

# **ALPS INDUSTRIES LIMITED**

**Registered Office at B-2, Loni Road Industrial area, opposite Mohan Nagar,  
Ghaziabad, Uttar Pradesh -201 007**

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<b>Court Convened Meeting of the Creditors of ALPS Industries Limited</b>	<b>CONTENTS</b>	<b>Page No.</b>
Date : 11.03.2010	Notice of Court Convened Meeting of the creditors of ALPS Industries Limited .....	<b>2-3</b>
Day : Thursday	Explanatory Statement under Section 393 of the Companies Act, 1956.....	<b>4-26</b>
Time : 3.00 P.M.	Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956.....	<b>27-49</b>
Venue : 57/2, Site-4, Industrial Area, Shahibabad, Ghaziabad.	Form of Proxy .....	<b>50</b>
	Attendance Slip .....	<b>51</b>

IN THE HON'BLE HIGH COURT OF JUDICATURE AT ALLAHABAD, UTTAR PRADESH  
(ORDINARY ORIGINAL COMPANY JURISDICTION)  
COMPANY APPLICATION NO.3 OF 2010

IN THE MATTER OF COMPANIES ACT, 1956

AND

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

AND

IN THE MATTER OF SCHEME OF COMPROMISE BETWEEN ALPS  
INDUSTRIES LIMITED AND ITS CREDITORS

ALPS INDUSTRIES LIMITED  
A COMPANY INCORPORATED  
UNDER THE COMPANIES ACT, 1956  
HAVING ITS REGISTERED OFFICE AT  
B-2, LONI ROAD INDUSTRIAL AREA (OPP.MOHAN NAGAR)  
GHAZIABAD-201 007

.....**APPLICANT COMPANY**

**NOTICE CONVENING MEETING OF THE CREDITORS OF  
ALPS INDUSTRIES LIMITED, THE APPLICANT COMPANY**

To

The Creditors of **ALPS Industries Limited**, ("the Applicant Company")

Take notice that by an Order dated 8<sup>th</sup> day of February, 2010, in the above Company Application, the Hon'ble High Court of Judicature at Allahabad, Uttar Pradesh has, inter alia, directed for convening of meeting of the Creditors of the Applicant Company for the purpose of considering and, if thought fit, approving with or without modification(s), of the proposed scheme of arrangement/compromise between ALPS Industries Limited ("the Applicant Company" or "AIL") and its creditors.

**TAKE FURTHER NOTICE** that in pursuance of the said Order and as directed therein, a meeting of the creditors of the Applicant Company will be convened and held at 57/2, Site-4, Industrial Area, Sahibabad, Ghaziabad-201 010, on Thursday, 11<sup>th</sup> day of March 2010 at 3.00 P.M., at which place, day, date and time you are requested to attend.

Take further notice that you may attend and vote at the said meeting in person or by proxy, provided that a proxy in the prescribed form, duly signed by you, or your authorized representative, is deposited at the Registered Office of the Applicant Company at B-2, Loni Road

Industrial Area (Opp. Mohan Nagar) Ghaziabad-201 007, not later than 48 hours before the said meeting.

This Hon'ble Court has appointed Mr. Sharad Madhyan, Advocate as Chairperson and failing him Mr. Aditya Pandey, Advocate as Alternate Chairperson of the said meeting.

A copy of the Scheme, the statement under section 393 of the Companies Act, 1956, the Attendance Slip and Form of proxy are enclosed herewith.

Sd/-  
**Mr. Sharad Madhyan**  
**Advocate**  
Chairperson appointed for the meeting

Dated this 10<sup>th</sup> day of February 2009

**Registered Office:**

B-2, Loni Road, Industrial Area  
(Opp. Mohan Nagar) Ghaziabad-201 007

**Notes:**

1. All alterations made in the form of proxy should be initialed.
2. Only Creditors of the Applicant Company may attend and vote (either in person or by proxy or Authorized Representative under section 187 of the Companies Act, 1956) at the Creditors Meeting.

**Enclosed as above**

IN THE HON'BLE HIGH COURT OF JUDICATURE AT ALLAHABAD, UTTAR PRADESH

(ORDINARY ORIGINAL COMPANY JURISDICTION)

COMPANY APPLICATION NO. 3 OF 2010

IN THE MATTER OF COMPANIES ACT, 1956

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ALPS INDUSTRIES LIMITED  
A COMPANY INCORPORATED  
UNDER THE COMPANIES ACT, 1956  
HAVING ITS REGISTERED OFFICE AT  
B-2, LONI ROAD INDUSTRIAL AREA (OPP.MOHAN NAGAR) GHAZIABAD-201 007

..... APPLICANT COMPANY

**EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956.**

1. Pursuant to the Order dated 8<sup>th</sup> day of February, 2010 passed by the Hon'ble High Court of Judicature at Allahabad in the Company Application referred to herein above, a meeting of creditors of the Applicant Company is convened at 57/2, Site-4, Industrial Area, Sahibabad, Ghaziabad-201 010 on Thursday, 11<sup>th</sup> day of March, 2010 at 3.00 P.M for the purpose of considering and if thought fit, approving with or with out modification(s), as embodied in the scheme of Compromise between ALPS Industries Limited ("the Applicant Company" or "AIL") and its creditors ("the scheme)."
2. In this statement ALPS Industries Limited herein after referred to as "AIL" or "the Applicant Company". The other definitions contained in the scheme shall apply to this Explanatory Statement also.
3. The proposed scheme envisages restructuring proposal between the ALPS Industries Limited and its creditors framed under section 391 to 394 and other applicable provisions of the Companies Act, 1956.

4. A copy of the scheme setting out the terms and conditions of the restructuring proposal, which has been approved by the Board of Directors of the Applicant Company on 14<sup>th</sup> day of December, 2009 is forming part of this Explanatory Statement.

5. **BACKGROUND OF THE APPLICANT COMPANY:**

That the Applicant Company bearing CIN No. L51109UP1972PLC003544 was originally incorporated on 11.05.1972 as "ALPS Textiles Private Limited" a private company with limited liability, incorporated under the provisions of the Companies Act, 1956. A Certificate of incorporation was issued by the Registrar of Companies, Kanpur, U.P. Thereafter, on 02.09.1994 consequent to Special resolution in terms of Section 31/ 44 (2) (b) of the Companies Act, 1956, the name of the company was changed to "ALPS Textiles Limited". A fresh certificate for the change of the name of the company was issued by the Registrar of Companies, Kanpur, U.P. pursuant to section 23(1) of the Companies Act, 1956. Further, on 15.11.1994 consequent to necessary resolution in terms of section 21 of the Companies Act, 1956 vide Letter No. 5804/ 3544 dated 15.11.1994, the name of the company was again changed from "ALPS Textiles Limited" to "ALPS Industries Limited". A fresh certificate of incorporation for the change of name of the company was issued by the Registrar of Companies, U.P, Kanpur.

6. That the Registered Office of the Applicant Company is situated at B-2, Loni Road Industrial area, Opposite Mohan Nagar, Ghaziabad, Uttar Pradesh -201 007. Presently, the registered office of the Applicant Company falls within the territorial jurisdiction of this Hon'ble High Court.

7. That the objects for which the Applicant Company was established are set out in its Memorandum and Articles of Association. However, one of the main objects of the Applicant Company is to carry on the business of ginning, processing, spinning, weaving, doubling, manufacturing or dealing in cotton, silk, wool, jute, flax, hemp, rayon, nylon or other fibrous filament substances and the preparation of dyeing or colouring or designing or any of the said substances and the sake of yarn cloth or other manufactured fibrous products.

8. **CAPITAL STRUCTURE**

That the capital structure of the Applicant Company as per audited balance sheet for the 15 months period ended 30.06.2009 is given as under:

<b>Share Capital</b>	<b>Rupees</b>
<b>Authorized Capital</b> 5,20,00,000 Equity shares of Rs.10/- each.	Rs.52,00,00,000
<b>Total: Rupees Fifty Two Crores Only</b>	<b>Rs.52,00,00,000</b>
<b>Issued, Subscribed and Paid up</b> 34514100 Equity share of Rs.10/- each fully	Rs.34,51,41,000

paid up Out of the above, (1,62,57,050 Equity Share of Rs.10/- each have been allotted during the 2006-07 as fully paid up Bonus share by capitalization of General Reserve)	
<b>Total (Rupees Thirty Four Crores Fifty One Lacs Forty One Thousand Only)</b>	<b>Rs.34,51,41,000</b>

Subsequent to the above said date, as per clause 38 of the Articles of Association the authorized share capital of the Applicant Company has been increased from 52.00 Crores to 183.00 crores. In terms of clause V of Memorandum of Association and Article No.3 of the Articles of Association presently, the Authorized Share Capital of the Applicant Company is Rs. 183,00,00,000 (Rupees One Hundred Eighty Three Crores only) consisting of 18,30,00,000 (Eighteen Crores Thirty Lacs only) divided into 4,50,00,000 (Four Crores Fifty Lacs) Equity Shares of Rs. 10/- each and 13,80,00,000 (Thirteen Crores Eighty Lacs) Preference Shares (i.e. cumulative/ redeemable/convertible) of Rs. 10/- each.

9. That as on 15.01.2010, the Applicant Company is being managed by the Board of Directors as per details given as under:

- a) Mr.Krishan Kumar Agrawal
- b) Mr.Sandeep Agrawal
- c) Mr.Pramod Kumar Rajput
- d) Mr.Prabhat Krishna
- e) Mr.Tilak Raj Khosla
- f) Mr. Praduman Kumar Lamba

10. **FINANCIAL POSITION OF "AIL" FOR THE 15 MONTHS PERIOD ENDED AS ON 30.06.2009**

That the financial position of the Applicant Company for the 15 months period ended as on 30.06.2009 as per audited balance sheet is given as under:

	<b>PARTICULARS</b>	<b>RS IN LACS.</b>
	<b><u>Source of Funds</u></b>	
<b>1.</b>	<b>Shareholder's Funds</b>	
	Share Capital	<b>3,451.41</b>
	Reserves and Surplus	<b>24,882.23</b>
		<b>-----</b>
		<b>28,333.64</b>
		<b>-----</b>
<b>2.</b>	Deferred Tax Liability- Net	<b>2,066.51</b>
<b>3.</b>	Loan Funds	<b>98,515.80</b>
	<b>Total</b>	<b>128,915.95</b>
	<b><u>Application of Funds:</u></b>	
<b>1.</b>	<b>Fixed Assets</b>	<b>66,462.54</b>
	<b>Gross Block</b>	<b>10,326.95</b>

	Less: Depreciation	----- 56,135.59 -----
	<b>Net Block</b>	<b>13,099.23</b>
	<b>Capital Work in Progress</b>	
<b>2.</b>	<b>Investments</b>	<b>1,304.05</b>
<b>3.</b>	<b>Current Assets, Loans And Advances</b>	
	Inventories	20,228.41
	Sundry Debtors	19,493.72
	Cash & Bank Balances	2,972.99
	Loans & Advances	3,900.13
		----- 46,595.25 -----
	<b>Less; Current Liabilities &amp; Provisions</b>	<b>11,367.06</b>
	<b>Net Current Assets</b>	<b>35,228.19</b> -----
<b>4.</b>	<b>Misc. Expenditure</b>	
	Preliminary Expenses / Deferred Revenue Expenses( to the extent not written off or adjusted)	406.84
	<b>Profit and Loss Account</b>	<b>22,742.05</b>
	<b>Total</b>	----- <b>128,915.95</b> -----

**PROFIT AND LOSS ACCOUNT FOR THE 15 MONTHS PERIOD ENDED ON 30.06.2009**

<b>PARTICULARS</b>	<b>RS. IN LAC</b>
Income	95,713.83
Expenditure	120338.71
Profit after tax	(24624.88)

11. That the Applicant Company has incurred heavy and substantial losses during the last one year due to global recession and adverse market conditions. The total accumulated losses in the books of accounts of "AIL" as per the latest audited balance sheet for the 15 months period ended as on 30.06.2009 is Rs.227,42,04,338.54 (Rupees Two Hundred Twenty Seven Crores Forty Two Lacs Four Thousand Three Hundred Thirty Eight and Fifty Four paisa only).
12. That the Applicant Company in the normal course of business operations has incurred secured and unsecured liabilities (i.e. all belonging to same class of banks and financial institutions) in the form of Term Loan losses, Working Capital Term Loan losses, Derivative Losses and MTM Derivative Losses (hereinafter referred to as "Creditors").

13. **NEED FOR FINANCIAL DEBT RESTRUCTURING**

13.1 The need for the financial debt restructuring has also become imperative and a pressing necessity in view of current global recession especially in the Textile Industry, Unexpected high derivative losses, adverse capital market conditions, project cost overruns and substantial loss in value of stock and debtors because of which the existing structure of the borrowings and their repayments cannot be sustained. All these factors have contributed to the Applicant Company inability to service its debts under the present circumstances.

13.2 Further, the Applicant Company during the second quarter of the financial year 2008-2009 had started facing operational problems / bottlenecks leading to acute liquidity crunch. Otherwise, AIL has been consistent profit making company up to the financial year ended 31<sup>st</sup> March, 2008. The acute liquidity crunch occurred due to the following factors:

- a) The global economy was facing on going recession which is expected to be continued for some more time. As a result thereof the export orders are being cancelled/ renegotiated/ discounts are being sought with respect to original buyers and there has been loss of value on account of negotiation with alternate buyers.
- b) There was a sharp increase in cotton prices of over 40% during the last one year as per the minimum support price enforced by Government of India. The increase in cotton prices could not be passed on to the customers immediately by way of increased selling prices because of stiff competition in market.
- c) The TUF loans disbursed till date have been granted for expansion of its spinning facilities along with yarn dying facilities. The expansion plans were undertaken keeping in view the better market prospects. However, by the time these projects commenced production, the benefits from these projects could not fructify due to the following reasons:
  - Rupee appreciation against USD, vis-à-vis the currencies of other competing countries witnessed lower appreciation.
  - Significant increased input costs i.e. cotton prices, power & fuel costs, without commensurate increase in sales realizations.
  - High rates of interests imposed by the financial institutions.

Due to the above factors, the Applicant Company's performance has been grievously effected and therefore arises urgent need and necessitate to reschedule and restructure the debts of the Applicant Company.

14. That the Applicant Company worked out a business restructuring plan and is being put into effect which envisages increased focus on value added yarn like slub yarn, dyed yarn etc., emphasis on higher margin business as technical textile to improve profitability. Financial Restructuring of the dues to FI's/ Banks under the aegis of Corporate Debt Restructuring (CDR) mechanism forming part of this scheme, and consisting of conversion of irregular portion of working capital outstanding into working capital term loan, and conversion of part borrowing into quasi-equity instrument, rescheduling of repayments, reduction in interest rates etc. and various other proposals.



15. The Applicant Company on the basis of extensive discussions, meetings, consultations between the members of the Board of Directors, Financial institutions legal and other professional consultants, the Applicant Company has decided to take appropriate steps to restructure its financial debt position of the company by seeing in the larger interests of creditors, shareholders, employees and the general interest of public.
16. That the Applicant Company with a view to over come the difficulties being faced by the textile industry and to arrive at a common understanding with all the creditors and to repay the debts promptly, has approached SBI and other lenders for restructuring the debts under the route of Corporate Debt Restructuring mechanism. Thereafter, the Applicant Company has made an application to CDR Empowered Group regarding the revival and restructuring of financial debts of the company. Accordingly, a first Joint Lenders Meeting was held on 14.05.2009 by the CDR Empowered Group (EG) wherein the Applicant Company's case has been admitted under the route of CDR mechanism and has discussed at length regarding the restructuring proposal.
17. Subsequent to the above discussions again on 28.05.2009 a second joint lenders meeting was held by the Applicant Company in Sahibabad, U.P to discuss about the operational problems faced by the company. The meeting was presided over by one of the Chief General Manager, Corporate Debt Restructuring Cell, Mumbai. It is submitted that in this meeting it has been decided that State Bank of India Consultancy services, New Delhi shall prepare the restructuring proposal strictly as per the regulatory guidelines of RBI and CDR scheme and submit the same for final discussion and approval of the lenders. Accordingly, SBI (majority lender) has prepared the CDR restructuring proposal and has put forth the proposal for the final approval of the lenders.
18. Thereafter, again on 31.08.2009 another joint lenders meeting was conducted by the CDR restructuring cell for the approval of the Applicant Company's CDR package. Subsequently, in furtherance to discussions held in Joint Lenders Meeting on 31.08.2009, the said restructuring was sanctioned by the CDR empowered group on August 31, 2009 and intimated to the Applicant Company vide Letter of Approval (LOA) dated 09.11.2009. It is pertinent to mention here that all the Financial Institutions/ Banks except The Hongkong and Shanghai Banking Corporation Limited (HSBC), DBS Bank Limited, Standard Chartered Bank, Development Credit Bank Limited (DCB) and Kotak Mahindra Bank Limited, who are not part of the CDR arrangement, have accepted the said restructuring..
19. That the Applicant Company is a prominent player in the textile space and is having state of the art technologies. It is submitted that the Applicant Company is expected to be able to sail through the adverse period provided, it gets the desired financial restructuring, certain waivers and interest concessions, as set out in the scheme.
20. That the total liability of the Applicant Company payable to the creditors (i.e. secured and unsecured creditors are the creditors all belongs to same class of banks and financial institutions) aggregating to Rs.1,187,54,00,000 (Rupees One Thousand One Hundred Eighty Seven Crores Fifty Four Lacs Only). The below table enumerates the debt position of the company as on 31.01.2009.

**DEBT PROFILE OF THE COMPANY AS ON 31.01.2009 WITH MTM UPDATED AS ON  
30.06.09**

<b>S.no.</b>	<b>Name of the Lender</b>	<b>Amount in Crores</b>	<b>% of exposure</b>
1.	State Bank of India	352.34	29.67%
2.	State Bank of Patiala	119.60	10.07%
3.	State Bank of Mysore	103.65	8.73%
4.	State Bank of Hyderabad	76.35	6.43%
5.	State Bank of Bikaner & Jaipur	34.65	2.92%
6.	State Bank of Indore	49.90	4.20%
7.	Punjab National Bank	116.88	9.84%
8.	Syndicate Bank	30.17	2.54%
9.	The Jammu & Kashmir Bank Ltd	25.19	2.12%
10.	UCO Bank	27.72	2.33%
11.	Exim Bank	14.38	1.21%
12.	IDBI	6.07	0.51%
13.	ICICI	17.68	1.49%
14.	HDFC / Centurian Bank	27.90	2.35%
15.	Yes Bank	36.91	3.11%
16.	Standard Chartered Bank	52.07	4.38%
17.	HSBC	25.00	2.11%
18.	DBS	39.87	3.36%
19.	DCB Bank	11.59	0.98%
20.	Kotak Mahindra	19.63	1.65%
<b>Grand Total</b>		<b>1187.54</b>	<b>100.00%</b>

The MTM liability has been incorporated in the above figures on the basis of individual bank's advice as on 30.06.09.

21. That the Applicant Company proposes the scheme of arrangement is made under section 391 -394 of the Companies Act, 1956 (herein after referred to as "the scheme") with a view to achieve the following objectives:
- a. To enable the Applicant Company to look at opportunities to revive and rehabilitate its business operations.
  - b. To enable the Applicant Company to look at opportunities to raise financial and strategic resources.
  - c. To arrive at a compromise with the creditors without the liquidating the company.
  - d. To achieve an effective and mutually beneficial settlement with the creditors in light of the financial position of the company and the fact that the realizable value of the assets available under the ownership of the company is insignificant and not sufficient to repay the dues of creditors even if the company is liquidated.

- e. To achieve a compromise with the creditors enabling them to derive better economic and commercial value vis-à-vis the value which they otherwise would have derived by liquidating the company.
22. That the Scheme of Compromise between the Applicant Company and its creditors has been approved by the Board of Directors in their respective board meeting held on December 14, 2009.
23. The relevant portion of the scheme pertaining to compromise between "AIL" and its creditors (giving the salient features thereof) presented in terms of section 391 to 394 of the companies Act, 1956 are given below:

**RESTRUCTURING PROPOSAL- TERM LOANS/ DERIVATIVE LOSSES/ MTM DERIVATIVE LOSSES**

**23.1 RESTRUCTURING OF TERM LOANS (TUF'S):**

That the Applicant Company under the scheme has been categorized the term loans (TUF's) into two categories:

**(A) Group "A":**

Group "A" category includes loans (TUF) in which repayment of principal have already been started. All loans falling under this category are further sub-divided into following two portions:

**1. Serviceable / Sustainable:**

80% of the outstanding debt falling under Group "A" is to be taken as serviceable or sustainable debt, repayment of which is rescheduled as per the restructuring proposal in the following manner:

- (i) Principal payment moratorium up to 30.06.2009 i.e. payment to commence from 01.07.2009 (due for payment on 30.09.09).
- (ii) Repayment in 38 quarterly installments commencing from 01.07.09 (due for payment on 30.09.09) and ending on 31.12.2018, as per the following chart:

YEAR	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Principal (%)	0.75 %	2.5%	4.0 %	6.0 %	9.0%	12.0 %	13.5%	16.0%	17.0%	19.25%	100.0%
Amount in Rs. Crore	2.28	7.62	12.19	18.28	27.42	36.56	41.13	48.75	51.79	58.64	304.66
Quarterly Installment	3	4	4	4	4	4	4	4	4	3	38
Amount of Installment	0.76	1.90	3.05	4.57	6.85	9.14	10.28	12.19	12.95	19.55	

**2. Unserviceable /Unsustainable:**

That the remaining 20% of the outstanding debt falling under Group A is to be taken as unserviceable or unsustainable debt and converted into a Quasi-Equity Instrument "A"

**(B) Group "B":**

Group "B" category includes loans (TUF) in which repayments of principal have not yet started i.e. the loans are still under moratorium period. All loans falling under this category again further sub-divided into following two portions:

1. **Serviceable /Sustainable:** 80% of the outstanding debt falling under Group B is to be taken as serviceable or sustainable debt, repayment of which is rescheduled as per the restructuring proposal in the following manner:
  - i. Principal payment moratorium up to 31.12.2010 i.e. payment to commence from 01.01.2011 (due for payment on 31.03.11).
  - ii. Repayment in 32 quarterly installments commencing from 01.01.11 (due for payment on 31.03.11) and ending on 31.12.2018.

YEAR	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Principal (%)	0.0%	2.5%	4.0%	10.5%	11.5%	12.0%	15.0%	15.0%	16.0%	13.5%	100%
Amount in Rs. Crores	0.00	1.50	2.39	6.29	6.89	7.18	8.98	8.98	9.58	8.08	59.87
Installment in Nos	0	1	4	4	4	4	4	4	4	3	32
Amount of Installment	0.00	1.50	0.60	1.57	1.72	1.80	2.25	2.25	2.39	2.69	

2. **Unserviceable/Unsustainable:**

20% of the outstanding debt falling under Group A is to be taken as unserviceable or unsustainable debt and converted into a Quasi-Equity Instrument "A".

2.2 **RESTRUCTURING OF NON TUF LOANS (INCLUDING UNSECURED LOANS):**

That the Non TUF loans are divided into following two portions based on serviceability:

1. **SERVICEABLE /SUSTAINABLE:**

That the 80% of the outstanding debt (i.e. Secured + Unsecured) is to be taken as serviceable or sustainable debt, repayment of which is rescheduled as per the restructuring proposal in the following manner:

- i. Principal payment moratorium up to 31.12.2010 i.e. payment to commence from 01.01.2011 (due for payment on 31.03.11).
- ii. Repayment in 32 quarterly installments commencing from 01.01.11 (due for payment on 31.03.11) and ending on 31.12.2018.

YEAR	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Principal (%)	0.0%	2.5%	4%	10.5%	11.5%	12%	15%	15%	16%	13.5%	100%
Amount in Rs. Crore	0.00	4.08	6.53	17.15	18.79	19.60	24.51	24.51	26.14	22.06	163.37

Installment in Nos	0	1	4	4	4	4	4	4	4	3	32
Amount of Installment	0.00	4.08	1.63	4.29	4.70	4.90	6.13	6.13	6.53	7.35	

2. **UNSERVICEABLE / UNSUSTAINABLE:**

20% of the outstanding debt (secured + unsecured) is to be taken as unserviceable or unsustainable debt. Out of this, portion of debt which pertains to unsecured loans, secured by sub-servient charge/against PDC / against Personal Guarantee are to be converted into Quasi-Equity Instrument "B" and balance pertaining to secured term loans shall be converted into Quasi-Equity Instrument "A".

24 **FOREIGN EXCHANGE LOSSES:**

100% of all unpaid Derivative losses, crystallized and not paid on or before the cut off date is considered unsustainable and converted into Quasi- Equity Instrument "C".

25 **MTM DERIVATIVE LOSSES:**

100% of all MTM Derivative losses, not crystallized as on the cut off date is considered unsustainable and converted into a Quasi- Equity Instrument "D".

26 **ISSUANCE OF INSTRUMENTS**

That the Portions of Term loans i.e. Secured & Unsecured which are considered unsustainable and 100% of all unpaid derivative losses and of all MTM derivative losses which are also considered as unsustainable are proposed to be converted into Quasi-Equity Instrument in the following manner:

26.1 **QUASI- EQUITY INSTRUMENT "A":- LENDERS OF SECURED TERM LOANS.**

That the following options shall be available to the holders of this instrument.

i. **Optionally Convertible Cumulative Preference shares – OCCPS**

- a) This option to convert into equity will have to be exercised by the lender within 60 months from the cut -off date. If option of conversion into equity is not exercised within 60 months it will be treated as Cumulative Redeemable Preference shares (CRPS) and will be paid off / redeemed in the 9<sup>th</sup> and 10<sup>th</sup> year from the cut off date.
- b) If the lender opts for Optionally Convertible Cumulative Preference shares (OCCPS), the same would have to be issued within 12 months from the effective date
- c) The principal value of the instrument would be principal amount plus 9% simple interest (in the form of dividend) from the cut off date to the date of issue if the interest is not paid in cash on or before the date of issue.
- d) Optionally Convertible Cumulative Preference shares (OCCPS) carry dividend @6% per annum, from the date of issue.

ii. **Cumulative Redeemable Preference Shares (CRPS)**

With out prejudice to 23.1(i) and the generality of the said clause:

- a) That if the above option is not exercised, Cumulative Redeemable Preference Shares (CRPS) will be issued to the lenders for a period of 10 years to be redeemed in 9<sup>th</sup> and 10<sup>th</sup> year from the Cut off date

- b) That if the lender opts for Cumulative Redeemable Preference Shares (CRPS), the same would have to be issued within 12 months from the effective date.
- c) That the principal value of the instrument would be principal amount plus 9% simple interest (in the form of dividend) from the cut off date to the date of issue if the interest is not paid in cash on or before the date of issue.
- d) Cumulative Redeemable Preference Shares (CRPS) carry dividend @ 6% per annum.
- e) Subject to availability of funds, the instrument (OCCPS or CRPS) would have preference over other instruments in discounted redemption as per scheme decided hereunder over any other instruments.

26.2 **Quasi- Equity Instrument "B":- Lenders of Unsecured term loans.**

That the lenders of unsecured loans shall also have the option to take either Optionally Convertible Cumulative Preference Shares (OCCPS) or Cumulative Redeemable Preference Shares (CRPS). The basic features of these proposed instruments shall be the same as is applicable to secured lenders under Instrument "A" subject to availability of funds, the instrument (OCCPS or CRPS) would have preference over other instruments (except instrument A) in discounted redemption as per scheme decided hereunder over any other instrument.

26.3 **Quasi- Equity Instrument "C":- Unpaid Derivative Losses**

That the lenders would be issued 1% Cumulative Redeemable preference shares which shall be redeemed in 9<sup>th</sup> and 10<sup>th</sup> year after cut off date. Other basic features of this proposed instrument are as follows:

- i. That the instrument would be issued within 12 months from the effective date.
- ii. That the principal value of the instrument would be the crystallized amount plus 1% simple interest (in the form of dividend) from the date to crystallization or the cut off date, whichever is later.
- iii. That subject to availability of funds, the instrument (CRPS) would have preference over other instruments (except instrument A & B) in discounted redemption as per scheme decided hereunder over any other instrument.

26.4 **Quasi- Equity Instrument "D":- MTM Derivative losses**

(A) That the Lenders would be issued 1% Cumulative Redeemable preference shares which shall be redeemed in 9<sup>th</sup> and 10<sup>th</sup> year after cut off date. Other basic features of this proposed instrument are as follows:

- i. That the instrument would be issued within 12 months from the date of implementation of the CDR package or the date of crystallization whichever is later.
- ii. That the principal value of the instrument would be the crystallized amount plus 1% simple interest (in the form of dividend) from the date of crystallization or the cut off date, whichever is later.

iii. Subject to availability of funds, the instrument (CRPS) would have preference over other instruments (except that of instruments A & B but at par with instrument C) in discounted redemption as per scheme decided hereunder over any other instrument.

(B) That the owner of the instruments may exercise option for full and final settlement of the full value of any of the instruments at a discount not below the percentage mentioned in each year. The Applicant Company would (with the approval of their Board of Directors and the CDR Monitoring Committee) within 45 days from the close of the financial year ending March of each year seek option for settlement from each instrument holder for a total specified amount (to vary based upon previous years performance). The Settlement would be made based on the discount quoted. In other words, the instrument holder offering higher discount (in closed envelope offer) would get preference over the others, and so on.

Year ending 31/03	2013	2014	2015	2016	2017	2018
Minimum discount	75%	60%	50%	40%	30%	20%

This option would be available, at par, to all the instrument holders i.e. A,B,C or D, subject to preferential (A,B,C & D) treatment if discount offered is identical.

## 27 CONVERSION OF IRREGULAR PORTION OF WORKING CAPITAL OUTSTANDING INTO WORKING CAPITAL TERM LOAN (WCTL)

27.1 That the existing fund based working capital outstanding as on cut off date and proposed restructuring is as follows:

Rupees in Crores	
Outstanding as on 31.01.2009	Rs. 267.14
<b>Less:</b> normal working capital limit backed by drawing power	Rs. 199.86
<b>Irregular Portion</b>	<b>Rs. 67.28</b>
Actual irregularity (as per the table below)	Rs. 69.92
Add: Additional irregularity (Estimated till the date of implementation)	Rs. 20.00
<b>Proposed Working Capital Term Loan (WCTL)</b>	<b>Rs.89.92</b>

### Bank Wise WCTL

	Bank	Outstanding As on 31.01.09		DP Availab le	Irregula rity	Additional Irregulari ty	WCTL
		O/s	% Share				
1	State Bank of India	166.09	62.17 %	120.5 5	45.5 4	12.88	58.4 2
2	SBOP	19.45	7.28%	15.86	3.59	1.69	5.28
3	SBOM	29.21	10.94 %	19.03	10.1 8	2.03	12.2 1
4	SBOH	18.07	6.76%	12.69	5.38	1.36	6.74
5	SBBJ	14.75	5.52%	9.52	5.23	1.02	6.25
6	PNB	8.38	3.14%	9.52	0.00	1.02	1.02
7	Standard	11.19	4.19%	12.69	0.00	0.00	0.00

	Chartered Bank						
	<b>Total</b>	<b>267.14</b>	<b>100.00</b>	<b>199.86</b>	<b>69.92</b>	<b>20.00</b>	<b>89.92</b>

27.2 Repayment of Working Capital Term Loan (WCTL) of Rs. 89.92 Crores in 32 quarterly installment commencing from 01.01.2011 (due for payment on 31.03.11) and ending on 31.12.2018 ( i.e. Principal payment moratorium up to 31.12.2010).

YEAR	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Principal (%)	0%	2.5%	4%	10.5%	11.5%	12%	15%	15%	16%	13.5%	100%
Amount in Rs. Crore	0.00	2.25	3.59	9.44	10.34	10.79	13.49	13.49	14.39	12.14	89.92
Installment in Nos	0	1	4	4	4	4	4	4	4	3	32
Amount of Installment	0.00	2.25	0.90	2.36	2.59	2.70	3.37	3.37	3.60	4.05	

### 27.3 FUNDED INTEREST TERM LOAN (FITL)

- Funding of interest on Working Capital, Term loan (TUFs, Non TUFs, unsecured loans) & WCTL for a period of 12 months from cut off date i.e. 01.02.2009 till 31.01.10.
- It is proposed that FITL (TUFs) would be repaid on or before July 2010 to ensure continuation of availability of TUFs subsidy.
- FITL (Non TUFs & Others) will be fully repaid by March 2012.

### 27.4 REDUCTION IN RATE OF INTEREST ON TERM LOANS AND WORKING CAPITAL W.E.F. CUT OFF DATE

- Uniform interest rate of 9% p.a. (fixed) on all existing term loans/Working capital limit/Proposed WCTL
- FITL will carry interest @ 9% p.a. (fixed)

### 27.5

### 27.6 WORKING CAPITAL LIMIT

- Based on the revised holding norms working capital requirements re-assessed division-wise were arrived Rs. 370 Crore for the year 2010-11 but limit the drawings at Rs. 290 Crore for the year 2009-10. Thereafter, the restrictions may be withdrawn in February 2010 by MC subject to satisfactory performance.

Sr. No.	Banks	Limits as on 31.01.09		Limit net of WCTL	Limit to Reinstated	Revised limit	Revised % share
		Limits	% Share				
1.	State Bank of India	190.00	60.32%	131.58	43.42	175.00	60.34%
2.	State Bank	25.00	7.94%	19.71	3.29	23.00	7.93%



	of Patiala						
3.	State Bank of Mysore	30.00	9.52%	17.79	10.21	28.00	9.66%
4.	State Bank of Hyderabad	20.00	6.35%	13.26	4.74	18.00	6.21%
5.	State Bank of Bikaner & Jaipur	15.00	4.76%	8.75	5.25	14.00	4.83%
6.	Punjab National Bank	15.00	4.76%	13.98	0.02	14.00	4.86%
7.	Standard Chartered Bank	20.00	6.35%	20.00	-2.00	18.00	6.21%
	<b>Total</b>	<b>315.00</b>	<b>100.00%</b>	<b>225.08</b>	<b>64.92</b>	<b>290.00</b>	<b>100.00%</b>

- ii. Based on assessment of Working Capital requirement for FY 2010-11, the additional limits of Rs. 55 Crore is proposed to be allocated on pro-rata basis to fund based exposure as on cut off date. While allocating additional limits on pro-rata basis, the banks with a share less than Rs. 2 Crore have been kept out of working capital consortium for operational convenience. Also Standard Chartered Bank, who is not a part of CDR Group will not participate in the additional exposure, therefore the working capital limits of SCB has been restricted to Rs. 18.00 Crore.

No.	Name of Bank	Existing Limits	Additional Limit	Limit for 2010-11	Limit less 2 crore not to be included	Diff	Limit for 2010-11	Limit of sanction
1.	SBI	190.00	17.31	207.31	207.31	5.52	212.84	213.00
2.	SBOP	25.00	7.18	32.18	32.18	0.86	33.03	33.00
3.	SBOM	30.00	6.40	36.40	36.40	0.97	37.37	37.00
4.	SBOH	20.00	4.54	24.54	24.54	0.65	25.20	25.00
5.	SBBJ	15.00	2.14	17.14	17.14	0.46	17.60	18.00
6.	SBOI		3.08	3.08	3.08	0.08	3.16	3.00
7.	PNB	15.00	7.22	22.22	22.22	0.59	22.81	23.00
8.	Syndicate Bank		1.86	1.86	0.00	0.00	0.00	0.00
9.	The J & K Bank		1.55	1.55	0.00	0.00	0.00	0.00
10.	UCO Bank		1.71	1.71	0.00	0.00	0.00	0.00
11.	Exim Bank		0.89	0.89	0.00	0.00	0.00	0.00
12.	IDBI		0.37	0.37	0.00	0.00	0.00	0.00
13.	ICICI		0.49	0.49	0.00	0.00	0.00	0.00
14.	HDFC		0.25	0.25	0.00	0.00	0.00	0.00

15.	HSBC		0.00	0.00	0.00	0.00	0.00	0.00
16.	DBS		0.00	0.00	0.00	0.00	0.00	0.00
17.	Standard Chartered Bank	20.00	0.00	20.00	18.00		18.00	18.00
	<b>Total</b>	<b>315.00</b>	<b>55.00</b>	<b>370.00</b>	<b>360.87</b>	<b>9.13</b>	<b>370.00</b>	<b>370.00</b>

28 **OTHER CONDITIONS:**

- (a) That the Drawing Power (DP) has been calculated at uniform 25% margin (except for Foreign Bill Purchased at NIL margin) based on current asset holdings as on the cut-off date less sundry creditors for purchase. In this connection, it is suggested that the cover period for receivables may be taken as 180 days.
- (b) Non Fund Based Facilities to be allowed at Nil Margin.
- (c) That the Company would arrange to get all necessary statutory approvals for issue of various instruments within the specified period.
- (d) That the Proposed Working capital Limits would be shared amongst all lenders in proportion to their utilized Fund based limits and the allocation will be restricted to a minimum share of Rs. 2 Crore and lenders with less than Rs. 2 Crore share will be kept out of consortium for operational convenience.
- (e) That the Proposed WCTL would be shared amongst Working Capital lenders in proportion to their irregularity as on cut off date based on available Drawing Power to working capital lenders.

29 **CONVERSION OF FUTURE INTEREST INTO VARIOUS INSTRUMENTS AND REPAYMENT THEREOF-**

- (a) Funding of interest on Working Capital Term Loan (TUFs, Non TUFs, unsecured loans) & WCTL for a period of 12 months from cut off date i.e. February 1, 2009 till January 31, 2010.
- (b) It is proposed that FITL (TUFs) would be repaid on or before July 2010 to ensure continuation of availability of TUFs subsidy.
- (c) FITL (Non TUFs & Others) will be fully repaid by March 2012.
- (d) FITL to carry 9% (fixed) interest.

30 **SURRENDER OF INTEREST RATES BY LENDERS**

That the Lenders' sacrifice in respect of reduction in the rates of interest with effect from the cut-off date on all secured loans i.e. Term Loans, Working Capital Limits, WCTL, FITL works out to Rs. 83.85 crore. Whereas the Crystallized but unpaid losses (including provisions for losses to be crystallized up to 31.03.09) and MTM (including crystallized losses in between 31.03.09 to 30.06.09) as on cut off date has been considered as unsecured creditors and sacrifices under this works out to Rs. 95.79 crore. The total sacrifices have been worked out as Rs. 179.64 crore subject to computation by lenders.

- 31 That the proposal envisages additional Capital Expenditure of Rs. 11 crore apart from routine capital expenditure. This amount is proposed to be funded from internal cash flows and no fresh loan is considered.

32 **STATUTORY COMPLIANCES:**

With regard to the Statutory Compliances "AIL" shall undertake to comply with all the statutory regulations.

33 **RIGHT TO RECOMPENSE:**

That the Lenders with the approval of CDR EG shall have the right to recompense the reliefs / sacrifices / waivers extended by the respective lenders as per guidelines of Corporate Debt Restructuring.

34 **RIGHT TO REVERSE:**

That the lenders with the approval of CDR EG, shall have the right to reverse the waivers extended by respective lenders as per CDR guidelines.

35 **COST OF SCHEME AND MEANS OF FINANCE**

The cost of the scheme and means of finance is given as under:

Particulars	Amount in Crores
<b>Cost of Scheme</b>	
Forex Derivative Loss payable	Rs. 28.42
Interest during 1.02.09 to 31.01.10	Rs. 74.31
Additional capital expenditure	Rs. 11.00
Cost of Closure of Unit III	Rs. 5.00
MTM	Rs. 178.58
Current Assets Build up	Rs. 130.83
Margin for Working Capital	Rs. 25.17
<b>Total</b>	<b>Rs. 453.31</b>
<b>Mean of Finance</b>	
CRPS of Forex losses	Rs. 28.42
FITL	Rs. 74.31
Internal Accruals	Rs. 16.00
CRPS of MTM	Rs. 178.58
Additional WC limit	Rs. 80.00
Sale proceeds of Land & Building(Net of Taxes)	Rs. 46.00
Promoters' Contribution	Rs. 30.00
<b>Total</b>	<b>Rs. 453.31</b>

36 **PROMOTER'S CONTRIBUTION**

That the promoters' contribution as a percentage of the 'Cost of Scheme plus Waivers and sacrifices of Secured Creditors. Promoters' contribution of Rs. 30 crore will be brought in as under:

Period	(Rs. In crore)
Upfront (before December 31, 2009)	10.00
Within 18 months of the implementation of the package	20.00
<b>Total</b>	<b>30.00</b>

**PERCENTAGE OF PROMOTER'S CONTRIBUTION:**

- (a) Cost of Scheme plus waivers and sacrifices of secured creditors=5.58%
- (b) Sacrifices of secured lenders (Rs. 83.85 crore) = 35.8%
- (c) Sacrifices of Secured and Unsecured lenders (Rs.179.64 Crore)=16.7%

37 **SECURITY CONDITIONS**

- 37.1 All the Existing Term Loans to have first pari-passu charge on fixed assets and second pari-passu charge on current assets of the company along with Personal Guarantees of promoters i.e. Mr. K. K. Agarwal and Mr. Sandeep Agarwal.
- 37.2 All the working capital borrowings to have first pari-passu charge on current assets and second pari-passu charge on fixed assets of the company along with Personal Guarantee of promoters i.e. Mr. K. K. Agarwal and Mr. Sandeep Agarwal.
- 37.3 Working Capital Term Loan (WCTL) and Funded Interest Term Loan (FITL) will be secured by first pari-passu charge on fixed assets of the company along with Personal Guarantee of promoters i.e. Mr. K. K. Agarwal and Mr. Sandeep Agarwal.
- 37.4 That as on cut off date short term loans (unsecured) from PNB, SBOH and SBOM which are secured by way of PDC, Subservient charge and personal guarantee of promoter will have pari-passu charge on fixed assets. For the balance unsecured loans from DBS, HDFC and ICICI, which are secured by way of PDC, subservient charge and personal guarantee of promoters will have third charge on fixed assets.

38 **ADDITIONAL SECURITY**

- a) The Applicant Company will pledge the balance promoters' share (other than that pledged with the ABN Amro Bank)
- b) The promoter's equity to be infused under the CDR package will also be pledged to the consortium in accordance with SEBI guidelines.

39 **TRUST AND RETENTION AGREEMENT (TRA) AND ADDITIONAL CONDITIONS**

The Applicant Company and its promoters will comply with and meet the requirements of the terms and conditions as set out in the CDR package approved by CDR Empowered group intimated to the "AIL" by vide LOA dated 11.09.2009 as far as possible for the purposes of the scheme. The approval letter dated 11.09.2009 further amended vide letter dated 09.11.09 and 24.11.09 and terms and conditions are set out in herein under:

- a) The Applicant Company shall open Trust & Retention Account (TRA) with State Bank of India and entire cash flow shall be routed through the said TRA. Waterfall mechanism shall be finalized by the Monitoring Committee in consultation with the lenders. TRA shall be operated in a manner specified by and to the satisfaction of the lenders. For the purpose of TRA, SBI, in consultation with CDR Cell shall structure the TRA Agreement. All lenders and the Applicant Company shall execute the TRA Agreement within four months of LOA. The Applicant Company as per CDR guidelines shall pay to the TRA Agent, TRA Agency fee.
- b) The Applicant Company shall submit estimated cash budget on monthly basis well in advance and drawings to be permitted on the basis of the said cash budget subject to verification of genuine requirement. After completion of the month's operation, actual cash summary shall be submitted for comparison with the estimates. Various analyses as may be done by the Concurrent Auditor shall be monitored by Monitoring Committee periodically. Any action as may be required to be taken shall be with due recommendation of MC and with the approval of CDR EG.

40 **ADDITIONAL CONDITIONS**

The additional conditions as approved in the CDR package vide LOA dated 11.09.2009 is reproduced herein under:

- 40.1 The CDR lenders, with the approval of CDR-EG, shall appoint at the sole cost and expense of the Borrower – corporate a Concurrent Auditor during the currency of the package, to review the operations of the company on a periodic basis, monitoring the operations of TRA and any other work that may be assigned by the lenders.
- 40.2 The Borrower – corporate shall not incur any capital expenditure, save and except such expenditure as is permitted in terms of the CDR package, without prior recommendation of monitoring committee and without prior approval of CDR EG.
- 40.3 The Borrower – corporate shall not sell any of its fixed assets/ investments save and except those as permitted in terms of the CDR package without prior recommendation of Monitoring Committee and prior approval of CDR EG. However, the Borrower – corporate shall sell its non-core assets, wherever applicable and an 'Asset Sale Committee' would be set up with the approval of CDR EG for the sale of such assets.
- 40.4 The Borrower – corporate shall procure and furnish an Undertaking from the promoters (the terms and conditions of which shall be in a form and manner acceptable to lenders) to bring additional funds by way of debt/equity/preference capital or any other instrument for meeting any cash flow shortage to service lenders' debt/interest/dividend, if required by CDR EG.
- 40.5 The Promoters/Borrower – corporate would arrange to furnish additional collateral security, if required by CDR EG.
- 40.6 The Borrower -corporate / individual lenders shall file Consent Terms, in respect of any pending dispute or litigation before debt recovery tribunal/courts where recovery application /suit is pending.
- 40.7 Individual Lenders, with the approval of CDR EG, shall have the right to revoke the CDR package in case the Borrower commits an event of default, as described in the existing loan agreement or in the MRA or any Facility Agreement. The individual lenders need to inform CDR EG within seven days of the event of default and proposed course of action on the same. CDR EG would give a decision on the same within 60 days; if not then individual lenders are permitted to take action at their discretion.
- 40.8 The Borrower –corporate shall not declare any dividend on its equity shares without prior consent of CDR EG.
- 40.9 The Lenders, with the approval of CDR-EG, shall have the right to renegotiate the terms of restructuring including accelerating the repayment schedule in the event of better performance by the Borrower vis-à-vis projections. Under such circumstances, the company shall clear dues as per accelerated repayment schedule without demur.

- 40.10 The Borrower- corporate shall not escrow its future cash flow (except discounting of bills in the normal course of business) or create any charge or lien or interest thereon of whatsoever nature except as provided in CDR package, without the approval of CDR-EG.
- 40.11 The Lenders / holders of instruments, with the approval of CDR EG, shall have the right to recompense the reliefs / sacrifices/waivers extended by respective CDR Lenders/ holders of instruments as per CDR guidelines.
- 40.12 The Lenders / holders of instruments, with the approval of CDR EG, shall have a right to reset the interest rate for the term loan/s every 2 years (or shorter period as may be decided by CDR EG) and interest rate/ dividend for the working capital and instruments every year.
- 40.13 The borrower – corporate shall broaden its Board of Directors by inducting a professional director and strengthen Management set up by inducting outside professionals to the satisfaction of CDR EG.
- 40.14 All participating lenders shall be entitled to retain or appoint nominees on the Board of Directors of the company during the currency of their assistance.
- 40.15 The Lenders shall have a right to convert entire/ part of defaulted interest and entire/part of defaulted principal into equity as per SEBI pricing formula in the event of default. However, in the case of those Lenders who already have default conversion rights, the same would be governed by existing loan covenants. The borrower-corporate / promoters shall take necessary steps and obtain all requisite /statutory/ other approvals for such allotment of equity shares or a part of it in terms of the existing loan agreements.
- 40.16 (a) In case of debt outstanding beyond seven years from the date of CDR LOA, the Lenders shall have a right to convert into equity up to 20% of such outstanding (as on the date of conversion) as per SEBI guidelines/ loan covenants, whichever is applicable.
- (b) As regards zero coupon FITL remaining outstanding beyond 7 years, if any, such conversion right of lenders would be applicable to the entire amount and the conversion shall be as per SEBI guidelines.

In the event the lenders or any of the lenders exercises its right to sell the shares issued in terms of the conversion clause as (a) or (b) above, the first right of refusal to buy back the shares would be offered to the promoters.

- 40.17 The Borrower – corporate shall furnish an Undertaking to create negative lien on property, shares, brands etc. in the form and manner and as may be advised by the CDR EG.
- 40.18 In the event of the Borrower committing default on the repayment of installment of the loan or payment of interest on the due dates, the lenders shall have an unqualified right to disclose the name of the borrower – corporate and its directors to the Reserve Bank of India (RBI)/ Credit Information Bureau of India Ltd. (CIBIL). The borrower-corporate shall give its consent to lenders or RBI/CIBIL to publish its name and names of its Directors as defaulters in such manner and through such medium as lenders/RBI/CIBIL in their absolute discretion may deem fit.

- 10.19 The Lenders shall establish a Trust & Retention Account (TRA) and enter into a Trust & Retention Account Agreement. The borrower-corporate would ensure submission of quarterly / annual cash flows to all lenders.
- 10.20 The lender/s, with the approval of CDR EG, will have the option to accelerate repayments in the event of better performance than projected and the borrower-corporate will have a right to prepay. However, in the event of prepayment at the option of the borrower-corporate, prepayment premium shall be charged as per CDR guidelines.
- 10.21 In the case of any future induction of private equity /ECB/Venture Capital funds any other source, the charging of prepayment premium will be governed by the CDR guidelines and decision of EG. Normally, prepayment will be on pro-rate basis amongst different debt instruments. However, any change thereof as may be requested by the borrower-corporate could be considered and recommended by the Monitoring Committee and approved by CDR EG.
- 10.22 The borrower – corporate shall agree to furnish written Undertaking not to sell /mortgage/transfer/alienate in any manner its assets and properties during the currency of the loans, without the prior approval of CDR EG. Sale of 3 properties situated at 57/2 & 58/1, Site-IV, Industrial Area, Sahibabad, Ghaziabad-201010, B-2, Loni Road, Industrial Area, (Opp. Mohan Nagar), Ghaziabad-201010 B-160-161, Mettupalaiyan, Industrial Estate, Pondicherry-604 009 are already permitted by CDR EG for disposal vide their LOA dated 11.09.09.
- 10.23 Individual lenders shall have a right to assign/hypothecate/transfer their outstanding to any Asset Reconstruction company/Bank/or any other entity, in terms of CDR guidelines.
- 10.24 Any OTS or settlement with non-CDR members will be subject to prior recommendation of Monitoring Committee and prior approval of CDR EG. NPV of such settlements should be, as far as possible, less than the NPV calculated on the basis of CDR package agreed to by the lenders.
- 10.25 The borrower- corporate shall keep the lenders informed of any legal proceedings, the outcome of which would have a material impact on the debt servicing capability of the company. In consultation with the lenders, it shall take such remedial actions, as may be required in the best interest of the borrower-corporate and the lenders.
- 10.26 The borrower-corporate shall not effect any change in management set up without prior approval of CDR EG.
- 10.27 The borrower-corporate/promoters shall undertake to comply with the conditions as per revised RBI guidelines on CDR dated November 10, 2005 as also amendments thereto. As per the CDR guidelines, the approved package should be sanctioned in 45 days from the date of CDR LOA and should be implemented within 4 months from the date of CDR LOA in line with RBI guidelines. In this regard, the borrower – corporate may refer to critical conditions stipulated in the package relating to creation of security, promoters compliances, setting up of TRA, giving effect to the package in the books of lenders, etc. These compliances form a part of implementation of the package. For the remaining stipulations, lenders may review the position at the end of three months and execute Master Restructuring Agreement between all lenders /borrower-corporate, if required. In any case, all efforts should be made to comply with critical conditions at the earliest, within three months of the CDR LOA.

- 40.28 The Borrower- corporate /promoters shall resolve all outstanding issues with lenders covering reconciliation of figures, preparation of MRA/TRA, appointment of Legal Counsel etc immediately.
- 40.29 The company shall furnish an unconditional and irrevocable guarantee of its promoters in the form and manner acceptable to CDR EG.
- 40.30 Right to reverse the waivers/ sacrifices, etc.  
Lenders will have right to reverse the waivers / sacrifices in case of the following events of default.

#### **41 EVENTS OF DEFAULT:**

The following individually and severally constitute events of default, which will be subject to any action as lenders may deem fit and subject to approval of CDR - EG:

- a) Default on any obligations to Lenders as per the approved terms of the package / LOA.
- b) Violations of any or all of the undertakings given by the company / promoters as per the approved terms of the package / LOA.
- c) The company failing to renew the relative Insurance Policies on the respective due dates.
- d) Withholding of important informations or providing misleading information by the company / sponsors that is detrimental to the interests of the institutions.
- e) Undertaking any new project / expansion by the company, without the prior approval of CDR EG.
- f) Withdrawing unsecured loans inducted by Promoters or making payment of interest on such loans unless specifically provided under CDR.
- g) Diverting any amount from the operations of the company for meeting any unrelated expenditure or payment to any other concern without approval of lenders.
- h) Any sale, transfer, mortgage, removal or disposal of the assets in any division without the prior approval of CDR EG / company's board.
- i) The company not adhering to the financial discipline envisaged in the restructuring package.

#### **42 ACCOUNTING TREATMENT IN BOOKS OF ACCOUNTS**

That the Applicant Company upon the scheme becoming effective, while preparing the accounts "AIL" shall perform the following:

- a) State the liabilities in the balance sheet with respect to its borrowings such as term loans / working capital loans, derivative losses, MTM derivative losses as per restructured terms.
- b) Credit the amount to Reconstruction reserve account on account of net gain made by the "AIL" under the scheme.
- c) Set off against the above amount being the balance available in Reconstruction Reserve against the debit balance in the Profit and loss account.

- 43 That the accounts of the Applicant Company as on the cut off date shall be reconstructed and will be in accordance with the terms of the scheme. The Applicant Company shall also follow/comply with the accounting standards/accounting policies, notifications and circulars issued by Institute of Chartered Accountants of India, Reserve Bank of India Act, 1934 or under any other law from time to time.

#### **44 APPLICATION TO THE HON'BLE HIGH COURT**

That the Applicant Company shall, with all reasonable dispatch, make applications to the Hon'ble High Court of Judicature at Allahabad, Uttar Pradesh or such other competent authority under whose



jurisdiction of the Registered Office of the company is situated, for sanctioning this Scheme under Sections 391 to 394 of the Companies Act, 1956.

**45 MODIFICATION OR AMENDMENTS TO THE SCHEME**

That the Applicant Company by its board of directors or any persons authorized by "AIL" may assent to any modifications/ amendments to the scheme or to any conditions or limitations that the court and / or any other authority may deem fit to direct or impose, or make such modifications / amendments which may otherwise be considered necessary, desirable or appropriate by "AIL" in its sole discretion. "AIL" by its board of directors be and is hereby authorized to take all such steps as may be necessary, desirable or proper for the purposes of implementing the scheme and to resolve any doubts, difficulties or questions regarding the implementation of this scheme or other wise arising under this scheme, whether by reason of any directive or orders of any other authorities or otherwise however arising out of or under or by virtue of the scheme and/ or any matter concerned or connected therewith.

**46 CONDITIONALITY OF THE SCHEME**

That the Scheme is and shall be conditional upon and subject to:

- i. The Sanction or approval under any law or of the central government or any other agency, department or authorities concerned being obtained and granted in respect of any of the matters in respect of which sanction or approval is required.
- ii. The approval by the requisite majority of the shareholders and classes of the creditors as directed by the court under section 391 of the Act.
- iii. The sanctioning of this scheme by the Hon'ble High Court, whether with any modifications or amendments as the court may deem fit or otherwise.
- iv. Certified or authenticated copy of the Order of the Hon'ble High Court sanctioning the Scheme being filed with the Registrar of Companies, Kanpur, Uttar Pradesh as may be applicable.
- v. All other sanctions and orders as are legally necessary or required in respect of the scheme being obtained.

**47 EFFECT OF NON-RECEIPT OF APPROVALS / SANCTIONS**

That in the event of any of the said sanctions and approvals referred to in the preceding clause not being obtained and/ or the Scheme not being sanctioned by the Hon'ble High Court of Judicature at Allahabad, Uttar Pradesh or such other competent authority and / or the Order not being passed as aforesaid before 01.01.2012 or within such further period or periods the Boards of Directors of the Applicant Company is hereby empowered and authorized to agree to and extend the Scheme from time to time without any limitation, this Scheme shall stand revoked, cancelled and be of no effect, 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.

**48 LEGAL PROCEEDINGS**

The Applicant Company upon the scheme becoming effective, if any suit, writ petition, appeal, revision, claim and litigation, disputes or other proceedings of whatsoever nature (herein after called

the 'proceedings') against the "AIL" or its Promoters/ Directors/ Officials by any of the existing creditors, are filed/ pending before any court or authority under any act, the same shall remain suspended and shall not proceed further till the final disposal of the scheme. The same shall be terminated on the Effective date of the scheme and the rights, obligations and liabilities of the creditors under the scheme shall be governed by the terms of the scheme.

- 49 The relevant documents pertaining to the said Scheme are opened for inspection and copies thereof can be obtained free of charge at the office of the Advocates of the Applicant Company, namely, UKCA Law Chambers, E-2, Kailash Colony, New Delhi-110 048; Chambers of Mr. Manu Khare, Advocate at 11, Liddle Road, George Town, (Near C.M.P Degree College), Allahabad, Uttar Pradesh-211 001 and also at the Registered Office of the company between 10.00 A.M. to 5.00 P.M. on all working days except Saturdays, Sundays and Public Holidays.

Sd/-  
**Mr. Sharad Madhyan**  
**Advocate**  
Chairperson appointed for the meeting

Dated this 10<sup>th</sup> day of February 2009

## **SCHEME OF COMPROMISE**

**(UNDER SECTION 391 AND 394 OF THE COMPANIES ACT, 1956)**

**BETWEEN**

**ALPS INDUSTRIES LIMITED.**

**AND ITS**

**CREDITORS**

---

### **PREAMBLE**

This Scheme of corporate debt restructuring is presented for revival and rehabilitation of the business of ALPS Industries Limited by way of compromise with all its creditors in respect of their existing dues on the terms and conditions in respect thereto as set out therein after, under Section 391 and other relevant provisions of the Companies Act, 1956.

**ALPS** Industries Limited (herein after referred to as "the company" or "AIL") is a public company with limited liability, incorporated under the Companies Act, 1956, having its registered office situated at B-2, Loni Road Industrial area (Opp. Mohan Nagar) Ghaziabad, Uttar Pradesh -201 007. The shares of the "AIL" are listed on the National Stock Exchange, Bombay Stock Exchange. The GDR issued by the company were listed on Luxembourg Stock Exchange, but currently no GDRs are in existence as all have been converted into Equity Shares of the Company, and AIL is taking steps to delist from the said Stock Exchange.

**WHEREAS** "AIL" is presently engaged in the business of processing, spinning, weaving, doubling, manufacturing or dealing in cotton, silk, wool, jute, flax, hemp, rayon, nylon or other fibrous filament substances and the preparation of dyeing or colouring or designing or any of the said substances and the sake of yarn cloth or other manufactured fibrous products.

**WHEREAS** "AIL" has been incurring heavy and substantial losses as a result of its business operations due to the adverse market conditions for the last one year. The total accumulated losses in the books of accounts of the "AIL" as per audited balance sheet as on 30.06.2009 is Rs.227,42,04,338.54 (Rupees Two Hundred Twenty Seven Crores and Forty Two Lacs four thousand three hundred thirty eight and fifty four paisa Only).

**WHEREAS** on the basis of extensive discussions, meetings, consultations between the members of the Board of Directors of the Company, Financial institutions, legal and other professional consultants, "AIL" has decided to take appropriate steps to restructure its financial debt position by seeing compromise with its creditors in the larger interests of creditors, shareholders, employees and the general interest of public. Thereafter, AIL has made an application under CDR mechanism to CDR Empowered Group.

**WHEREAS** "AIL" restructuring package has been approved by CDR Empowered group at its meeting held on August 31, 2009 and has intimated to the company vide Letter of Approval (LOA) dated September 11, 2009.

**WHEREAS** to achieve the same, the Board of Directors of ALPS Industries Limited has decided to make a requisite application before the Hon'ble High Court of Judicature at Allahabad, Uttar Pradesh under Section 391/394 of the Companies Act, 1956 for sanctioning the following Scheme of Corporate Debt Restructuring (CDR) and also to make same offer to all its creditors, who are not part of CDR scheme, relating to various financial products/ transactions.

**WHEREAS** this Scheme of Compromise between the AIL and its creditors is being promulgated under section 391-394 of the Companies Act, 1956 with the view to achieve the following objectives:

- a) To enable "AIL" to look at opportunities to fully revive and rehabilitate its business operations, in the larger interest of all its stakeholders.
- b) To enable the "AIL" to look at opportunities to raise financial and strategic resources, in the most efficient manner.
- c) To arrive at a compromise with the creditors without the liquidating the company and adversely affecting its current business and future prospects.
- d) To achieve an effective and mutually beneficial settlement with the creditors in light of the financial position of the company and the fact that the realizable value of the assets available under the ownership of the company is significant by deficient and not sufficient to repay the dues of all creditors even if the company is liquidated.
- e) To achieve a compromise with the creditors enabling them to derive better economic and commercial value vis-à-vis the value which they otherwise would have derived by liquidating the company.
- f) A business restructuring plan has been worked out and is being put into effect which envisages increased focus on value added yarn like slub yarn, dyed yarn etc., emphasis on higher margin business as technical textile to improve profitability.
- g) Financial Restructuring of the dues to FIs/ Banks under the aegis of Corporate Debt Restructuring (CDR) mechanism consisting of conversion of irregular portion of working capital outstanding into working capital term loan, and conversion of part borrowing into quasi-equity instrument, rescheduling of repayments, reduction in interest rates etc. and various other proposals. The said restructuring was sanctioned by the CDR empowered group on August 31, 2009. All the FIs/ Banks except, The Hongkong and Shanghai Banking Corporation Limited (HSBC), DBS Bank Limited, Standard Chartered Bank, Development Credit Bank Limited (DCB) and Kotak Mahindra Bank Limited, who are not part of the CDR arrangement, have accepted the said restructuring. AIL is taking the necessary steps to obtain the consent of the said banks.

The scheme of Compromise is divided into the following parts:

**PART-"A"** deals with the definitions and other terms used in the scheme of compromise.

**PART-"B"** deals with Financial Position and capital structure of the "AIL".

**PART-"C"** deals with Debt Position of "AIL".

**PART-"D"** deals with Restructuring Proposal of Term Loans and Derivative losses / MTM Derivative Losses.

**PART-"E" & "F"** deals with Instruments and Working Capital of term loan

**PART-"G"** deals with Accounting Treatment in the books of accounts.

**PART -"H"** deals with General terms and conditions.

### **PART- "A"- PRELIMINARY**

#### **1. DEFINITIONS**

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

- 1.2 **"Act" or "the Act"** means the Companies Act, 1956 and shall include any statutory modification, re-enactment or amendments thereof for the time being in force.
- 1.3 **"AIL"** shall mean
- ALPS Industries Limited (herein after referred to as the company) bearing CIN No. L51109UP1972PLC003544 originally incorporated on 11.05.1972 as **"ALPS Textiles Private Limited"** a private company with limited liability, incorporated under the provisions of the Companies Act, 1956. A Certificate of incorporation was issued by the Registrar of Companies, Kanpur, U.P. Thereafter, on 02.09.1994 consequent to Special resolution in terms of Section 31 / 44 (2) (b) of the Companies Act, 1956, the name of the company was changed to **"ALPS Textiles Limited"**. A fresh certificate for the change of the name of the company was issued by the Registrar of Companies, Kanpur, U.P. pursuant to section 23(1) of the Companies Act, 1956. Further, on 15.11.1994 consequent to necessary resolution in terms of section 21 of the Companies Act, 1956 vide Letter No. 5804 / 3544 dated 15.11.1994, the name of the company was again changed from "ALPS Textiles Limited" to "ALPS Industries Limited". A fresh certificate of incorporation for the change of name of the company was issued by the Registrar of Companies, U.P, Kanpur. The registered office of the company is situated at B-2, Loni Road Industrial area, opposite Mohan Nagar, Ghaziabad, Uttar Pradesh -201 007.
- 1.4 **"Appointed Date"** means 31<sup>st</sup> day of January, 2009 or any other date as may be approved by the Hon'ble High Court of Judicature at Allahabad and agreed to by the creditors.
- 1.5 **"Board"** means the Board of Directors of ALPS Industries Limited.
- 1.6 **"Creditors"** shall mean and include debts and liabilities payable by "AIL" to all banks and financial institutions as on the Cut -off date under various statutes.
- 1.7 **"Cut- off Date"** means 31<sup>st</sup> day of January, 2009 or such other date as may be approved by the Hon'ble High Court of Judicature at Allahabad, Uttar Pradesh, and for the purposes of the scheme is also the Appointed Date.
- 1.8 **"CDR"** shall mean Corporate Debt Restructuring.
- 1.9 **"CDR EG"** shall mean CDR Empowered Group a statutory body appointed under Reserve Bank of India to look after the cases of Corporate Debt Restructuring.

- 1.10 **"Effective Date"** means the date on which this scheme becomes operative being the date on which the certified copies of the orders of the Hon'ble High Court is filed with the Registrar of Companies, Kanpur, Uttar Pradesh.
- 1.11 **"High Court" or "the High Court"** shall mean the Hon'ble High Court of Judicature at Allahabad, Uttar Pradesh or any other competent jurisdiction.
- 1.12 **"Promoters"** in relation to the Company (AIL) shall mean promoters of ALPS Industries Ltd as on date.
- 1.13 **"Scheme" or "the Scheme" or "this Scheme"** shall mean the Scheme of Compromise between ALPS Industries Limited and its creditors in its present form submitted to this Hon'ble High Court or with any modification (s) made under clause 27 of this scheme or with such other modifications / amendments as the Hon'ble High Court may direct and may be accepted by the Company.
- 1.14 **"Settlement Amount"** shall mean such sum of amount as may be payable to the creditors of "AIL" in settlement of their outstanding claims against AIL in terms of this scheme.
- 1.15 **"Year"** shall mean every 12 months from the date of approval of the Scheme of Compromise.
- 1.16 Any references in the scheme to "upon the scheme becoming effective" or effectiveness of the scheme" shall mean the effective date.
- 1.17 All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning as prescribed to them under the Act and other applicable laws, rules, regulations, bye-laws, as the case may be or any statutory modification or re-enactment thereof from time to time.

## 2. **DATE OF EFFECT AND OPERATIVE DATE**

The Scheme set out herein in its present form or with any modification(s), if any, made as per clause 27 of the Scheme shall be effective from the Cut-off Date but shall be operative from the Effective Date.

## 3. **NEED FOR FINANCIAL DEBT RESTRUCTURING:**

- 3.1 During the second quarter of the financial year 2008-2009 "AIL" had started facing operational problems / bottlenecks leading to acute liquidity crunch. Otherwise, AIL has been consistent profit making company up to the financial year ended 31<sup>st</sup> March, 2008. The acute liquidity crunch occurred due to the following factors
- d) The global economy was facing on going recession which is expected to be continued for some more time. As a result thereof the export orders are being cancelled/ renegotiated/ discounts are being sought with respect to original buyers and there has been loss of value on account of negotiation with alternate buyers.
- e) There was a sharp increase in cotton prices of over 40% during the last one year as per the minimum support price enforced by Government of India. The increase in cotton

prices could not be passed on to the customers immediately by way of increased selling prices because of stiff competition in market.

- f) The TUF loans disbursed till date have been granted for expansion of its spinning facilities along with yarn dyeing facilities. The expansion plans were undertaken keeping in view the better market prospects. However, by the time these projects commenced production, the benefits from these projects could not fructify due to the following reasons:
- Rupee appreciation against USD, vis-à-vis the currencies of other competing countries witnessed lower appreciation.
  - Significant increased input costs i.e. cotton prices, power & fuel costs, without commensurate increase in sales realizations.
  - High rates of interests imposed by the financial institutions.
- g) The need for the financial debt restructuring has also become imperative and a pressing necessity in view of current global recession especially in the Textile Industry, Unexpected high derivative losses, adverse capital market conditions, project cost overruns and substantial loss in value of stock and debtors because of which the existing structure of the borrowings and their repayments cannot be sustained. All these factors have contributed to the "AIL" inability to service its debts under the present circumstances.

A business restructuring plan has been worked out and is being put into effect which envisages increased focus on value added yarn like slub yarn, dyed yarn etc., emphasis on higher margin business as technical textile to improve profitability.

Financial Restructuring of the dues to FIs/ Banks under the aegis of Corporate Debt Restructuring (CDR) mechanism forming part of this scheme, and consisting of conversion of irregular portion of working capital outstanding into working capital term loan, and conversion of part borrowing into quasi-equity instrument, rescheduling of repayments, reduction in interest rates etc. and various other proposals. The said restructuring was sanctioned by the CDR empowered group on August 31, 2009. All the FIs/ Banks except, The Hongkong and Shanghai Banking Corporation Limited (HSBC), DBS Bank Limited, Standard Chartered Bank, Development Credit Bank Limited (DCB) and Kotak Mahindra Bank Limited, who are not part of the CDR arrangement, have accepted the said restructuring. AIL is taking the necessary steps to obtain the consent of the said banks.

Due to the above factors, the Company's performance has been grievously effected and therefore, arises urgent need and necessitate to reschedule and restructure the debts of AIL.

- 3.2 "AIL" is a prominent player in the textile space and is having state of the art technologies. The company is expected to be able to sail through the adverse period provided, it gets the desired financial restructuring, certain waivers and interest concessions, as set out in the scheme.

**PART-"B"**  
**FINANCIAL POSITION AND CAPITAL STRUCTURE**

4. **CAPITAL STRUCTURE**

The Capital structure of ALPS Industries Limited as per audited balance sheet for the 15 months period ended 30.06.2009 is given as under:

Share Capital	Rupees
<b>Authorized Capital</b> 5,20,00,000 Equity shares of Rs.10/- each.	Rs.52,00,00,000
<b>Total: Rupees Fifty Two Crores Only</b>	<b>Rs.52,00,00,000</b>
<b><u>Issued, Subscribed and Paid up</u></b> 34514100 Equity share of Rs.10/- each fully paid up Out of the above, (1,62,57,050 Equity Share of Rs.10/- each have been allotted during the 2006-07 as fully paid up Bonus share by capitalization of General Reserve)	Rs.34,51,41,000
<b>Total (Rupees Thirty Four Crores Fifty One Lacs Forty One Thousand Only)</b>	<b>Rs.34,51,41,000</b>

5. **FINANCIAL POSITION OF "AIL" for the 15 months period ended on 30.06.2009**

The financial position of "AIL" for the 15 months period ended on 30.06.2009 audited balance sheet is given as under:

	PARTICULARS	RS IN LACS.
	<b><u>Source of Funds</u></b>	
<b>1.</b>	<b>Shareholder's Funds</b>	
	Share Capital	3,451.41
	Reserves and Surplus	24,882.23
		-----
		<b>28,333.64</b>
		-----
<b>2.</b>	Deferred Tax Liability- Net	<b>2,066.51</b>
<b>3.</b>	Loan Funds	<b>98,515.80</b>
	<b>Total</b>	<b>128,915.95</b>
	<b><u>Application of Funds:</u></b>	
<b>1.</b>	<b>Fixed Assets</b>	<b>66,462.54</b>
	<b>Gross Block</b>	<b>10,326.95</b>
	Less: Depreciation	-----
	<b>Net Block</b>	<b>56,135.59</b>
		-----
	<b>Capital Work in Progress</b>	<b>13,099.23</b>
<b>2.</b>	<b>Investments</b>	<b>1,304.05</b>
<b>3.</b>	<b>Current Assets, Loans And Advances</b>	



	Inventories	20,228.41
	Sundry Debtors	19,493.72
	Cash & Bank Balances	2,972.99
	Loans & Advances	3,900.13
		-----
		46,595.25
	<b>Less; Current Liabilities &amp; Provisions</b>	<b>11,367.06</b>
		-----
	<b>Net Current Assets</b>	<b>35,228.19</b>
		-----
<b>4.</b>	<b>Misc. Expenditure</b>	
	Preliminary Expenses / Deferred Revenue Expenses( to the extent not written off or adjusted)	406.84
	<b>Profit and Loss Account</b>	<b>22,742.05</b>
		-----
	<b>Total</b>	<b>128,915.95</b>
		-----

**Profit and Loss Account for the 15 months period ended on 30.06.2009**

Income	95,713.83
Expenditure	120338.71
Profit after tax	(24624.88)

**PART-"C"**  
**DEBT POSITION OF "AIL"**

6. The total liability of the company payable to the creditors aggregating to Rs.1,187,54,00,000 (Rupees One Thousand One Hundred Eighty Seven Crores Fifty Four Lacs Only). The below table enumerates the debt position of the company as on 31.01.2009.

**DEBT PROFILE OF THE COMPANY AS ON 31.01.2009 WITH MTM UPDATED AS ON 30.06.09**

S.no.	Name of the Lender	Amount in Crores	% of exposure
1.	State Bank of India	352.34	29.67%
2.	State Bank of Patiala	119.60	10.07%
3.	State Bank of Mysore	103.65	8.73%
4.	State Bank of Hyderabad	76.35	6.43%
5.	State Bank of Bikaner & Jaipur	34.65	2.92%
6.	State Bank of Indore	49.90	4.20%
7.	Punjab National Bank	116.88	9.84%
8.	Syndicate Bank	30.17	2.54%

9.	The Jammu & Kashmir Bank Ltd	25.19	2.12%
10.	UCO Bank	27.72	2.33%
11.	Exim Bank	14.38	1.21%
12.	IDBI	6.07	0.51%
13.	ICICI	17.68	1.49%
14.	HDFC / Centurian Bank	27.90	2.35%
15.	Yes Bank	36.91	3.11%
16.	Standard Chartered Bank	52.07	4.38%
17.	HSBC	25.00	2.11%
18.	DBS	39.87	3.36%
19.	DCB Bank	11.59	0.98%
20.	Kotak Mahindra	19.63	1.65%
<b>Grand Total</b>		<b>1187.54</b>	<b>100.00%</b>

The MTM liability has been incorporated in the above figures on the basis of individual bank's advice as on 30.06.09.

### **PART-"D"**

#### **7. RESTRUCTURING PROPOSAL- TERM LOANS/ DERIVATIVE LOSSES/ MTM DERIATIVE LOSSES**

##### **7.2 RESTRUCTURING OF TERM LOANS (TUF'S):**

Under this scheme the term loans (TUF's) have been divided into two categories:

##### **(A) Group "A":**

That the Group "A" category includes loans (TUF) in which repayment of principal have already been started. All loans falling under this category are further sub-divided into following two portions:

##### **1. Serviceable / Sustainable:**

That the 80% of the outstanding debt falling under Group "A" is to be taken as serviceable or sustainable debt, repayment of which is rescheduled as per the restructuring proposal in the following manner:

(iii) Principal payment moratorium up to 30.06.2009 i.e. payment to commence from 01.07.2009 (due for payment on 30.09.09).

(iv) Repayment in 38 quarterly installments commencing from 01.07.09 (due for payment on 30.09.09) and ending on 31.12.2018, as per the following chart:

YEAR	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Principal (%)	0.75%	2.5 %	4.0 %	6.0 %	9.0 %	12.0%	13.5%	16.0%	17.0%	19.25%	100.0%
Amount in Rs. Crore	2.28	7.62	12.19	18.28	27.42	36.56	41.13	48.75	51.79	58.64	304.66
Quarterly Installment	3	4	4	4	4	4	4	4	4	3	38
Amount of Installment	0.76	1.90	3.05	4.57	6.85	9.14	10.28	12.19	12.95	19.55	

2. **Unserviceable /Unsustainable:**

That the 20% of the outstanding debt falling under Group A is to be taken as unserviceable or unsustainable debt and converted into a Quasi-Equity Instrument "A"

(B) **Group "B":**

That the Group "B" category includes loans (TUF) in which repayments of principal have not yet started i.e. the loans are still under moratorium period. All loans falling under this category again further sub-divided into following two portions:

3. **Serviceable /Sustainable:**

80% of the outstanding debt falling under Group B is to be taken as serviceable or sustainable debt, repayment of which is rescheduled as per the restructuring proposal in the following manner:

- i. Principal payment moratorium up to 31.12.2010 i.e. payment to commence from 01.01.2011 (due for payment on 31.03.11).
- ii. Repayment in 32 quarterly installments commencing from 01.01.11 (due for payment on 31.03.11) and ending on 31.12.2018.

YEAR	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Principal (%)	0.0%	2.5%	4.0%	10.5%	11.5%	12.0%	15.0%	15.0%	16.0%	13.5%	100%
Amount in Rs. Crores	0.00	1.50	2.39	6.29	6.89	7.18	8.98	8.98	9.58	8.08	59.87
Installment in Nos	0	1	4	4	4	4	4	4	4	3	32
Amount of Installment	0.00	1.50	0.60	1.57	1.72	1.80	2.25	2.25	2.39	2.69	

4. **Unserviceable/Unsustainable:**

That the 20% of the outstanding debt falling under Group A is to be taken as unserviceable or unsustainable debt and converted into a Quasi-Equity Instrument "A".

7.3 **RESTRUCTURING OF NON TUF LOANS (INCLUDING UNSECURED LOANS):**

That the Non TUF loans are divided into following two portions based on serviceability:

2. **SERVICEABLE /SUSTAINABLE:**

That the 80% of the outstanding debt (i.e. Secured + Unsecured) is to be taken as serviceable or sustainable debt, repayment of which is rescheduled as per the restructuring proposal in the following manner:

- i. Principal payment moratorium up to 31.12.2010 i.e. payment to commence from 01.01.2011 (due for payment on 31.03.11).

- ii. Repayment in 32 quarterly installments commencing from 01.01.11 (due for payment on 31.03.11) and ending on 31.12.2018.

YEAR	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Principal (%)	0.0%	2.5%	4%	10.5%	11.5%	12%	15%	15%	16%	13.5%	100%
Amount in Rs. Crore	0.00	4.08	6.53	17.15	18.79	19.60	24.51	24.51	26.14	22.06	163.37
Installment in Nos	0	1	4	4	4	4	4	4	4	3	32
Amount of Installment	0.00	4.08	1.63	4.29	4.70	4.90	6.13	6.13	6.53	7.35	

**2. UNSERVICEABLE/UNSUSTAINABLE:**

That the 20% of the outstanding debt (secured + unsecured) is to be taken as unserviceable or unsustainable debt. Out of this, portion of debt which pertains to unsecured loans, secured by sub-servient charge/against PDC / against Personal Guarantee are to be converted into Quasi-Equity Instrument "B" and balance pertaining to secured term loans shall be converted into Quasi-Equity Instrument "A".

**7.4 FOREIGN EXCHANGE LOSSES:**

That the 100% of all unpaid Derivative losses, crystallized and not paid on or before the cut off date is considered unsustainable and converted into Quasi- Equity Instrument-"C"

**7.5 MTM DERIVATIVE LOSSES:**

That the 100% of all MTM Derivative losses, not crystallized as on the cut off date is considered unsustainable and converted into a Quasi- Equity Instrument "D".

**PART-"E"  
INSTRUMENTS**

8. The Portions of Term loans i.e. Secured & Unsecured which are considered unsustainable and 100% of all unpaid derivative losses and of all MTM derivative losses which are also considered as unsustainable are proposed to be converted into Quasi-Equity Instrument in the following manner:

**8.1 Quasi- Equity Instrument "A":- Lenders of Secured Term Loans.**

That the following option shall be available to the holders of this instrument.

**iii. Optionally Convertible Cumulative Preference shares – OCCPS**

- a) This option to convert into equity will have to be exercised by the lender within 60 months from the cut -off date. If option of conversion into equity is not exercised within 60 months it will be treated as Cumulative Redeemable Preference shares (CRPS) and will be paid off / redeemed in the 9<sup>th</sup> and 10<sup>th</sup> year from the cut off date.
- b) If the lender opts for Optionally Convertible Cumulative Preference shares (OCCPS), the same would have to be issued within 12 months from the effective date

- c) The principal value of the instrument would be principal amount plus 9% simple interest (in the form of dividend) from the cut off date to the date of issue if the interest is not paid in cash on or before the date of issue.
- d) Optionally Convertible Cumulative Preference shares (OCCPS) carry dividend @6% per annum, from the date of issue.

**iv. Cumulative Redeemable Preference Shares (CRPS)**

With out prejudice to 8.1(i) and the generality of the said clause:

- a) That if the above option is not exercised, Cumulative Redeemable Preference Shares (CRPS) will be issued to the lenders for a period of 10 years to be redeemed in 9<sup>th</sup> and 10<sup>th</sup> year from the Cut off date
- b) That if the lender opts for Cumulative Redeemable Preference Shares (CRPS), the same would have to be issued within 12 months from the effective date.
- c) That the principal value of the instrument would be principal amount plus 9% simple interest (in the form of dividend) from the cut off date to the date of issue if the interest is not paid in cash on or before the date of issue.
- d) Cumulative Redeemable Preference Shares (CRPS) carry dividend @ 6% per annum.
- e) Subject to availability of funds, the instrument (OCCPS or CRPS) would have preference over other instruments in discounted redemption as per scheme decided hereunder over any other instruments.

**8.2 Quasi- Equity Instrument "B":- Lenders of Unsecured term loans.**

That the lenders of unsecured loans shall also have the option to take either Optionally Convertible Cumulative Preference Shares (OCCPS) or Cumulative Redeemable Preference Shares (CRPS). The basic features of these proposed instruments shall be the same as is applicable to secured lenders under Instrument "A" subject to availability of funds, the instrument (OCCPS or CRPS) would have preference over other instruments (except instrument A) in discounted redemption as per scheme decided hereunder over any other instrument.

**8.3 Quasi- Equity Instrument "C":- Unpaid Derivative Losses**

That the lenders would be issued 1% Cumulative Redeemable preference shares which shall be redeemed in 9<sup>th</sup> and 10<sup>th</sup> year after cut off date. Other basic features of this proposed instrument are as follows:

- iv. That the instrument would be issued within 12 months from the effective date.
- v. That the principal value of the instrument would be the crystallized amount plus 1% simple interest (in the form of dividend) from the date to crystallization or the cut off date, whichever is later.
- vi. That subject to availability of funds, the instrument (CRPS) would have preference over other instruments (except instrument A & B) in discounted redemption as per scheme decided hereunder over any other instrument.

#### 8.4 Quasi- Equity Instrument "D":- MTM Derivative losses

- (A) That the Lenders would be issued 1% Cumulative Redeemable preference shares which shall be redeemed in 9<sup>th</sup> and 10<sup>th</sup> year after cut off date. Other basic features of this proposed instrument are as follows:
- iv. That the instrument would be issued within 12 months from the date of implementation of the CDR package or the date of crystallization whichever is later.
  - v. That the principal value of the instrument would be the crystallized amount plus 1% simple interest (in the form of dividend) from the date of crystallization or the cut off date, whichever is later.
  - vi. Subject to availability of funds, the instrument (CRPS) would have preference over other instruments (except that of instruments A & B but at par with instrument C) in discounted redemption as per scheme decided hereunder over any other instrument.
- (B) That the owner of the instruments may exercise option for full and final settlement of the full value of any of the instruments at a discount not below the percentage mentioned in each year. AIL would (with the approval of their Board of Directors and the CDR Monitoring Committee) within 45 days from the close of the financial year ending March of each year seek option for settlement from each instrument holder for a total specified amount (to vary based upon previous years performance). The Settlement would be made based on the discount quoted. In other words, the instrument holder offering higher discount (in closed envelope offer) would get preference over the others, and so on.

Year ending 31/03	2013	2014	2015	2016	2017	2018
Minimum discount	75%	60%	50%	40%	30%	20%

This option would be available, at par, to all the instrument holders i.e. A,B,C or D, subject to preferential (A,B,C & D) treatment if discount offered is identical.

#### **PART –"F"** **WORKING CAPITAL TERM LOAN**

#### 9. **CONVERSION OF IRREGULAR PORTION OF WORKING CAPITAL OUTSTANDING INTO WORKING CAPITAL TERM LOAN (WCTL)**

- 9.1 That the existing fund based working capital outstanding as on cut off date and proposed restructuring is as follows:

<b>Rupees in Crores</b>	
Outstanding as on 31.01.2009	Rs. 267.14
<b>Less: normal working capital limit backed by drawing power</b>	<b>Rs. 199.86</b>
<b>Irregular Portion</b>	<b>Rs. 67.28</b>
Actual irregularity (as per the table below)	Rs. 69.92
Add: Additional irregularity (Estimated till the date of implementation)	Rs. 20.00
<b>Proposed Working Capital Term Loan (WCTL)</b>	<b>Rs.89.92</b>

**Bank Wise WCTL**

	B Bank	Outstanding As on 31.01.09		DP Available	Irregularity	Additional Irregularity	WCTL
		O/s	% Share				
1	State Bank of India	166.09	62.17%	120.55	45.54	12.88	58.42
2.	SBOP	19.45	7.28%	15.86	3.59	1.69	5.28
3.	SBOM	29.21	10.94%	19.03	10.18	2.03	12.21
4.	SBOH	18.07	6.76%	12.69	5.38	1.36	6.74
5.	SBBJ	14.75	5.52%	9.52	5.23	1.02	6.25
6.	PNB	8.38	3.14%	9.52	0.00	1.02	1.02
7.	Standard Chartered Bank	11.19	4.19%	12.69	0.00	0.00	0.00
	Total	267.14	100.00	199.86	69.92	20.00	89.92

9.2 Repayment of Working Capital Term Loan (WCTL) of Rs. 89.92 Crores in 32 quarterly installment commencing from 01.01.2011 (due for payment on 31.03.11) and ending on 31.12.2018 ( i.e. Principal payment moratorium up to 31.12.2010).

YEAR	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Principal (%)	0%	2.5%	4%	10.5%	11.5%	12%	15%	15%	16%	13.5%	100%
Amount in Rs. Crore	0.00	2.25	3.59	9.44	10.34	10.79	13.49	13.49	14.39	12.14	89.92
Installment in Nos	0	1	4	4	4	4	4	4	4	3	32
Amount of Installment	0.00	2.25	0.90	2.36	2.59	2.70	3.37	3.37	3.60	4.05	

9.3 **FUNDED INTEREST TERM LOAN (FITL)**

- Funding of interest on Working Capital, Term loan (TUFs, Non TUFs, unsecured loans) & WCTL for a period of 12 months from cut off date i.e. 01.02.2009 till 31.01.10.
- It is proposed that FITL (TUFs) would be repaid on or before July 2010 to ensure continuation of availability of TUFs subsidy.
- FITL (Non TUFs & Others) will be fully repaid by March 2012.

9.4 **REDUCTION IN RATE OF INTEREST ON TERM LOANS AND WORKING CAPITAL W.E.F. CUT OFF DATE**

- Uniform interest rate of 9% p.a. (fixed) on all existing term loans/Working capital limit/Proposed WCTL

(d) FITL will carry interest @ 9% p.a. (fixed)

## 9.5 WORKING CAPITAL LIMIT

- iii. Based on the revised holding norms working capital requirements re-assessed division-wise were arrived Rs. 370 Crore for the year 2010-11 but limit the drawings at Rs. 290 Crore for the year 2009-10. Thereafter, the restrictions may be withdrawn in February 2010 by MC subject to satisfactory performance.

Sr. No.	Banks	Limits as on 31.01.09		Limit net of WCTL	Limit to Reinstated	Revised limit	Revised % share
		Limits	% Share				
1.	State Bank of India	190.00	60.32%	131.58	43.42	175.00	60.34%
2.	State Bank of Patiala	25.00	7.94%	19.71	3.29	23.00	7.93%
3.	State Bank of Mysore	30.00	9.52%	17.79	10.21	28.00	9.66%
4.	State Bank of Hyderabad	20.00	6.35%	13.26	4.74	18.00	6.21%
5.	State Bank of Bikaner & Jaipur	15.00	4.76%	8.75	5.25	14.00	4.83%
6.	Punjab National Bank	15.00	4.76%	13.98	0.02	14.00	4.86%
7.	Standard Chartered Bank	20.00	6.35%	20.00	-2.00	18.00	6.21%
	<b>Total</b>	<b>315.00</b>	<b>100.00%</b>	<b>225.08</b>	<b>64.92</b>	<b>290.00</b>	<b>100.00%</b>

- iv. Based on assessment of Working Capital requirement for FY 2010-11, the additional limits of Rs. 55 Crore is proposed to be allocated on pro-rata basis to fund based exposure as on cut off date. While allocating additional limits on pro-rata basis, the banks with a share less than Rs. 2 Crore have been kept out of working capital consortium for operational convenience. Also Standard Chartered Bank, who is not a part of CDR Group will not participate in the additional exposure, therefore the working capital limits of SCB has been restricted to Rs. 18.00 Crore.

No.	Name of Bank	Existing Limits	Additional Limit	Limit for 2010-11	Limit less 2 crore not to be included	Diff	Limit for 2010-11	Limit of sanction
1.	SBI	190.00	17.31	207.31	207.31	5.52	212.84	213.00
2.	SBOP	25.00	7.18	32.18	32.18	0.86	33.03	33.00
3.	SBOM	30.00	6.40	36.40	36.40	0.97	37.37	37.00
4.	SBOH	20.00	4.54	24.54	24.54	0.65	25.20	25.00



5.	SBBJ	15.00	2.14	17.14	17.14	0.46	17.60	18.00
6.	SBOI		3.08	3.08	3.08	0.08	3.16	3.00
7.	PNB	15.00	7.22	22.22	22.22	0.59	22.81	23.00
8.	Syndicate Bank		1.86	1.86	0.00	0.00	0.00	0.00
9.	The J & K Bank		1.55	1.55	0.00	0.00	0.00	0.00
10.	UCO Bank		1.71	1.71	0.00	0.00	0.00	0.00
11.	Exim Bank		0.89	0.89	0.00	0.00	0.00	0.00
12.	IDBI		0.37	0.37	0.00	0.00	0.00	0.00
13.	ICICI		0.49	0.49	0.00	0.00	0.00	0.00
14.	HDFC		0.25	0.25	0.00	0.00	0.00	0.00
15.	HSBC		0.00	0.00	0.00	0.00	0.00	0.00
16.	DBS		0.00	0.00	0.00	0.00	0.00	0.00
17.	Standard Chartered Bank	20.00	0.00	20.00	18.00		18.00	18.00
	<b>Total</b>	<b>315.00</b>	<b>55.00</b>	<b>370.00</b>	<b>360.87</b>	<b>9.13</b>	<b>370.00</b>	<b>370.00</b>

10. **OTHER CONDITIONS:**

- (f) That the Drawing Power (DP) has been calculated at uniform 25% margin (except for Foreign Bill Purchased at NIL margin) based on current asset holdings as on the cut-off date less sundry creditors for purchase. In this connection, it is suggested that the cover period for receivables may be taken as 180 days.
- (g) Non Fund Based Facilities to be allowed at Nil Margin.
- (h) That the Company would arrange to get all necessary statutory approvals for issue of various instruments within the specified period.
- (i) That the Proposed Working capital Limits would be shared amongst all lenders in proportion to their utilized Fund based limits and the allocation will be restricted to a minimum share of Rs. 2 Crore and lenders with less than Rs. 2 Crore share will be kept out of consortium for operational convenience.
- (j) That the Proposed WCTL would be shared amongst Working Capital lenders in proportion to their irregularity as on cut off date based on available Drawing Power to working capital lenders.

11. **CONVERSION OF FUTURE INTEREST INTO VARIOUS INSTRUMENTS AND REPAYMENT THEREOF-**

- (e) Funding of interest on Working Capital Term Loan (TUFs, Non TUFs, unsecured loans) & WCTL for a period of 12 months from cut off date i.e. February 1, 2009 till January 31, 2010.
- (f) It is proposed that FITL (TUFS) would be repaid on or before July 2010 to ensure continuation of availability of TUFS subsidy.
- (g) FITL (Non TUFS & Others) will be fully repaid by March 2012.
- (h) FITL to carry 9% (fixed) interest.

12. **SURRENDER OF INTEREST RATES BY LENDERS**

That the Lenders' sacrifice in respect of reduction in the rates of interest with effect from the cut-off date on all secured loans i.e. Term Loans, Working Capital Limits, WCTL, FITL works out to Rs. 83.85

crore. Whereas the Crystallized but unpaid losses (including provisions for losses to be crystallized up to 31.03.09) and MTM (including crystallized losses in between 31.03.09 to 30.06.09) as on cut off date has been considered as unsecured creditors and sacrifices under this works out to Rs. 95.79 crore. The total sacrifices have been worked out as Rs. 179.64 crore subject to computation by lenders.

3. That the proposal envisages additional Capital Expenditure of Rs. 11 crore apart from routine capital expenditure. This amount is proposed to be funded from internal cash flows and no fresh loan is considered.
14. **STATUTORY COMPLIANCES:**  
With regard to the Statutory Compliances "AIL" shall undertake to comply with all the statutory regulations.
15. **RIGHT TO RECOMPENSE:**  
That the Lenders with the approval of CDR EG shall have the right to recompense the reliefs / sacrifices / waivers extended by the respective lenders as per guidelines of Corporate Debt Restructuring.
16. **RIGHT TO REVERSE:**  
That the lenders with the approval of CDR EG, shall have the right to reverse the waivers extended by respective lenders as per CDR guidelines.
7. **COST OF SCHEME AND MEANS OF FINANCE**  
The cost of the scheme and means of finance is given as under:

<b>Particulars</b>	<b>Amount in Crores</b>
<b>Cost of Scheme</b>	
Forex Derivative Loss payable	Rs. 28.42
Interest during 1.02.09 to 31.01.10	Rs. 74.31
Additional capital expenditure	Rs. 11.00
Cost of Closure of Unit III	Rs. 5.00
MTM	Rs. 178.58
Current Assets Build up	Rs. 130.83
Margin for Working Capital	Rs. 25.17
<b>Total</b>	<b>Rs. 453.31</b>
<b>Mean of Finance</b>	
CRPS of Forex losses	Rs. 28.42
FITL	Rs. 74.31
Internal Accruals	Rs. 16.00
CRPS of MTM	Rs. 178.58
Additional WC limit	Rs. 80.00
Sale proceeds of Land & Building(Net of Taxes)	Rs. 46.00
Promoters' Contribution	Rs. 30.00
<b>Total</b>	<b>Rs. 453.31</b>

18. **PROMOTER'S CONTRIBUTION**  
That the promoters' contribution as a percentage of the 'Cost of Scheme plus Waivers and sacrifices of Secured Creditors. Promoters' contribution of Rs. 30 crore will be brought in as under:

Period	(Rs. In crore)
Upfront (before December 31, 2009)	10.00
Within 18 months of the implementation of the package	20.00
<b>Total</b>	<b>30.00</b>

**PERCENTAGE OF PROMOTER'S CONTRIBUTION:**

- (d) Cost of Scheme plus waivers and sacrifices of secured creditors=5.58%
- (e) Sacrifices of secured lenders (Rs. 83.85 crore) = 35.8%
- (f) Sacrifices of Secured and Unsecured lenders (Rs.179.64 Crore)=16.7%

**19. SECURITY CONDITIONS**

- 19.1 All the Existing Term Loans to have first pari-passu charge on fixed assets and second pari-passu charge on current assets of the company along with Personal Guarantees of promoters i.e. Mr. K. K. Agarwal and Mr. Sandeep Agarwal.
- 19.2 All the working capital borrowings to have first pari-passu charge on current assets and second pari-passu charge on fixed assets of the company along with Personal Guarantee of promoters i.e. Mr. K. K. Agarwal and Mr. Sandeep Agarwal.
- 19.3 Working Capital Term Loan (WCTL) and Funded Interest Term Loan (FITL) will be secured by first pari-passu charge on fixed assets of the company along with Personal Guarantee of promoters i.e. Mr. K. K. Agarwal and Mr. Sandeep Agarwal.
- 19.4 That as on cut off date short term loans (unsecured) from PNB, SBOH and SBOM which are secured by way of PDC, Subservient charge and personal guarantee of promoter will have pari-passu charge on fixed assets. For the balance unsecured loans from DBS, HDFC and ICICI, which are secured by way of PDC, subservient charge and personal guarantee of promoters will have third charge on fixed assets.

**20. ADDITIONAL SECURITY**

- a) The company will pledge the balance promoters' share (other than that pledged with the ABN Amro Bank)
- b) The promoter's equity to be infused under the CDR package will also be pledged to the consortium in accordance with SEBI guidelines.

**21. TRUST AND RETENTION AGREEMENT (TRA) AND ADDITIONAL CONDITIONS**

The Company and its promoters will comply with and meet the requirements of the terms and conditions as set out in the CDR package approved by CDR Empowered group intimated to the "AIL" by vide LOA dated 11.09.2009 as far as possible for the purposes of the scheme. The approval letter dated 11.09.2009 further amended vide letter dated 09.11.09 and 24.11.09 and terms and conditions are set out in herein under:

- c) The AIL shall open Trust & Retention Account (TRA) with State Bank of India and entire cash flow shall be routed through the said TRA. Waterfall mechanism shall be finalized by the Monitoring Committee in consultation with the lenders. TRA shall be operated in a manner specified by and to the satisfaction of the lenders. For the purpose of TRA, SBI, in consultation with CDR Cell shall

structure the TRA Agreement. All lenders and the company shall execute the TRA Agreement within four months of LOA. The company as per CDR guidelines shall pay to the TRA Agent, TRA Agency fee.

- d) The AIL shall submit estimated cash budget on monthly basis well in advance and drawings to be permitted on the basis of the said cash budget subject to verification of genuine requirement. After completion of the month's operation, actual cash summary shall be submitted for comparison with the estimates. Various analyses as may be done by the Concurrent Auditor shall be monitored by Monitoring Committee periodically. Any action as may be required to be taken shall be with due recommendation of MC and with the approval of CDR EG.

## 22. **ADDITIONAL CONDITIONS**

The additional conditions as approved in the CDR package vide LOA dated 11.09.2009 is reproduced herein under:

- 22.1 The CDR lenders, with the approval of CDR-EG, shall appoint at the sole cost and expense of the Borrower – corporate a Concurrent Auditor during the currency of the package, to review the operations of the company on a periodic basis, monitoring the operations of TRA and any other work that may be assigned by the lenders.
- 22.2 The Borrower – corporate shall not incur any capital expenditure, save and except such expenditure as is permitted in terms of the CDR package, without prior recommendation of monitoring committee and without prior approval of CDR EG.
- 22.3 The Borrower – corporate shall not sell any of its fixed assets/ investments save and except those as permitted in terms of the CDR package without prior recommendation of Monitoring Committee and prior approval of CDR EG. However, the Borrower – corporate shall sell its non-core assets, wherever applicable and an 'Asset Sale Committee' would be set up with the approval of CDR EG for the sale of such assets.
- 22.4 The Borrower – corporate shall procure and furnish an Undertaking from the promoters (the terms and conditions of which shall be in a form and manner acceptable to lenders) to bring additional funds by way of debt/equity/preference capital or any other instrument for meeting any cash flow shortage to service lenders' debt/interest/dividend, if required by CDR EG.
- 22.5 The Promoters/Borrower – corporate would arrange to furnish additional collateral security, if required by CDR EG.
- 22.6 The Borrower -corporate / individual lenders shall file Consent Terms, in respect of any pending dispute or litigation before debt recovery tribunal/courts where recovery application /suit is pending.
- 22.7 Individual Lenders, with the approval of CDR EG, shall have the right to revoke the CDR package in case the Borrower commits an event of default, as described in the existing loan agreement or in the MRA or any Facility Agreement. The individual lenders need to inform CDR EG within seven days of the event of default and proposed course of action on the same. CDR EG would give a decision on the same within 60 days; if not then individual lenders are permitted to take action at their discretion.

- 22.8 The Borrower – corporate shall not declare any dividend on its equity shares without prior consent of CDR EG.
- 22.9 The Lenders, with the approval of CDR-EG, shall have the right to renegotiate the terms of restructuring including accelerating the repayment schedule in the event of better performance by the Borrower vis-à-vis projections. Under such circumstances, the company shall clear dues as per accelerated repayment schedule without demur.
- 22.10 The Borrower- corporate shall not escrow its future cash flow (except discounting of bills in the normal course of business) or create any charge or lien or interest thereon of whatsoever nature except as provided in CDR package, without the approval of CDR-EG.
- 22.11 The Lenders / holders of instruments, with the approval of CDR EG, shall have the right to recompense the reliefs / sacrifices/waivers extended by respective CDR Lenders/ holders of instruments as per CDR guidelines.
- 22.12 The Lenders / holders of instruments, with the approval of CDR EG, shall have a right to reset the interest rate for the term loan/s every 2 years (or shorter period as may be decided by CDR EG) and interest rate/ dividend for the working capital and instruments every year.
- 22.13 The borrower – corporate shall broad base its Board of Directors by inducting a professional director and strengthen Management set up by inducting outside professionals to the satisfaction of CDR EG.
- 22.14 All participating lenders shall be entitled to retain or appoint nominees on the Board of Directors of the company during the currency of their assistance.
- 22.15 The Lenders shall have a right to convert entire/ part of defaulted interest and entire/part of defaulted principal into equity as per SEBI pricing formula in the event of default. However, in the case of those Lenders who already have default conversion rights, the same would be governed by existing loan covenants. The borrower-corporate / promoters shall take necessary steps and obtain all requisite /statutory/ other approvals for such allotment of equity shares or a part of it in terms of the existing loan agreements.
- 22.16 (a) In case of debt outstanding beyond seven years from the date of CDR LOA, the Lenders shall have a right to convert into equity up to 20% of such outstanding (as on the date of conversion) as per SEBI guidelines/ loan covenants, whichever is applicable
- (b) As regards zero coupon FITL remaining outstanding beyond 7 years, if any, such conversation right of lenders would be applicable to the entire amount and the conversation shall be as per SEBI guidelines.
- In the event the lenders or any of the lenders exercises its right to sell the shares issued in terms of the conversion clause as (a) or (b) above, the first right of refusal to buy back the shares would be offered to the promoters.
- 22.17 The Borrower – corporate shall furnish an Undertaking to create negative lien on property, shares, brands etc. in the form and manner and as may be advised by the CDR EG.

- 2.18 In the event of the Borrower committing default on the repayment of installment of the loan or payment of interest on the due dates, the lenders shall have an unqualified right to disclose the name of the borrower – corporate and its directors to the Reserve Bank of India (RBI)/ Credit Information Bureau of India Ltd. (CIBIL). The borrower-corporate shall give its consent to lenders or RBI/CIBIL to publish its name and names of its Directors as defaulters in such manner and through such medium as lenders/RBI/CIBIL in their absolute discretion may deem fit.
- 2.19 The Lenders shall establish a Trust & Retention Account (TRA) and enter into a Trust & Retention Account Agreement. The borrower-corporate would ensure submission of quarterly / annual cash flows to all lenders.
- 2.20 The lender/s, with the approval of CDR EG, will have the option to accelerate repayments in the event of better performance than projected and the borrower-corporate will have a right to prepay. However, in the event of prepayment at the option of the borrower- corporate, prepayment premium shall be charged as per CDR guidelines.
- 2.21 In the case of any future induction of private equity /ECB/Venture Capital funds any other source, the charging of prepayment premium will be governed by the CDR guidelines and decision of EG. Normally, prepayment will be on pro-rate basis amongst different debt instruments. However, any change thereof as may be requested by the borrower-corporate could be considered and recommended by the Monitoring Committee and approved by CDR EG.
- 2.22 The borrower – corporate shall agree to furnish written Undertaking not to sell /mortgage/transfer/alienate in any manner its assets and properties during the currency of the loans, without the prior approval of CDR EG. Sale of 3 properties situated at 57/2 & 58/1, Site-IV, Industrial Area, Sahibabad, Ghaziabad-201010, B-2, Loni Road, Industrial Area, (Opp. Mohan Nagar), Ghaziabad-201007 B-160-161, Mettupalaiyan, Industrial Estate, Pondicherry-604 009 are already permitted by CDR EG for disposal vide their LOA dated 11.09.09.
- 2.23 Individual lenders shall have a right to assign/hypothecate/transfer their outstanding to any Asset Reconstruction company/Bank/or any other entity, in terms of CDR guidelines.
- 2.24 Any OTS or settlement with non-CDR members will be subject to prior recommendation of Monitoring Committee and prior approval of CDR EG. NPV of such settlements should be, as far as possible, less than the NPV calculated on the basis of CDR package agreed to by the lenders.
- 2.25 The borrower- corporate shall keep the lenders informed of any legal proceedings, the outcome of which would have a material impact on the debt servicing capability of the company. In consultation with the lenders, it shall take such remedial actions, as may be required in the best interest of the borrower-corporate and the lenders.
- 2.26 The borrower-corporate shall not effect any change in management set up without prior approval of CDR EG.
- 2.27 The borrower-corporate/promoters shall undertake to comply with the conditions as per revised RBI guidelines on CDR dated November 10, 2005 as also amendments thereto. As per the CDR guidelines, the approved package should be sanctioned in 45 days from the date of CDR LOA and should be implemented within 4 months from the date of CDR LOA in line with RBI guidelines. In this

regard, the borrower – corporate may refer to critical conditions stipulated in the package relating to creation of security, promoters compliances, setting up of TRA, giving effect to the package in the books of lenders, etc. These compliances form a part of implementation of the package. For the remaining stipulations, lenders may review the position at the end of three months and execute Master Restructuring Agreement between all lenders/borrower-corporate, if required. In any case, all efforts should be made to comply with critical conditions at the earliest, within three months of the CDR LOA.

- 22.28 The Borrower- corporate /promoters shall resolve all outstanding issues with lenders covering reconciliation of figures, preparation of MRA/TRA, appointment of Legal Counsel etc immediately.
- 22.29 The company shall furnish an unconditional and irrevocable guarantee of its promoters in the form and manner acceptable to CDR EG.
- 22.30 Right to reverse the waivers/ sacrifices, etc.  
Lenders will have right to reverse the waivers / sacrifices in case of the following events of default.

23. **EVENTS OF DEFAULT:**

The following individually and severally constitute events of default, which will be subject to any action as lenders may deem fit and subject to approval of CDR - EG:

- a) Default on any obligations to Lenders as per the approved terms of the package / LOA.
- b) Violations of any or all of the undertakings given by the company / promoters as per the approved terms of the package / LOA.
- c) The company failing to renew the relative Insurance Policies on the respective due dates.
- d) Withholding of important informations or providing misleading information by the company / sponsors that is detrimental to the interests of the institutions.
- e) Undertaking any new project / expansion by the company, without the prior approval of CDR EG.
- f) Withdrawing unsecured loans inducted by Promoters or making payment of interest on such loans unless specifically provided under CDR.
- g) Diverting any amount from the operations of the company for meeting any unrelated expenditure or payment to any other concern without approval of lenders.
- h) Any sale, transfer, mortgage, removal or disposal of the assets in any division without the prior approval of CDR EG / company's board.
- i) The company not adhering to the financial discipline envisaged in the restructuring package.

**PART-"G"**

**ACCOUNTING TREATMENT IN BOOKS OF ACCOUNTS**

24. Upon the scheme becoming effective, while preparing the accounts "AIL" shall ensure the following:
- a) State the liabilities in the balance sheet with respect to its borrowings such as term loans / working capital loans, derivative losses, MTM derivative losses as per restructured terms.
  - b) Credit the amount to Reconstruction reserve account on account of net gain made by the "AIL" under the scheme.

c) Set off against the above amount being the balance available in Reconstruction Reserve against the debit balance in the Profit and loss account.

5. The Accounts of the "AIL" as on the cut off date shall be reconstructed and will be in accordance with the terms of the scheme. The "AIL" shall also follow/comply with the accounting standards/accounting policies, notifications and circulars issued by Institute of Chartered Accountants of India, Reserve Bank of India Act, 1934 or under any other law from time to time.

**PART-"H"**  
**GENERAL TERMS AND CONDITIONS**

6. **APPLICATION TO THE HON'BLE HIGH COURT**

That the "AIL" shall, with all reasonable dispatch, make applications to the Hon'ble High Court of Judicature at Allahabad, Uttar Pradesh or such other competent authority under whose jurisdiction of the Registered Office of the company is situated, for sanctioning this Scheme under Sections 391 to 394 of the Companies Act, 1956.

27. **MODIFICATION OR AMENDMENTS TO THE SCHEME**

"AIL" by its board of directors or any persons authorized by "AIL" may assent to any modifications/ amendments to the scheme or to any conditions or limitations that the court and / or any other authority may deem fit to direct or impose, or make such modifications / amendments which may otherwise be considered necessary, desirable or appropriate by "AIL" in its sole discretion. "AIL" by its board of directors be and is hereby authorized to take all such steps as may be necessary, desirable or proper for the purposes of implementing the scheme and to resolve any doubts, difficulties or questions regarding the implementation of this scheme or other wise arising under this scheme, whether by reason of any directive or orders of any other authorities or otherwise however arising out of or under or by virtue of the scheme and/ or any matter concerned or connected therewith.

8. **CONDITIONALITY OF THE SCHEME**

That the Scheme is and shall be conditional upon and subject to:

- i. The Sanction or approval under any law or of the central government or any other agency, department or authorities concerned being obtained and granted in respect of any of the matters in respect of which sanction or approval is required.
- ii. The approval by the requisite majority of the shareholders and classes of the creditors as directed by the court under section 391 of the Act.
- iii. The sanctioning of this scheme by the Hon'ble High Court, whether with any modifications or amendments as the court may deem fit or otherwise.
- iv. Certified or authenticated copy of the Order of the Hon'ble High Court sanctioning the Scheme being filed with the Registrar of Companies, Kanpur, Uttar Pradesh as may be applicable.
- v. All other sanctions and orders as are legally necessary or required in respect of the scheme being obtained.



29. **EFFECT OF NON-RECEIPT OF APPROVALS / SANCTIONS**

In the event of any of the said sanctions and approvals referred to in the preceding Clause not being obtained and/ or the Scheme not being sanctioned by the Hon'ble High Court of Judicature at Allahabad, Uttar Pradesh or such other competent authority and / or the Order not being passed as aforesaid before 01.01.2012 or within such further period or periods the Boards of Directors of "AIL" is hereby empowered and authorized to agree to and extend the Scheme from time to time without any limitation, this Scheme shall stand revoked, cancelled and be of no effect, 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.

30. **LEGAL PROCEEDINGS**

Upon the scheme becoming effective, if any suit, writ petition, appeal, revision, claim and litigation, disputes or other proceedings of whatsoever nature (herein after called the 'proceedings') against the "AIL" or its Promoters/ Directors/ Officials by any of the existing creditors, are filed/ pending before any court or authority under any act, the same shall remain suspended and shall not proceed further till the final disposal of the scheme. The same shall be terminated on the Effective date of the scheme and the rights, obligations and liabilities of the creditors under the scheme shall be governed by the terms of the scheme.

31. **COSTS, CHARGES & EXPENSES**

All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) arising out of or incurred in connection with and implementing this scheme and matters incidental thereto shall be borne by the "AIL".

**FOR ALPS INDUSTRIES LIMITED**

**Sd/-  
Authorized Signatory**

Place: Ghaziabad

Date:

IN THE HON'BLE HIGH COURT OF JUDICATURE AT ALLAHABAD, UTTAR PRADESH  
(ORDINARY ORIGINAL COMPANY JURISDICTION)  
COMPANY APPLICATION NO.3 OF 2010

IN THE MATTER OF COMPANIES ACT, 1956

AND

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

AND

IN THE MATTER OF SCHEME OF COMPROMISE BETWEEN ALPS INDUSTRIES LIMITED AND  
ITS CREDITORS

ALPS INDUSTRIES LIMITED  
A COMPANY INCORPORATED  
UNDER THE COMPANIES ACT, 1956  
HAVING ITS REGISTERED OFFICE AT  
B-2, LONI ROAD INDUSTRIAL AREA (OPP.MOHAN NAGAR)  
GHAZIABAD-201 007

.....APPLICANT COMPANY

**FORM OF PROXY**

I / we undersigned, being the creditor(s) of ALPS Industries Limited, the Applicant Company do hereby appoint \_\_\_\_\_ of \_\_\_\_\_ failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/ our proxy to act for me /us at the meeting of creditors of the Applicant Company to be held at 57/2, Site-4, Industrial Area, Sahibabad, Ghaziabad- 201 010, on Thursday, 11<sup>th</sup> day of March, 2010 at 3.00 p.m. for the purpose of considering and, if thought fit, approving with or with out modification, the compromise embodied in the proposed scheme of compromise between ALPS Industries Limited and its creditors at such meeting, and at any adjournment or adjournments thereof, to vote, for me/us and in my/our name (s) \_\_\_\_\_ (here, if for, insert 'for', if against, insert 'against' and in the latter case strike out the words "either with or without modifications" after the word "compromise") the said compromise embodied in the scheme of compromise either with our without modification(s)\* as my/ our proxy may approve.

\*strike out what is not necessary

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Affix  
Re 1 /  
Revenue  
stamp

Signature across the stamp

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Signature with stamp: \_\_\_\_\_

**Notes:**

1. Proxy need not be a creditor
2. Alterations, if any, made in the Form of Proxy should be initialed.
3. Proxy must be deposited at the Registered office of the Applicant Company, not later than FORTY EIGHT hours before the time scheduled / fixed for the said meeting.
4. In case the creditor is a company, partnership, trust, society etc. the duly completed proxy form should be accompanied by a certified true copy of the Board Resolution/ Authority, with the signatures of the Authorized Signatory (ies), duly attested.

ALPS INDUSTRIES LIMITED  
REGISTERED OFFICE AT  
B-2, LONI ROAD INDUSTRIAL AREA (OPP.MOHAN NAGAR) GHAZIABAD-201 007  
Court Convened Meeting of the Creditors of ALPS Industries limited

**ATTENDANCE SLIP**

Name and Address of the Creditor: \_\_\_\_\_  
(If represented by the Authorized Representative, the details of the same)

Amount of Loan: \_\_\_\_\_

I \_\_\_\_\_ Creditor \_\_\_\_\_ hereby record  
my presence at the meeting of the Creditors of ALPS Industries Limited held at 57/2, Site-  
4, Industrial Area, Sahibabad, Ghaziabad-201 010 on Thursday, the 11<sup>th</sup> March, 2010 at  
3.00 P.M.

Full Name \_\_\_\_\_  
Signature \_\_\_\_\_

(Only Creditors or their Proxies are allowed to attend)