



MAFATLAL INDUSTRIES LIMITED

Regd. Office : 301-302, Heritage Horizon, 3rd Floor, off. C.G. Road,
Navrangpura, Ahmedabad 380009. Email : ahmedabad@mafatlals.com
Tel. 079-26444404-06, Fax : 079 26444403
Corp. Off. : Mafatlal House, 5th Floor, H.T. Parekh Marg,
Backbay Reclamation, Churchgate, Mumbai - 400 020.
Tel. 91 022 6617 3636, Fax : 91 022 6635 7633
CIN : L17110GJ1913PLC000035 Website : www.mafatlals.com

29th April, 2024

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001
BSE Code: 500264

Dear Sir/ Madam,

Sub.: Intimation of receipt of Order of the Hon'ble National Company Law Tribunal, Ahmedabad Bench, approving the Scheme of Arrangement between Mafatlal Industries Limited ("Company") and its shareholders for reduction and reorganisation of the Capital of the Company under Section 230 and other applicable provisions of the Companies Act, 2013 ("Act") ("Scheme").

With reference to the above cited subject, we would like to inform that the Hon'ble National Company Law Tribunal, Ahmedabad Bench ('Hon'ble Tribunal' / "NCLT") had on 29th April, 2024 pronounced its' Order approving the Scheme of Arrangement between Mafatlal Industries Limited ("Company") and its shareholders for reduction and reorganisation of the Capital of the Company under Section 230 and other applicable provisions of the Companies Act, 2013 ("Act") ("Scheme").

The Tribunal has issued an electronic copy of the order sanctioning the Scheme on 29th April, 2024 which is enclosed and is also available on the website of the Company and Tribunal. The Company is awaiting a certified copy of the NCLT Ahmedabad Bench Order. As a certified true copy of the NCLT order will be received by the company, it will be disseminated to BSE Ltd. for the information of stakeholders.

Kindly take it on record.

Thanking you,

FOR MAFATLAL INDUSTRIES LIMITED

AMISH SHAH
COMPANY SECRETARY
Encl.: as above



ARVIND MAFATLAL GROUP
The ethics of excellence

IN THE NATIONAL COMPANY LAW TRIBUNAL
AHMEDABAD
DIVISION BENCH
COURT - 1

ITEM No. 301
CP(CAA)/09(AHM)2024 in
CA(CAA)/61(AHM)2023

Order under Section 230-232 of Co Act, 2013

In The Matter Of:

Mafatlal Industries Ltd.

.....Applicant

.....Respondent

Order delivered on: 29/04/2024

Coram:

Mr. Shammi Khan, Hon'ble Member(J)

Mr. Sameer Kakar, Hon'ble Member(T)

PRESENT:

For the Applicant :

For the Respondent :

ORDER

The case is fixed for the pronouncement of the order. The order is pronounced in the open court, vide separate sheet.

-SD-

SAMEER KAKAR
MEMBER (TECHNICAL)

-SD-

SHAMMI KHAN
MEMBER (JUDICIAL)

**IN THE NATIONAL COMPANY LAW TRIBUNAL,
DIVISION BENCH - I, AHMEDABAD**

**CP(CAA) No.09/NCLT/AHM/2024
in
CA(CAA) No. 61/NCLT/AHM/2023**

[Application under section 230-232 and other applicable Provisions of the Companies Act, 2013 read with the Companies (Compromise, Arrangement and Amalgamation) Rules, 2016]

**In the matter of the Scheme of reduction and
reorganization of the capital**

MAFATLAL INDUSTRIES LIMITED

CIN NO: L17110GJ1913PLC000035

Having its office at

301-302, Heritage Horizon, Third Floor,
Off. C.G. Road, Navrangpura, Ahmedabad
Gujarat – 380009

... Applicant Company

Order pronounced on: 29.04.2024

CORAM:

Sh. SHAMMI KHAN, HON'BLE MEMBER (JUDICIAL)

Sh. SAMEER KAKAR, MEMBER (TECHNICAL)

For the Applicant : Mr. Saurabh Soparkar, Senior Adv.
a. w. Mr. Arjun Sheth, Advocate

For the RD : Mr. Shiv Pal Singh, Deputy Director

For the Income Tax : Ms. Bhumi Gandhi, Proxy Advocate
for Ms. Maithili Mehta, Advocate

ORDER

1. The present Company Petition has been filed by the Petitioner Company above named for the purpose of the approval of the Scheme of Arrangement in the nature of reduction and reorganization of the capital of **Mafatlal Industries Limited** (for brevity “Applicant Company”), under section 230-232 of Companies Act, 2013, and other applicable provisions of the Companies Act, 2013 read with Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 (for brevity ‘the Rules’) (hereinafter referred to as the ‘SCHEME’) pursuant to the Scheme proposed by the Petitioner Company and the said Scheme is also annexed at "**Annexure E**" of the Petition.
2. The Scheme inter alia provides for the Arrangement in the nature of reduction and reorganization of the capital of Mafatlal Industries Limited.
3. Affidavit in support of the above Petition was sworn on behalf of the Petitioner Companies and has been filed by Mr. Amish Shah for the Applicant Company along

with the Petition. The above-named Authorised Signatories of Petitioner Company have been authorized vide Board Resolution dated 14.11.2022 passed by the Petitioner Company.

4. **1ST MOTION APPLICATION – IN BRIEF**

4.1 The Petitioner Company have filed the First Motion Application vide CA(CAA) No. 61/NCLT/AHM/2023 seeking reliefs as follows: -

| | EQUITY SHAREHOLDERS | SECURED CREDITORS | UNSECURED CREDITORS |
|--------------------------|----------------------------|--------------------------|----------------------------|
| APPLICANT COMPANY | To order meeting | To Dispense with | To dispense with |

4.2 Based on such application moved under Sections 230-232 of the Companies Act, 2013; directions were issued by this Tribunal, vide order dated **19.12.2023**, To order meeting of:

- a) Equity Shareholder, Secured Creditor and Unsecured Creditor of the Applicant Company on 24.01.2024 at 11:00 AM, 01:00 PM and 02:00 PM respectively.

- 4.3 Accordingly, the Tribunal has appointed Mr. Anil Kumar, Advocate as the Chairperson and Mr. Hitesh Buch, Practicing Company Secretary as the Scrutinizer of the meeting(s) and gave directions to comply with various stipulations contained in the Order including filing of the Chairperson's Report.
- 4.4 This Tribunal also directed issuance of notices to statutory authorities viz. **i)** the Central Government through the Regional Director, North Western Region, **ii)** Registrar of Companies, Gujarat, **iii)** Income-Tax Authority, **iv)** the Official Liquidator and **v)** Reserve Bank of India stating that the representations, if any, to be made by them within a period of 30 days from the date of receipt of such notice.
- 4.5 In compliance of the order dated 19.12.2023 made by this Tribunal in CA (CAA) No. 61 of 2023, The Applicant filed an affidavit on 18.01.2024 regarding serving of notice of the meetings to Equity Shreholder, Secured Creditors and Unsecured Creditors of the Applicant Company and advertisement of notice of

meetings. The Petitioner Companies have sent notice to statutory authorities on 26.12.2023 and filed affidavit regarding service of notice to the aforesaid statutory authorities on 18.01.2023.

4.6 The Chairperson Mr. Anil Kumar has submitted Report along with scrutinizer's Report on the meeting of Equity Shareholder, Secured Creditors and Unsecured Creditors of Applicant Company on 24.01.2024 with the Tribunal. From the Chairperson's report, it is observed that the Equity Shareholder, Secured Creditors and Unsecured Creditors of the Applicant Company had consented in favour of the Scheme. The said Chairperson's report with regards to Equity shareholder, Secured creditors and Unsecured Creditors are annexed at ***Annexure M, N and O*** respectively of the Petition.

5. **RATIONALE OF THE SCHEME**

5.1. The rationale of the Scheme of reduction and reorganization of the capital of the Applicant Company stated in the proposed Scheme is as under: -

- i. The Company had suffered substantial losses during the past few years, due to which the Company's retained earnings had turned negative.
- ii. During the financial years 2020-21 and 2021-22, the Company implemented several strategic cost control measures, and evolved towards an asset-light model marked by lower overheads and liabilities.
- iii. During the financial year 2021-22, the Company further strengthened the effectiveness of its manufacturing operations, improved the inventory turnaround time and widened its marketing cum distribution network.
- iv. Despite generating substantial profits during the financial year 2021-22, the Company continues to carry a debit balance of Retained Earnings (as defined hereinbefore under sub-clause 1.1 of clause 1 "Definitions") on its balance sheet as on 31 March 2022. At the same time, the Company has unutilized balances lying under various reserves, which are neither earmarked for any

specific purpose, nor have any lien marked thereon and/or obligation attached thereto.

- v. In the circumstances, the Company is of the view that the financial statements of the Company are not reflective of its true current financial health and therefore, it is necessary to reduce and reorganize the capital of the Company.
- vi. The Scheme proposes to set-off the debit balance of Retained Earnings of the Company as on the Appointed Date against the credit balance lying under various reserves as specified herein.
- vii. The proposed reduction and reorganization of the capital is in the interest of the Company, its shareholders, creditors and all concerned stakeholders. If the Scheme is approved, the books of the Company would present a fair representation of the financial position of the company, and would enable the Company to explore opportunities for the benefit of its shareholders.

6. In the second motion application filed by the Petitioner Companies, this Tribunal vide order dated directed the Petitioner Companies to issue notice to the Statutory / Regulatory Authorities viz. (i) the Central Government through Regional Director, North Western Region, (ii) the Registrar of Companies, Gujarat (iii) the Income-Tax Authority (iv) BSE Limited and other sectoral regulators, who may govern the working of the respective company, as well as for paper publication to be made in **“Financial Express”** in English language (All India Edition) and **“Financial Express”** in Vernacular Language (Gujarat Edition).
7. In compliance to the said directions issued by this Tribunal, the Petitioner Companies have filed an affidavit of service before the Registry of this Tribunal on **13.03.2024** and a perusal of the same discloses that the Petitioner Companies have effected paper publications as directed by the Tribunal in the **“Financial Express”** in English language (All India Edition) and **“Financial Express”** in Vernacular

Language (Gujarat Edition) on 02.03.2024. It is also seen that notices have been also served to (i) the Central Government through Regional Director, North Western Region, (ii) the Registrar of Companies, Gujarat (iii) the Income-Tax Authority, (iv) BSE Limited on 20.02.2024 and the proof of the same by way of affidavits have been enclosed with the separate typed set. Pursuant to the service of notice of the petition the following statutory authorities have responded as follows: -

STATUTORY AUTHORITIES

8. REGIONAL DIRECTOR

8.1 The Regional Director, North Western Region, MCA, and RoC, Ahmedabad have filed their observations before this Tribunal on 18.03.2024 under Inward Diary No. R120 making the following observations: -

Observations of ROC are as under:

- i. It is stated that the Registrar of Companies, Ahmedabad, Gujarat has reported that there

are no complaints and Technical Scrutiny are pending against the Petitioner company.

- ii. It is further stated that the ROC has reported that inspection has been conducted in the Directorate under Section 206 (5) of the Companies Act, 2013 against the Applicant company pursuant to the Ministry's F No. 07/57/2016/CL-II(WR) dated 20.06.2016. This office has complied with the directions received from the Ministry / Directorate and accordingly submitted Action Taken Report (ATR) to the Ministry/ Directorate vide this office letter dated 18.10.2019.
- iii. It is stated that as per the available record of ROC office, ROC has filed prosecutions under Section 158, Section 129 r.w. Section. 133 (04 Counts), Section 143(4counts) and Section 134(3)(f) of the Companies Act, 2013 against the Applicant Company and its Officers in default. The aforesaid prosecutions are pending before the Competent Court. Apart from above, the

ROC has also mentioned certain observations, a copy of the ROC report is enclosed and marked as Annexure-A to the representation.

Observations of RD are as under:

- i. It is stated that direct the Petitioner Companies to file an affidavit to the extent that the Scheme enclosed to the Company Application and Company Petition are one and same and there is no discrepancy, or no change is made.
- ii. It is stated that the Appointed Date/ Transfer Date is 01.04.2022 as per para 1.1 of the Scheme, however, company application was filed on 10.10.2023 after one year from Appointed Date. As per para 6 (c) of MCA Circular no. 09/2019 dt 21.08.2019 have stated that "if the 'appointed date' is significantly ante-dated beyond a year from the date of filing, the justification for the same would have to be specifically brought out in the scheme and it should not be against public interest". On examination of the scheme, It appears that no justification has mentioned in the

scheme about gap of more than one year in filing of application and appointed date.

- iii. It is submitted that applicant petitioner company is listed with the BSE and Petitioner company has submitted with the office of the Regional Director, the copy of observation letters dated 22.08.2023 issued by Bombay Stock Exchanges to the petitioner company pursuant to the SEBI master circular No. SEBI/HO/CFD / DIL1/CIR/P/2021 /665 dated 23.11.2021 for necessary compliance. The SEBI's circulars are intended to ensure compliances by listed companies in the interest of shareholders at large. This office is of the view that the SEBI circulars which are applicable and the petitioner company should comply with the requirements of the circular.

8.2 The Petitioner Companies have filed an Additional Affidavit dated 19.03.2024 before this Tribunal on 20.03.2024 in response to observation of **Regional Director** and the **Registrar of Companies** with the following response:

- i. With respect to contents of paragraph no. 6(iii), it is submitted that prosecutions against the Petitioner company are pending and the same is being heard by the competent court as per the law and the Petitioner Company shall abide by the decision of the concerned proceedings in accordance with law.
- ii. With respect to contents of paragraph no. 7(i), it is stated that the Scheme enclosed to the Company Application i.e., CA (CAA) No. 61(AHM) of 2023 and Company Petition i.e., CP (CAA) No. 9(AHM) of 2024 are one and same and there is no discrepancy, or no change is made.
- iii. With respect to paragraph no. 7(ii), it is stated that the Board of Directors of the Petitioner Company at the meeting of its Board of Directors held on 14.11.2022, approved the Scheme of Arrangement between Mafatlal Industries Limited and its shareholders for reduction and reorganization of the capital of Mafatlal Industries Limited ("the Scheme").

- iv. It is stated that as per Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with sub para 1.5 of Para A.1. of Annexure- I of Circular bearing number CIR/CFD/CMD/4/2015 dated 9th September, 2015, issued by SEBI, the petitioner company had intimated the outcome of the meeting of the Board of Directors of the petitioner company held on 14.11.2022 to BSE Limited vide its letter dt. 14.11.2022.
- v. It is further stated as per Regulation 37(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the listed entity shall not file any scheme of arrangement under sections 391-394 and 101 of the Companies Act, 1956 or under Sections 230-234 and 66 of Companies Act, 2013, whichever applicable with any court or Tribunal unless it has obtained observation letter or No- objection letter from the stock exchange(s). Therefore, the Petitioner Company had by their letter dt.

23.11.2022 addressed to BSE Limited, had sought their in-principal approval to the Scheme pursuant to Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Copy of the letter dated 23.11.2022 written by Applicant to BSE Limited is annexed hereto and marked as Annexure- [B].

- vi. It is stated that the BSE Limited issued an observation letter dt. **22.08.2023** regarding the said Scheme which is annexed with the captioned petition at Annexure- H. That, after the receipt of the in-principal approval received by the BSE Limited, the petitioner company on 10.10.2023 filed the Company Application bearing CA (CAA) No. 61 (AHM) of 2023. Hence, the gap of filing the Company Application after a period of more than one year from the appointed date is explained accordingly.
- vii. With respect to paragraph no. 7(iii), the Petitioner Company undertakes to comply with

the observations letter dt. 22.08.2023 issued by BSE Limited to the Petitioner Company.

- viii. With respect to paragraph no. 8(ii), it is stated that the petitioner company undertakes to pay the statutory liabilities in accordance with law.
- ix. With respect to paragraph no. 8(iii), it is stated that the petitioner company shall comply with the provisions of section 232(5) of the Companies Act, 2013 with respect to file certified copy of order sanctioning the scheme with Registrar of Companies within 30 days from the date of passing order
- x. With respect to paragraph no. 8(iv), the petitioner company undertakes to comply with Income Tax/ GST law and any demand/ taxes payable on implementation of the Scheme as per law.

9. **INCOME TAX DEPARTMENT:**

- 9.1 The Income Tax Department had filed its report dated 01.01.2024 to this Tribunal on 17.04.2024 under inward diary no. R153 with respect to Mafatlal Industries Limited. In the said report it is stated that

the total outstanding amount of 18,35,25,433/- is due and the proceeding of penalty u/s. 271(1)(c) of the Income tax Act, 1961.

9.2 It is further stated in para 6 of the report that this office has no objection to the proposed scheme filed for reduction and reorganisation of share capital of Mafatlal Industries Limited.

10. Order dated 18.04.2024 records that the Income Tax Department has no objection to the proposed scheme filed by Mafatlal Industries Limited. However, it stated that the 'no objection' should not be considered as to acceptance of tax neutrality of the scheme to which the applicant company has also filed an additional affidavit dated 18.04.2024. The same observation has been observed and considered in Para 11 of the said affidavit which is reproduced as under:-

"That, in para. 6 of the report dated 01.01.2024 of the Income Tax Department, the Income Tax Department has given its no objection to the proposed Scheme. Further, the Petitioner Company does not have any objection with respect to the contents of the said para. 6 of the Report dated 01.01.2024 given by the Income Tax Department."

It is further stated that the Deputy Director of the RD office has no objection to the approval of the scheme.

11. It is submitted that the Petitioner filed an additional Affidavit on 18.04.2024 under inward diary No. D3375 to place on record that a resolution is passed by the Board of Directors on 16.04.2024 with regards to the Effective date of the Scheme to be on 31.03.2024. The Senior Counsel appeared on behalf of the Petitioner stated that It is very crucial for the Petitioner Company to get the Effective Date on 31.03.2024 as anything beyond that will make the steps contemplated under the scheme of the company in vain. It is further stated that the certified copy of the letter dated 01.04.2024 filed by the Income tax Department to put on record.

12. **ACCOUNTING TREATMENT**

12.1 The Petitioner Companies have annexed a copy of the certificate issued by the statutory auditor of the Petitioner Companies, to the effect that the accounting treatment specified in the Scheme of Arrangement is in conformity with the accounting standards

prescribed under Section 133 of the Companies Act, 2013 at ***Annexure – P of the Petition.***

13. **OBSERVATIONS OF THIS TRIBUNAL**

- A. After analysing the Scheme in detail, this Tribunal is of the considered view that the scheme as contemplated amongst the petitioner company seems to be *prima facie* beneficial to the Company and will not be in any way detrimental to the interest of the shareholders of the Company. Considering the record placed before this Tribunal and since all the requisite statutory compliances have been fulfilled, this Tribunal sanctions the Scheme of Arrangement appended at "***Annexure A***" of the Applicant Company to the typed set filed along with the Company Petition as well as the prayer made therein.
- B. The Learned Counsel for the Petitioner companies submitted that no investigation proceedings are pending against the Transferor or Transferee Companies under the provisions of the Companies

Act, 1956 or the Companies Act, 2013 and no proceedings against the petitioner companies for oppression or mismanagement have been filed before this Tribunal or erstwhile Company Law Board.

- C. Notwithstanding the above, if there is any deficiency found or, violation committed qua any enactment, statutory rule or regulation, the sanction granted by this Tribunal will not come in the way of action being taken, albeit, in accordance with law, against the concerned persons, directors and officials of the petitioner.
- D. While approving the Scheme as above, it is clarified that this order should not be construed as an order in any way granting approval of the said loan assignments and exemption from payment of stamp duty, taxes, or any other charges, if any, payment is due or required in accordance with law or in respect to any permission/compliance with any other

requirement which may be specifically required under any law.

E. It is seen that Petitioner pressed through an additional affidavit dated 18.04.2024 that the effective date of the scheme be considered and fixed as 31.03.2024 as a Resolution to that effect is also passed by the Board of Directors of the petitioner Company vide meeting held on 16.04.2024. It is also stated that it will not change the materiality of the Scheme and will be of advantage and beneficial to the Company.

F. It is stated in the Scheme with regards to the Appointed date and Effective Date:

- “Appointed Date” means 1st April 2022 or such date as may be approved by the Tribunal
- “Effective Date” means the day on which last of the conditions specific in clause 13 (Conditions Precedent) of this Scheme are complied with or otherwise duly waived;

Refernece in this scheme to the date of “coming into effect of this scheme” or

“effectiveness of this scheme” or effect of this scheme” or upon the scheme becoming effective” shall mean the Effective Date;

- Condition Precedent

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

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

- a. Approval of the Scheme by the requisite majority of the shareholders and/ or creditors of the Company, as applicable or as may be required under the Act and as may be directed by the Tribunal;
- b. The sanctions and orders of the Tribunal as may be applicable, under Sections 230 to 232 of the Act being obtained by the Company; and
- c. The certified copy of the orders of the Tribunal being filed with the RoC by the Company.

- d. The requisite consent approval or permission of any Appropriate Authority which by applicable law may be necessary for the implementation of this Scheme.
- e. It is hereby clarified that submission of this Scheme to the Tribunal and to the Appropriate Authorities for their respective approvals is without prejudice to all rights, interests, titles or defences that Company may have under or pursuant to all applicable laws.

14. **THIS TRIBUNAL DO FURTHER ORDER:**

- i. The Scheme of Arrangement as annexed herewith as **“Annexure A”** is hereby sanctioned and it is declared that same shall be binding on the Petitioner Companies and their Shareholders and Creditors and all concerned under the scheme;
- ii. In view of the Judgment of NCLAT in the matter of Sterlite Ports Limited Vs Regional Director Southern Region stating that the NCLT has powers under Rule 11 of the NCLT Rules, 2016, with regards to the appointed and effective dates. Therefore by invoking

Rule 11 in the interest of Justice we hereby direct that the **Appointed/Effective Date** of the Scheme be **31.03.2024**.

iii. Consideration/ Issue of Shares:

- Upon the Scheme becoming effective, the credit balance of following reserves as appearing in books of accounts of the Company as on the Appointed Date, shall be adjusted against the entire debit balance of the Retained Earnings of the Company as on the Appointed Date, to the extent permissible under Law, in the following chronological order:
 - a) Entire credit balance of "Capital Reserve No. 1";
 - b) Entire credit balance of "Capital Reserve No. 2";
 - c) Entire credit balance of "Capital Reserve on Amalgamation";
 - d) Entire credit balance of "Capital Redemption Reserve";
 - e) Credit Balance of "Securities Premium", to the extent required (i.e. Rs. 105,31,03,644.00) for adjustment of remaining debit balance of the Retained Earnings of the Company.

- iv. All concerned Authorities to act on the copy of this order along with the Scheme authenticated by the Registrar of this Tribunal shall issue the certified copy of this order along with the Scheme immediately;
- v. The Petitioner Company is further directed to file a copy of this order along with a copy of the Scheme with the concerned Registrar of Companies, electronically, along with e-form INC-28 in addition to a physical copy within 30 days from the date of issuance of the certified copy of the Order by the Registry as per relevant provisions of the Act.
- vi. The legal fees and expenses for the office of the Regional Director are quantified at Rs. 20,000/-. The said fees to the Regional Director shall be paid by the Transferee Company.
- vii. The Income Tax Department will be free to examine the aspect of any tax payable as a result of the sanction of the Scheme and if it is found that the Scheme of Arrangement ultimately results in tax avoidance or is not in accordance with the applicable

provisions of Income Tax Act, then the Income Tax Department shall be at liberty to initiate appropriate course of action as per law. Any sanction of the Scheme of Arrangement under Sections 230-232 of the Income Tax Act, 2013 shall not adversely affect the rights of Income Tax Department or any past, present or future proceedings and the sanction of the scheme shall not come in its way for the appropriate course of action as per law for the tax liabilities, if any.

viii. Any person aggrieved shall be at liberty to apply to this Tribunal for any directions that may be necessary.

15. Accordingly, the Company Petitions stands **allowed** on the aforementioned terms.

-SD-

**SAMEER KAKAR
MEMBER (TECHNICAL)**

-SD-

**SHAMMIKHAN
MEMBER(JUDICIAL)**

ST

Annexure - A

⊕

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

Annexure - A

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

(A) PREAMBLE

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

(B) DESCRIPTION OF THE COMPANY

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

(C) PARTS OF THE SCHEME

The Scheme is divided into the following parts:



For, Mafatlal Industries Limited

Page 1 of 13

Amish Shah
Company Secretary

[Handwritten Signature]



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

PART I

DEFINITIONS AND SHARE CAPITAL

1. DEFINITIONS

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

“Act” means the Companies Act, 2013;

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

“Appropriate Authority” means:

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



For, Mafatla Industries Limited

Amish Shah
Company Secretary



32 (9)

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

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

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

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

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

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

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

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

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

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

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



Page 3 of 13



For, Mafatlal Industries Limited

Amish Shah
Company Secretary



"Stock Exchanges" means BSE Limited;

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

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

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

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

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



Page 4 of 13

For, Mafatal Industries Limited

Anish Shah
Company Secretary



34

G

2. SHARE CAPITAL AND OTHER EQUITY

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

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

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

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

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



Page 5 of 13

For, Mafatlal Industries Limited

Amish Shah
Company Secretary



35

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

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

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

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

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



Page 6 of 13

For, Maatlal Industries Limited

Amish Shah
Company Secretary

3. DATE OF TAKING EFFECT AND IMPLEMENTATION OF THIS SCHEME

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

PART - II

4. RATIONAL FOR THE SCHEME

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



Page 7 of 13

For, Mafatlal Industries Limited

Mish Shah
Company Secretary



37

(8)

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

PART III

REDUCTION AND REORGANIZATION OF CAPITAL OF THE COMPANY

5. REDUCTION AND REORGANIZATION OF CAPITAL OF THE COMPANY

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



Page 8 of 13

For, Mafatal Industries Limited

Shah
Secretary



38

②

- 5.4 The reduction and reorganization of capital of the Company would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital.
- 5.5 Notwithstanding the reduction of capital, as stated in Clause 5.1 above, the Company shall not be required to add "And Reduced" as suffix to its name.
- 5.6 This Scheme is an "arrangement" between the Company and its shareholders under Section 230 of the Act and does not envisage the transfer of vesting of any properties and/or liabilities as contemplated in Sections 230 to 232 and other applicable provisions of the Act. This Scheme does not involve any "conveyance" or "transfer" of any property/liabilities and does not relate to amalgamation or merger or demerger of companies in terms of Sections 230 to 232 of the Act. Accordingly, this Scheme and the order sanctioning this Scheme shall not be deemed to be a conveyance within the meaning of the Gujarat Stamp Act, 1958, and therefore no stamp duty shall be payable on the Scheme and / or the order sanctioning this Scheme.
- 5.7 The utilization of the Capital Reserve No. 1, Capital Reserve No. 2, Capital Reserve on Amalgamation, Capital Redemption Reserve and Securities Premium as aforesaid shall be effected as an integral part of the Scheme and the order of the NCLT sanctioning this Scheme shall be deemed to be an order under section 66 read with section 52 and other applicable provisions of the Act and no separate sanction under section 66 read with section 52 and other applicable provisions of the Act will be necessary.

6. ACCOUNTING TREATMENT IN THE BOOKS OF THE COMPANY

- 6.1 Notwithstanding anything else contained in the Scheme, the Company shall account for reduction and reorganization of capital in its books of account in accordance with Indian Accounting Standards ("IND AS") notified under Section 133 of the Act, under the Companies (Indian Accounting Standard) Rules, 2015, as may be amended from time to time and other accounting principles generally accepted in India, such that:
- 6.1.1 The credit balances of the below mentioned reserves in books of accounts of the Company as on the Appointed Date shall be reclassified and credited to the Retained Earnings of the Company as on the Appointed Date, so as to set off the debit balance of Retained Earnings to the extent of Rs. 226,44,81,517.00 (Rupees Two hundred and



Page 9 of 13

For, Mafatal Industries Limited

Amish Shah
Company Secretary



39

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

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

PART IV

GENERAL TERMS & CONDITIONS

7. EMPLOYEES

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



Page 10 of 13

For, Mafatlal Industries Limited

Amish Shah
Company Secretary



~~11~~

no

8. CREDITORS

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

9. COMPLIANCE WITH TAX LAWS

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

10. LEGAL PROCEEDINGS

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

11. APPLICATIONS/PETITIONS TO THE TRIBUNAL

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



hl

12

12. MODIFICATION OR AMENDMENTS TO THIS SCHEME

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

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

13. CONDITIONS PRECEDENT

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

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

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

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

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

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

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



For, Mafatlal Industries Limited

Amish Shah
Company Secretary



h2

~~13~~

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

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

15. COSTS AND EXPENSES

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



Page 13 of 13

For, Mafatal Industries Limited

Amish Shah
Company Secretary



11