connected herewith in the manner provided for in the scheme.


The purpose of the Scheme is the Reduction of Equity Share Capital under the provisions of Section 66, Section 52 and Section 55 of the Companies Act, 2013 read with National Company Law Tribunal (Procedure for Reduction of share capital of the company) Rules, 2016 to undertake financial restructuring and reconstruction of the company whereby the company would write off carried forward accumulated losses of past years up to maximum possible extent by written off against the Securities Premium of the Company and by reduction of 98% of its paid-up equity shares capital, so as to give a true and realistic view of the value of the shares and present liner balance sheet of the company. This has given rise to the need to re-adjust the relation between capital and assets and reflect the liabilities and assets of the Company accurately and fairly in its books of accounts and also to operate with a leaner base balance sheet.

DESCRIPTION OF THE COMPANY

PADMANABH INDUSTRIES LIMITED (hereinafter called 'the Company' or PIL) is a Company having Company Identification Number (CIN): L17110GJ1994PLC023396 incorporated on the 24th Day of October 1994, under the provisions of the Companies Act, 1956. The registered office of the company is situated at 203 Abhishek Complex, Mamta Park Society, B/h, Nav Gujarat College, Ashram Road, Ahmadabad, Gujarat 380014.

The Equity Shares of the Company are listed on BSE Limited.

Chinag. R. P.



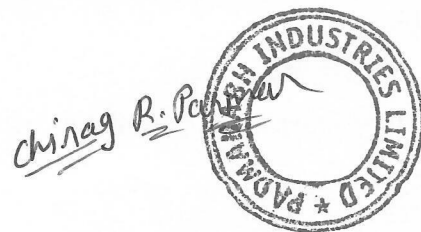
The share capital of the Company as of 31st March 2023 is as under:-

| Particulars | Amount (In Rupees) |
|---|--------------------|
| Authorized Share Capital | |
| 75,00,000 Equity Shares of Rs. 10/- each | 7,50,00,000 |
| Total | 7,50,00,000 |
| Issues, Subscribed and Paid-up Share Capital | |
| 60,77,500 Equity Shares of Rs. 10/- each | 6,07,75,000 |
| Total | 6,07,75,000 |

Subsequent to 31-03-2023 and up to the date of approval of scheme by the Board of Directors of the Company, there has been no change in the Authorized, Issued, Subscribed and Paid-up Share Capital of the Company.

The Rationale and benefits for the reduction of capital are as under:

- a. The Company has accumulated losses of Rs. 13,73,26,584/- (Rupees Thirteen Crores Seventy-Three Lakhs Twenty-Six Thousand Five Hundred and Eighty-Four) as per the last audited balance sheet as of 31st March 2023 which has substantially wiped off the value represented by the share capital and securities Premium of the company. The financial statement and balance sheet of the company are not reflecting the true health and position of the company. In order to ensure the financial statement of the company reflect the true and real state of affairs and position of the Company, and that the Capital which is lost due to past accumulated losses is no longer reflected in and continued to be shown on the facts of the balance sheet of the Company, it is necessary to write off the securities premium and the capital which is lost and not represented by any tangible assets.
- b. In order to get a fresh infusion of funds for the revival of business operations, which otherwise due to the presence of continuous losses is not possible, the promoters of the petitioner company have proposed restructuring in a manner that the accumulated losses get cleaned up to the extent possible.
- c. In such circumstances it is desired that the capital structure of the Company should be reorganized. Hence, the Board of Directors has decided that accumulated losses should be written-off against Securities Premium available in the Company's Account and written-off share Capital up to maximum possible extent, i.e. the Paid-up Equity Shares Capital of the Company be reduced by 98%.



- d. The reduction of capital in the manner proposed would enable the company to have a rational structure which is commensurate with its remaining business and assets.
- e. The proposed reduction will be for the benefit of the Company and its shareholders, creditors and all concerned as whole.
- f. The Scheme of Reduction, after full implementation, will result in making its balance sheet leaner and downsized.
- g. The reflection of the true financial statement of the Company would ensure the company to attract a new source of revenue.
- h. The Scheme will enable the Company to overcome its financial difficulties and improve its work in the future and in turn enhancement of its shareholder's value.
- i. The financial structuring will help the company to reflect better its operational efficiency and improvements in the future years and reflect the true share value.

PARTS OF THE SCHEME

The Scheme is divided into the following parts:

- a. PART- I which deals with the Definitions, Interpretations, Capital Structure;
- b. PART II deals with the Reduction of share capital of the Company,
and;
- c. PART- III deals with general Terms and Conditions applicable to the Scheme.

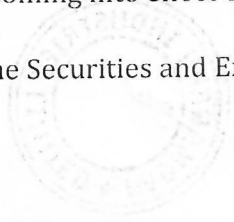


PART - I

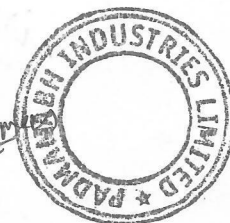
1. DEFINITIONS

In this scheme unless repugnant to the meaning or context thereof, the following expressions shall have the meaning as mentioned herein below:

- 1.1** 'Act' means the Companies Act, 2013, as the case may be, the rules and regulations made thereunder and will include any statutory modifications, re-enactments and/or amendments thereof from time to time;
- 1.2** 'Appointed Date' means 30th June 2023 or such other date as may be approved by the Tribunal or such other appropriate authority;
- 1.3** 'Accumulated Losses' means the losses that have been carried forward from previous years and the amount shown in the audited balance sheet of the Company as on 31st March, 2023;
- 1.4** 'Board' or 'Board of Directors' means Board of Directors of the Company;
- 1.5** 'BSE' shall mean BSE Limited;
- 1.6** 'Company' means Padmanabh Industries Limited, a Company having CIN L17110GJ1994PLC023396 incorporated under the provisions of the Companies Act, 1956 on 24th Day of October, 1994;
- 1.7** 'Listing Regulation' shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;
- 1.8** 'Rules' means National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016.
- 1.9** 'Listing Agreement' shall mean an agreement that is entered into between a recognized stock exchange and an entity, on the application of that entity to the recognized stock exchange undertaking to comply with conditions for listing of designated securities as per the provisions of the Listing Regulations;
- 1.10** 'Record Date' shall mean the date to be fixed by the Board of Directors of the Company for reckoning the shareholding of the equity shareholders which shall be reduced upon coming into effect of this Scheme;
- 1.11** SEBI shall mean the Securities and Exchange Board of India;



Chinag. R. Par...



- 1.12** 'SEBI Circular' means Circular No. CFD/DIL3/CIR/2017/21 dated March 10th, 2017 and other related Circulars issued by SEBI time to time.
- 1.13** 'Stock Exchange' shall mean BSE Limited.
- 1.14** The NCLT shall mean National Company Law Tribunal (NCLT) or such tribunal or any other appropriate forum or authority having jurisdiction to approve the Scheme as per the law for the time being in force;
- 1.15** 'The Effective Date' for the Scheme shall mean the date on which certified copies of the order of the NCLT under Sections 66, Section 52 and Section 55 of the Companies Act, 2013 and other applicable provisions of the Act, if any, are filed with the Registrar of Companies;
- 1.16** 'This Scheme' or 'The Scheme' or 'Scheme' means this scheme of reduction of capital between the Company & its shareholders in its present form or with such alterations/modifications as may be approved by the National Company Law Tribunal (NCLT) of relevant jurisdiction under the applicable law;

All terms and words not defined in the Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, Securities Contract Regulation Act, 1956, Securities and Exchange Board of India Act, 1992, Companies Act, 2013, Depositories Act, 1996, Listing Regulations, Listing Agreement and other applicable laws, rules, regulations, bye laws, as the case may be or statutory modifications or re-enactments thereof from time to time.



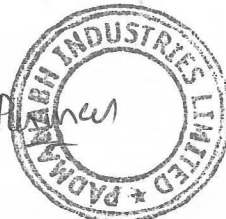
PART - II
REDUCTION OF CAPITAL

1. REDUCTION OF CAPITAL OF THE COMPANY

- 1.1** The company has incurred accumulated losses of Rs. 13,73,26,584/- (Rupees Thirteen Crores Seventy Three Lakhs Twenty-Six Thousand Five Hundred and Eighty-Four) as per the last audited balance sheet i.e. as on 31st March, 2023.
- 1.2** Upon the Scheme becomes effective and after obtaining the necessary approvals, consent, permissions, the Subscribed, Issued and Paid -up Equity Share capital of the Company shall stand reduced from Rs. 6,07,75,000/- (Six Crores Seven lakhs Seventy Five Thousand Only) divided into 60,77,500 (Sixty lakhs Seventy Seven Thousand Five Hundred) Equity Shares of Rs. 10/- (Rupees Ten Only) each to Rs. 12,15,500/- (Rupees Twelve Lakhs Fifteen Thousand Five Hundred Only) divided into 1,21,550 (One Lakh Twenty One Thousand Five Hundred and Fifty) Equity Shares of Rs. 10/- (Rupees Ten Only) each. The aforesaid reduction of paid up equity share capital shall be effected by cancelling 98% holding of equity shareholders of the Company.
- 1.3** For the sake of brevity it is clarified that the reduction of capital does not involve diminution of any liability in respect of unpaid capital of the Company, if any and nor is there any payment on the reduction of share capital. No additional amount shall be called from any of the existing shareholders after capital reduction.
- 1.4** The scheme does not involve any conveyance or transfer of any property of the Company and consequently the order of the Hon'ble National Company Law Tribunal of relevant jurisdiction approving the scheme will not attract any stamp duty, under the Stamp Act, in this regard.
- 1.5** Upon this Scheme becoming effective, the Company shall, without any further application, act, instrument or deed, give effect to the Capital Reduction and the revised structure of the share capital of the company shall be reflected in the books of accounts of the Company in the following manner as on the effective date.



Chirag. R. Alankar



Capital Structure of the Company Post Reduction is as under:

| Particulars | Pre-Reduction Amount (in Rs.) | Post - Reduction Amount (in Rs.) |
|---|--|--|
| Authorized Share Capital | | |
| 75,00,000 Equity Shares of Rupees 10/- each | 7,50,00,000 | 7,50,00,000 |
| Total | 7,50,00,000 | 7,50,00,000 |
| Issued, Subscribed and Paid-up Capital | | |
| Equity Share Capital of the Company | 6,07,75,000 | 12,15,500 |
| | (60,77,500 Equity Shares of Rs. 10/- each) | (1,21,550 Equity Shares of Rs.10/- Each) |
| Total | 6,07,75,000 | 12,15,500 |

The Pre and Post Reduction Shareholding pattern of the Company will be as follows:

| Sr. No. | Category | Pre- Scheme (Equity Shares of Rs. 10/- each) | | Post- Scheme (Equity Shares of Rs. 10/- each) | |
|---------|--------------------------------|--|---------------|---|---------------|
| | | No. of Shares | % | No. of Shares | % |
| 1. | Promoter(s) and Promoter Group | 1,34,600 | 2.21 | 2,692 | 2.21 |
| 2. | Non - Promoter (Public) | 59,42,900 | 97.79 | 1,18,858 | 97.79 |
| | Total | 6077500 | 100.00 | 1,21,550 | 100.00 |

1.6 Upon the scheme coming into effect, with the above reduction of the equity share capital of the company in accordance with the above clause:

Existing 60,77,500 Equity Shares of Rupees 10/- each shall be reorganized into 1,21,550 Equity Shares of Rupees 10/- each fully paid up. Consequently, every shareholders of the Company whose name appear on the register of members on the Record date shall be issued 2 (Two) equity shares of face value of Rs. 10/- (Rupees Ten) each fully paid up for every

Chinag. R. Parmar



100 (Hundred) equity shares of held Rs. 10/- (Rupees Ten) each fully paid up by them in the company prior to the Scheme.

- 1.7 No shareholder shall be entitled to a fraction of a share and all fractional entitlements resulting from the consolidation shall be aggregated into whole shares and the number of shares so arising shall be held by the Trust / Trustee appointed by the Board who shall dispose-off the said shares in the market at the best available price within 90 days from the date of allotment of shares in one or more lots. The Trustee shall severally hold the net sale proceeds of all such shares after deducting that from all costs, charges and expenses of such sale and shall thereafter distribute such sale proceeds to the members of the Company in proportion to their fractional entitlements.
- 1.8 The Company shall be empowered to advise the depository participant of the shareholders holding shares in the dematerialized form, on the record date, about the information of shareholding arising out of capital reduction pursuant to this scheme, for substitution thereof or in lieu of the certificate of the equity shares held by them before such capital reduction.
- 1.9 Those equity shareholders of the Company who continue to hold their shares in physical form as on Record date shall be issued and delivered fresh share certificate consequent upon the reorganization of capital irrespective of whether such equity shareholders surrender their old share certificate or not. Their original share certificate shall be deemed to be cancelled and non -usable and non-tradable on any stock exchange or otherwise from and after the record date. The stock exchange shall also be intimated, on the Record date of the non- tradability of the original share certificate so that they can intimate their company's members by public notice displayed on the Notice Board and through electronic means.

2. APPROVAL OF THE EQUITY SHAREHOLDERS

- 2.1 The scheme is required to be shareholders approved by the equity pursuant Section 66 of the Companies Act, 2013.
- 2.2 It is clarified that the approval of the members of the Company to the Scheme shall be deemed to be their consent / approvals also to the alteration of the Memorandum and Article of Association of the Company and consent / approval to any other applicable provisions as may be required under the act or any other applicable laws, rules and regulations.

Chirag R.



3. EFFECTS AND IMPACT OF THE SCHEME

3.1 The consent of the members of the Company to this Scheme of Reduction of Equity share Capital of the Company shall be taken through a resolution under the provisions of Section 66 of the Companies Act, 2013.

3.2 The restructuring will also not cause any prejudice to the creditors of the Company. For sake of clarity, it is specified that the reduction in share capital does not involve either diminution of any liability in respect of any unpaid capital or the payment to any shareholders or any paid -up capital or is any call being waived. The creditors of the company are in no way affected by the proposed restructuring by way of the reduction of capital as there is no reduction in the amount payable to any of the creditors, no compromise or arrangement is contemplated with the creditors.

3.3 The restructuring will also not cause any prejudice to the shareholders of the Company because due to losses incurred by the company the capital to be written off has already been lost and not represented by any tangible assets. Further the shareholding pattern of the Company Pre and Post implementation of the Scheme shall remain same.

3.4 Impact of the Scheme on Employees / workers

The Scheme shall not have any adverse impact on the employees and workers of the Company.

3.5 Impact of the Scheme on Creditors / Bank

The scheme will not have any adverse impact on any of the Company's creditors / bank / financial institutions and lenders. They would in fact be generally benefited as the Scheme would help improving the financial position of the Company. The Scheme will help the revival of the Company which will be in the interest of the Company's creditors/ banks financial institutions and lenders.

3.6 Effect on Legal Proceeding

The scheme would not affect any legal or another proceeding by or against the Company.

3.7 Notwithstanding the reduction as mentioned above, the Company shall not be required to add "and reduction" as suffix to its name and the Company shall continue with its existing name.

3.8 The provisions of this Part shall operate notwithstanding anything to the contrary in this scheme.

Chinag. R. Raman



PART - III

GENERAL TERMS AND CONDITIONS APPLICABLE TO THE SCHEME

1. APPLICATION TO THE NATIONAL COMPANY LAW TRIBUNAL

The company shall make all applications/ petitions as may be required under the applicable laws including but not limited to Section 66 of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013 to the National Company law Tribunal of relevant jurisdiction for obtaining the sanction of the NCLT of this scheme of Reduction of Share Capital under Section 66 of the Companies Act, 2013 and for such orders for carrying this scheme into effect.

2. CONDITIONALITY OF SCHEME

The Scheme is conditional upon and subject to:

- a. The Company obtaining the observation letter from the designated Stock Exchange for the implementation of the Scheme.
- b. The Scheme being agreed to by the respective requisite majorities of members of the Company as required under the Act.
- c. The requisite sanctions and approvals under the applicable law including but not limited to approvals, sanctions required under the SEBI Circular (CFD/DII3/CIR/2017/21) dated March 10, 2017 issued by the SEBI read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and as may be required by law in respect of this Scheme being obtained.
- d. The Scheme being approved by the National Company Law Tribunal under Section 66 of the Companies Act, 2013, read with all other applicable provisions if any, of the Act or of such other authority having jurisdiction under applicable law, being obtained.
- e. The certified copy of the above order of the NCLT sanctioning this Scheme being filed with the Registrar of Companies, Ahmedabad.



chirag R.



3. ACCOUNTING TREATMENT

Upon the Scheme becoming effective, Reduction of Capital of the Company will be accounted for in accordance with the applicable provisions of the Companies Act, 2013, Accounting Standards prescribed under section 133 of the Companies Act, 2013, and Generally Accepted Accounting Principles in India (Indian GAAP), as the case may be.

Following are the salient features of the accounting treatment to be given:

- a. Upon reduction of Capital, the total issued and paid-up Equity Share Capital of the Company shall be reduced from Rs. 6,07,75,000 (Rupees Six Crores Seven Lakhs Seventy-Five Thousand Only) divided into 60,77,500 (Sixty Lakhs Seventy-Seven Thousand Five Hundred) Equity Shares of Rs. 10/- (Rupees Ten Only) each fully paid-up to Rs. 12,15,500 (Rupees Twelve Lakhs Fifteen Thousand Five Hundred Only) divided into 1,21,550 (One Lakh Twenty-One Thousand Five Hundred Fifty) Equity Shares of Rs. 10/- (Rupees Ten Only) each fully paid-up.
- b. The Company has Total Loss of Rs. 13,73,26,584/- and the Securities Premium is Rs. 7,65,00,000/-, hence the Company's Total Loss of Rs. 13,73,26,584/- will be written off against Securities Premium of Rs. 7,65,00,000/- and Rs. 5,95,59,500/- will be written off to the extent of the amount of the aforesaid reduction of paid-up share capital and remaining Debit balance of Rs. 12,67,084/- remains in the Debit in the Profit and Loss account in the book of Account.

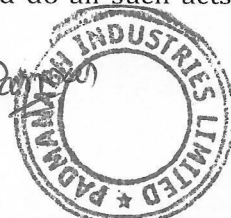
4. COSTS, CHARGES AND EXPENSES

All past, present and future costs, charges, levies, duties and expenses in relation to or in connection with or incidental to the Scheme or the implementation thereof shall be borne by the Company and all of the above costs shall be treated as costs relating to the Scheme.

5. MODIFICATIONS/ AMENDMENTS OF THE SCHEME

The Company, by its Board or such other person or persons, as the Board may authorize, may make, or affect or assent to any modification or amendment of the Scheme which the National Company Law Tribunal and/or any other authorities under law may deem fit to direct or impose or which may otherwise be considered necessary or desirable by the Board for settling any question or doubt or difficulty that may arise for implementing and/or carrying out the Scheme or otherwise howsoever arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith, as may be considered by the Board to be in the best interest of the Company and its members including the withdrawal of the Scheme, and do all such acts, deeds

Chirag. R. Parth



and things as may be necessary, desirable or expedient for giving effect to the Scheme.

6. SEVERABILITY

If, in the opinion of the Board, any part of the Scheme is found to be unworkable for any reason whatsoever, the same shall not affect the validity or implementation of other parts or provisions of the Scheme. If any part of this Scheme is hereof is invalid, ruled illegal by any appropriate authority of competent jurisdiction, or unenforceable under present or future laws, then it is the intention of the Board that such shall be severable part from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become material adverse, in which case the Board shall attempt to bring a suitable modification to the Scheme. The Board shall be entitled to revoke, cancel and declare the Scheme of no effect, if the Board is of the view that the coming into effect of the Scheme would have adverse implications on the Company.

7. EFFECT OF NON-RECEIPT OF APPROVALS / SANCTIONS

In the event of any of the aforesaid sanctions and approvals not being obtained and/ or the Scheme not being sanctioned by the National Company Law Tribunal and/ or the order or orders not being passed as aforesaid, the Scheme shall become null and void, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/ or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law and the Company shall bear and pay the costs, charges and expenses for or in connection with the Scheme.

8. THE FORM OF MINUTE PROPOSED TO BE REGISTERED UNDER SECTION 66(5) OF THE COMPANIES ACT, 2013 IS AS FOLLOWS:

The Paid-up Share Capital of the Company shall stand reduced from Rs. 6,07,75,000 (Rupees Six Crores Seven Lakhs Seventy Five Thousand Only) divided into 60,77,500 (Sixty Lakhs Seventy Seven Thousand Five Hundred) Equity Shares of Rs. 10/- (Rupees Ten Only) each fully paid-up to Rs. 12,15,500 (Rupees Twelve Lakhs Fifteen Thousand Five Hundred Only) divided into 1,21,550 (One Lakh Twenty One Thousand Five Hundred Fifty) Equity Shares of Rs. 10/- (Rupees Ten Only) each fully paid-up.

Chirag R.



9. CONDUCT OF BUSINESS:

Nothing contained in the Scheme shall affect the conduct of the business of the Company and for any deeds, bonds, contracts, agreements and any other instruments to which the Company is a Party and/ or any legal or other proceedings by or against the Company.

Chinag. P.

Per (Signature)

