



Nagarjuna Fertilizers and Chemicals Limited

Registered Office : Nagarjuna Hills, Punjagutta, Hyderabad – 500 082

COURT CONVENED MEETING OF THE MEMBERS

Day : Friday
Date : April 15, 2011
Time : 10.00 A.M.
Venue : Sri Satyasai Nigamagaram
8-3-987/2, Srinagar Colony,
Hyderabad - 500 073

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IN THE HIGH COURT OF JUDICATURE OF ANDHRA PRADESH AT HYDERABAD

(Original Jurisdiction)

COMPANY APPLICATION NO. 178 OF 2011

In the matter of the Companies Act, 1956 (1 of 1956);

AND

In the matter of Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956;

AND

In the matter of Composite Scheme of Arrangement and Amalgamation between
iKisan Limited

('iKisan' or 'the Second Transferor Company')

And

Kakinada Fertilizers Limited

('KFL' or 'the Transferee Company')

And

Nagarjuna Fertilizers And Chemicals Limited ('NFCL' or 'the Company' or
'the Demerged Company' or 'the First Transferor Company')

And

Nagarjuna Oil Refinery Limited

('NORL' or 'the Resulting Company')

And

their respective shareholders and creditors

NAGARJUNA FERTILIZERS AND CHEMICALS

LIMITED, a company incorporated under the provisions of
the Companies Act, 1956 and having its registered office at
Nagarjuna Hills, Punjagutta, Hyderabad 500082

.....Applicant Company

**NOTICE CONVENING THE MEETING OF MEMBERS OF NAGARJUNA FERTILIZERS AND
CHEMICALS LIMITED, THE APPLICANT COMPANY WITH ITS SHAREHOLDERS**

To,
The Members of Nagarjuna Fertilizers And Chemicals
Limited ("the Applicant Company"),

TAKE NOTICE that by an Order made on 4th day of
March, 2011, in the above Company Application, the
Hon'ble High Court of Judicature of Andhra Pradesh at
Hyderabad has directed that a meeting of the Members
of Nagarjuna Fertilizers And Chemicals Limited, the
Applicant Company, be convened and held at Sri Satya
Sai Nigamagamam, 8-3-987/2, Srinagar Colony,
Hyderabad - 500 073 on Friday, April 15, 2011 at
10.00 A.M. for the purpose of considering and, if thought
fit, approving with or without modification(s), the proposed
arrangement and amalgamation embodied in the
Composite Scheme of Arrangement and Amalgamation
between iKisan Limited, Kakinada Fertilizers Limited,
Nagarjuna Fertilizers And Chemicals Limited and
Nagarjuna Oil Refinery Limited and their respective
shareholders and creditors ('the Scheme' or 'this
Scheme').

TAKE FURTHER NOTICE that in pursuance of the said
Order and as directed therein, a meeting of the Members
of Nagarjuna Fertilizers And Chemicals Limited, the
Applicant Company will be convened and held at Sri
Satya Sai Nigamagamam, 8-3-987/2, Srinagar Colony,
Hyderabad - 500 073 on Friday, April 15, 2011 at
10.00 A.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
authorised representative, is deposited at the Registered
Office of the Applicant Company i.e Nagarjuna Hills,
Punjagutta, Hyderabad 500082 not later than 48 hours
before the said meeting.

The Hon'ble High Court has appointed Shri B. Satya
Sivaji to be the Chairperson of the said meeting.

A copy of the Explanatory Statement under Section 393
of the Companies Act, 1956, Composite Scheme of
Arrangement and Amalgamation, Form of Proxy and
Attendance Slip are enclosed.

Sd/-

B. Satya Sivaji

Chairperson appointed for the meeting

Dated this 4th day of March, 2011

Registered office:

Nagarjuna Hills,
Punjagutta, Hyderabad 500082

Notes:

1. All alterations made in the Form of Proxy should be
initiated.
2. Only registered shareholders of the Applicant
Company may attend and vote (either in person or
by proxy or by Authorised Representative under
Section 187 of the Companies Act, 1956) at the
Members meeting. The representative of a body
corporate which is a registered Member of the
Applicant Company may attend and vote at the
Members meeting provided a certified true copy of
the resolution of the Board of Directors or other
governing body of the body corporate authorising
such representative to attend and vote at the
Members meeting is deposited at the registered
office of the Applicant Company not later than 48
hours before the meeting.

Encl.: As above

IN THE HIGH COURT OF JUDICATURE OF ANDHRA PRADESH AT HYDERABAD

(Original Jurisdiction)

COMPANY APPLICATION NO. 178 OF 2011

In the matter of the Companies Act, 1956 (1 of 1956);

AND

In the matter of Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956;

AND

In the matter of Composite Scheme of Arrangement and Amalgamation between

IKisan Limited

(‘IKisan’ or ‘the Second Transferor Company’)

And

Kakinada Fertilizers Limited

(‘KFL’ or ‘the Transferee Company’)

And

Nagarjuna Fertilizers And Chemicals Limited (‘NFCL’ or ‘the Company’ or ‘the Demerged Company’ or ‘the First Transferor Company’)

And

Nagarjuna Oil Refinery Limited

(‘NORL’ or ‘the Resulting Company’)

And

their respective shareholders and creditors

NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED,
a company incorporated under the provisions of the
Companies Act, 1956 and having its registered office at
Nagarjuna Hills, Punjagutta, Hyderabad 500082.

.....Applicant Company

- EXPLANATORY STATEMENT**
1. Pursuant to an Order dated 4th day of March, 2011 passed by the Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad in the Company Application referred to hereinabove, a meeting of the Members of Nagarjuna Fertilizers And Chemicals Limited, the Applicant Company is being convened and held at Sri Satya Sai Nigamagmam, 8-3-987/2, Srinagar Colony, Hyderabad - 500073 on Friday, April 15, 2011 at 10.00 A.M. for the purpose of considering and if thought fit, approving with or without modification(s), the arrangement and amalgamation embodied in the Composite Scheme of Arrangement and Amalgamation between IKisan Limited and Kakinada Fertilizers Limited and Nagarjuna Fertilizers And Chemicals Limited and Nagarjuna Oil Refinery Limited and their respective shareholders and creditors (‘the Scheme’ or ‘this Scheme’).
 2. A copy of the Scheme setting out in detail the terms and conditions of the arrangement and amalgamation, inter alia, providing for the demerger of Oil Business Undertaking of Nagarjuna Fertilizers and Chemicals Limited into Nagarjuna Oil Refinery Limited, and the merger of residual Nagarjuna Fertilizers and Chemicals Limited and IKisan Limited into Kakinada Fertilizers Limited which has been approved by Board of Directors of the Applicant Company at its meeting held on 10th day of January, 2011, is attached to this explanatory statement.
 3. In this statement, NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED is hereinafter referred to as ‘NFCL’ or ‘the Demerged Company’ or ‘the First Transferor Company’ or ‘the Applicant Company’. The other definitions contained in the Scheme shall apply to this Explanatory Statement also.
 4. The background of Nagarjuna Fertilizers And Chemicals Limited is as under:
 - a. The Applicant Company was incorporated on January 28, 1976 under the provisions of the Companies Act, 1956 under the name and style of ‘Nagarjuna Fertilizers and Chemicals Limited’. Subsequently, the name of the Applicant Company was changed to ‘Nagarjuna Fertilizers and Chemicals Limited’ and a Fresh Certificate of Incorporation was issued on October 25, 1989.
 - b. The Registered Office of the Applicant Company is situated at Nagarjuna Hills, Punjagutta, Hyderabad 500082.

- c. The authorised, issued, subscribed and paid-up share capital of the Applicant Company as on December 31, 2010 is as under:

	Rupees (₹)
Authorised Capital	
60,00,00,000 Equity Shares of Rs 10 each	600,00,00,000.00
2,00,00,000 Preference Shares of Rs 100 each	200,00,00,000.00
Total	800,00,00,000.00
Issued, Subscribed & Paid up	
42,81,81,821 Equity Shares of Rs 10 each	428,18,18,210.00
37,20,372 Preference Shares of Rs. 100 each	37,20,37,200.00
Total	465,38,55,410.00

The Company as on March 3, 2011 has redeemed 9,30,093, 0.01% Ordinary Redeemable Preference Shares of Rs. 100/- each as stipulated by Corporate Debt Restructuring Cell (CDR Cell).

5. The background of iKisan Limited (iKisan) is as under:

- a. iKisan was incorporated on April 11, 2007 under the name and style of City Pulse Properties Private Limited. Thereafter with effect from December 07, 2009 the name was changed to City Pulse Properties Limited. Further with effect from September 23, 2010 the name was changed from City Pulse Properties Limited to iKisan Limited.
- b. The Registered Office of iKisan is situated at A/612, Dalamal Towers, 211, Nariman Point, Mumbai - 400 021.
- c. The authorised, issued, subscribed and paid-up share capital of iKisan as on December 31, 2010 is as under:

	Rupees (₹)
Authorised Capital	
2,99,00,000 Equity Shares of Rs.10/ each	29,90,00,000
1,00,000 Preference Shares of Rs.10/- each	10,00,000
Total	30,00,00,000
Issued, Subscribed & Paid up	
2,95,50,000 Equity Shares of Rs.10/- each	29,55,00,000
Total	29,55,00,000

Subsequent to the date, there has been no change in the capital structure of iKisan.

6. The background of Kakinada Fertilizers Limited (KFL) is as under:

- a. KFL was incorporated on November 7, 2006 under the provisions of the Companies Act, 1956 under the name and style of 'Kakinada Fertilizers Limited' and subsequently became a wholly owned subsidiary of NFCL on December 15, 2009.
- b. The Registered Office of KFL is situated at A/612, Dalamal Towers, 211, Nariman Point, Mumbai - 400 021.
- c. The authorised, issued, subscribed and paid-up share capital of KFL as on December 31, 2010 is as under:

	Rupees (₹)
Authorised Capital	
10,00,000 Equity Shares of Rs.10/- each	1,00,00,000
Total	1,00,00,000
Issued, Subscribed & Paid up	
50,000 Equity Shares of Rs.10/- each	5,00,000
Total	5,00,000

Subsequent to the date, there has been no change in the capital structure of KFL.

7. The background of Nagarjuna Oil Refinery Limited (NORL) is as under:

- a. NORL was incorporated on November 16, 2010 under the provisions of the Companies Act, 1956 under the name and style of 'Nagarjuna Oil Refinery Limited'.
- b. The Registered Office of NORL is situated at Nagarjuna Hills, Punjagutta, Hyderabad 500082.

- c. The authorised, issued, subscribed and paid-up share capital of NORL as on December 31, 2010 is as under:

	Rupees (₹)
Authorised Capital:	
50,000 Equity Shares of Rs.10/- each	5,00,000
Total	5,00,000
Issued, Subscribed & Paid up	
50,000 Equity Shares of Rs 10/- each	5,00,000
Total	5,00,000

Subsequent to the date, there has been no change in the capital structure of NORL.

8. Nagarjuna Fertilizers and Chemicals Limited the flagship company of the Nagarjuna Group is involved in production, manufacture and sale of Urea and micro irrigation systems apart from sale of other fertilizers and has an oil business undertaking.

The shareholders of NFCL have not been able to realize the value of their investments in view of the involvement of the company in two diverse sectors having unique opportunities and challenges, though the performance of NFCL in the fertilizer and micro irrigation sector have been above the industry norms. In view of the necessity to maintain market leadership position, expand their respective businesses, have focused attention on the businesses and attract investors into the respective businesses, it was considered appropriate to undertake a Composite Scheme of Arrangement and Amalgamation so as to demerge the fertilizer and oil business.

The demerger would leave a residual fertilizer business which needs to be consolidated with similar business in view of the changing fertilizer scenario arising out of the proposed policy amendments being expected to be made by the Government of India. In this regard NFCL needs to gear itself up to become a nutrition solution provider and possess substantial knowledge and data base.

iKisan Limited in view of its presence in the Agri Informatics and Information and Technology and Education Services, apart from Micro Irrigation will be able to substantially support NFCL's quest to become a major nutrition solution provider by making superior offerings through innovation, efficiency and value addition.

The scheme envisages segregation of like business and demerger of unlike business. The segregation of like business involves merger of iKisan Limited into Kakinada Fertilizers Limited (KFL) along with the Fertilizer sector of NFCL for achieving synergies in businesses, inorganic growth and capturing the untapped market share by enhancing the product portfolio, service offerings, customer base and market positioning and the demerger of the Oil Business into an independent company termed 'Nagarjuna Oil Refinery Limited' (NORL).

The implementation of the Scheme would ensure enhancement in the market perception and enable NFCL to emerge as a stronger market player both in the Fertilizer and Micro Irrigation sector and enable the shareholders to enjoy the benefits of both the Fertilizer and Oil sector by being shareholders in two listed companies viz KFL and NORL.

9. The proposed arrangement and amalgamation was placed before the Board of Directors of the Applicant Company, NORL, iKisan and KFL on January 10, 2011, wherein the Valuation Report of M/s Grant Thornton, an Independent Valuer and Fairness Opinion on the said Valuation Report issued by Keynote Corporate Services Ltd., a Category I Merchant Banker were also placed before the respective Boards.
10. The salient features of the Scheme are as follows:

- The Scheme envisages the demerger of Oil Business Undertaking of Nagarjuna Fertilizers and Chemicals Limited into Nagarjuna Oil Refinery Limited, and the merger of residual Nagarjuna Fertilizers and Chemicals Limited and iKisan Limited into Kakinada Fertilizers Limited pursuant to Sections 391 to 394 read with Sections 100 to 103 and other applicable provisions of the Companies Act, 1956 in the manner provided for in the Scheme.
- Appointed Date means the April 1, 2011.
- In consideration of the transfer and vesting of the Oil Business Undertaking of NFCL in to NORL, NORL shall issue 1 (one) equity share of Re. 1 each fully paid up of NORL for every 1 (one) equity share of Rs. 10 each fully paid up, held by the equity shareholders in NFCL and 1 (One) preference share of Rs. 10 each fully paid up of NORL for every 1 (One) preference share of Rs. 100 each fully paid up, held by the preference shareholders in NFCL.
- Pursuant to the merger of residual NFCL and iKisan into KFL, KFL shall issue 11 (eleven) equity shares of Re. 1 each fully paid up of KFL for every 10 (ten) equity shares of Rs. 10 each fully paid up, held by the equity shareholders in NFCL and 43 (forty three) equity

shares of Re. 1 each fully paid up of KFL for every 10 (ten) equity shares of Rs. 10 each fully paid up, held by the equity shareholders in iKisan and

1 (one) preference share of Rs. 90 each fully paid up of KFL for every 1 (one) preference share of Rs. 100 each fully paid up, held by the preference shareholders in NFCL

- (e) All costs, charges, taxes including duties, levies and all other expenses, if any arising out of or incurred in connection with and implementing this Scheme and matters incidental thereto shall be borne by NFCL (save as expressly otherwise agreed).
- (f) The Scheme is conditional upon and subject to:
- The Scheme being approved by the requisite majorities in number and value of such classes of persons including the respective members and/or creditors of iKisan, KFL, NFCL and NORL as may be directed by the High Courts.
 - The sanction of the High Courts under Sections 391 and 394 of the said Act in favour of iKisan, KFL, NFCL and NORL under the said provisions and to the necessary Orders under Section 394 of the said Act being obtained;
 - All other sanctions and orders as are legally necessary or required in respect of the Scheme being obtained.

The features set out above being only the salient features of the Composite Scheme of Arrangement and Amalgamation; the Members are requested to read the entire text of the Composite Scheme of Arrangement and Amalgamation annexed hereto to get fully acquainted with the provisions thereof.

11. The pre Scheme shareholding pattern of the Applicant Company i.e. NFCL based on shareholding pattern as on December 31, 2010 is as under:

SN	Description	Pre-merger shareholding			
		Equity Shares	%	Preference Shares	%
A	Promoters				
1.	Indian Promoters				
	- Promoters/Directors and their relatives	15,19,24,028	35.48	NIL	NIL
	- Persons acting in concert	NIL	NIL	NIL	NIL
2.	Foreign Promoters	1,20,00,000	2.80	NIL	NIL
	Sub-total (A)	16,39,24,028	38.28	NIL	NIL
B	Banks/ Mutual Funds/ Financial institutions/government holdings				
1.	Mutual funds and UTI	42,23,450	0.99	NIL	NIL
2.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions)	87,22,494	2.04	37,20,372	100
	Sub-total (B)	1,29,45,944	3.03	37,20,372	100
C	Foreign and non-resident holding				
1.	FIs	3,22,12,352	7.52	NIL	NIL
2.	Foreign bank, (if any)	NIL	NIL	NIL	NIL
3.	Other non-resident holdings	54,39,651	1.27	NIL	NIL
	Sub-total (C)	3,76,52,003	8.79	NIL	NIL
D	Others				
1.	Private Corporate Bodies	5,39,83,922	12.61	NIL	NIL
2.	Indian Public	15,96,75,924	37.29	NIL	NIL
	Sub-total (D)	21,36,59,846	49.90	NIL	NIL
	Grand Total (A + B + C + D)	42,81,81,821	100	37,20,372	100

12. The pre and post Scheme (expected) shareholding pattern of NORL based on shareholding pattern as on December 31, 2010 is as under:

SN	Description	Pre-merger shareholding		Post-merger shareholding	
		Equity Shares	%	Equity Shares	%
A	Promoters				
1.	Indian Promoters				
	-Promoters/Directors and their relatives	50,000	100	15,19,24,028	35.48
	- Persons acting in concert	NIL	NIL	NIL	NIL
2.	Foreign Promoters	NIL	NIL	1,20,00,000	2.80
	Sub-total (A)	50,000	100	16,39,24,028	38.28
B	Banks/ Mutual Funds/ Financial institutions/government holdings				
1.	Mutual funds and UTI	NIL	NIL	42,23,450	0.99
2.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions)	NIL	NIL	87,22,494	2.04
	Sub-total (B)	NIL	NIL	1,29,45,944	3.03
C	Foreign and non-resident holding				
1.	FIs	NIL	NIL	3,22,12,352	7.52
2.	Foreign bank, (if any)	NIL	NIL	NIL	NIL
3.	Other non-resident holdings	NIL	NIL	54,39,651	1.27
	Sub-total (C)	NIL	NIL	3,76,52,003	8.79
D	Others				
1.	Private Corporate Bodies	NIL	NIL	5,39,83,922	12.60
2.	Indian Public	NIL	NIL	15,96,75,924	37.30
	Sub-total (D)	NIL	NIL	21,36,59,846	49.90
	Grand Total (A + B + C + D)	50,000	100.00	42,81,81,821	100

SN	Description	Pre-merger shareholding		Post-merger shareholding	
		Preference Shares	%	Preference Shares	%
A.	Promoters				
1.	Indian Promoters				
	- Promoters/Directors and their relatives	NIL	NIL	NIL	NIL
	- Persons acting in concert	NIL	NIL	NIL	NIL
2.	Foreign Promoters	NIL	NIL	NIL	NIL
	Sub-total (A)	NIL	NIL	NIL	NIL
B	Banks/ Mutual Funds/ Financial institutions/government holdings				
1.	Mutual funds and UTI	NIL	NIL	NIL	NIL
2.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions)	NIL	NIL	37,20,372	100
	Sub-total (B)	NIL	NIL	37,20,372	100
C	Foreign and non-resident holding				
1.	FIs	NIL	NIL	NIL	NIL
2.	Foreign bank, (if any)	NIL	NIL	NIL	NIL
3.	Other non-resident holdings	NIL	NIL	NIL	NIL
	Sub-total (C)	NIL	NIL	NIL	NIL
D	Others				
1.	Private Corporate Bodies	NIL	NIL	NIL	NIL
2.	Indian Public	NIL	NIL	NIL	NIL
	Sub-total (D)	NIL	NIL	NIL	NIL
	Grand Total (A + B + C + D)	NIL	NIL	37,20,372	100

13. The pre Scheme shareholding pattern of iKisan based on shareholding pattern as on December 31, 2010 is as under:

SN	Description	Pre-merger shareholding	
		Equity Shares	%
A	Promoters		
1.	Indian Promoters		
	- Promoters/Directors and their relatives	2,95,50,000	100
	- Persons acting in concert	NIL	NIL
2.	Foreign Promoters	NIL	NIL
	Total	2,95,50,000	100

14. The pre and post Scheme (expected) shareholding pattern of KFL based on shareholding pattern as on December 31, 2010 is as under:

SN	Description	Pre-merger shareholding		Post-merger shareholding	
		Equity Shares	%	Equity Shares	%
A.	Promoters				
1.	Indian Promoters				
	- Promoters/Directors and their relatives	50,000	100	29,41,81,430	49.19
	- Persons acting in concert	NIL	NIL	NIL	NIL
2.	Foreign Promoters	NIL	NIL	1,32,00,000	2.21
	Sub-total (A)	50,000	100	30,73,81,430	51.40
B	Banks/ Mutual Funds/ Financial institutions/government holdings				
1.	Mutual funds and UTI	NIL	NIL	46,45,795	0.78
2.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions)	NIL	NIL	95,94,743	1.60
	Sub-total (B)	NIL	NIL	1,42,40,538	2.38
C	Foreign and non-resident holding				
1.	FIs	NIL	NIL	3,54,33,587	5.92
2.	Foreign bank, (if any)	NIL	NIL	NIL	NIL
3.	Other non-resident holdings	NIL	NIL	59,83,616	1.00
	Sub-total (C)	NIL	NIL	4,14,17,203	6.92
D	Others				
1.	Private Corporate Bodies	NIL	NIL	5,93,82,314	9.93
2.	Indian Public	NIL	NIL	17,56,43,518	29.37
	Sub-total (D)	NIL	NIL	23,50,25,832	39.30
	Grand Total (A + B + C + D)	50,000	100.00	59,80,65,003	100

SN	Description	Pre-merger shareholding		Post-merger shareholding	
		Preference Shares	%	Preference Shares	%
A.	Promoters				
1.	Indian Promoters				
	- Promoters/Directors and their relatives	NIL	NIL	NIL	NIL
	- Persons acting in concert	NIL	NIL	NIL	NIL
2.	Foreign Promoters	NIL	NIL	NIL	NIL
	Sub-total (A)	NIL	NIL	NIL	NIL
B	Banks/ Mutual Funds/ Financial institutions/government holdings				
1.	Mutual funds and UTI	NIL	NIL	NIL	NIL
2.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions)	NIL	NIL	37,20,372	100
	Sub-total (B)	NIL	NIL	37,20,372	100

SN	Description	Pre-merger shareholding		Post-merger shareholding	
		Preference Shares	%	Preference Shares	%
C	Foreign and non-resident holding				
1.	FII's	NIL	NIL	NIL	NIL
2.	Foreign bank, (if any)	NIL	NIL	NIL	NIL
3.	Other non-resident holdings	NIL	NIL	NIL	NIL
	Sub-total (C)	NIL	NIL	NIL	NIL
D	Others				
1.	Private Corporate Bodies	NIL	NIL	NIL	NIL
2.	Indian Public	NIL	NIL	NIL	NIL
	Sub-total (D)	NIL	NIL	NIL	NIL
	Grand Total (A + B + C + D)	NIL	NIL	37,20,372	100

15. The Directors of the Applicant Company, NORL, iKisan and KFL may be deemed to be concerned and/or interested in the Scheme only to the extent of their shareholding in the respective companies, or to the extent the said directors are common directors in the companies, or to the extent the said directors are the partners, directors, members of the companies, firms, association of persons, bodies corporate and/or beneficiary of trust that hold shares in any of the companies. Save as aforesaid, none of the Directors of the Companies have any material interest in the proposed Scheme.
16. (a) The extent of the shareholding of the Directors of NFCL in NFCL, NORL, iKisan and KFL either singly or jointly or as nominee as on 31st December, 2010 is as under:

Sr No	Name of the Director	Designation	Equity shares in NFCL	Equity shares in NORL	Equity shares in iKisan	Equity shares in KFL
1	Shri K S Raju	Chairman and Managing Director of NFCL & Director of NORL	28700	10	10 * * held on behalf of NCL	01 * * held on behalf of NFCL
2	Shri P P Singh	Director of NFCL & iKisan	NIL	NIL	NIL	NIL
3	Dr. NCB Nath	Director of NFCL	NIL	NIL	NIL	NIL
4	Shri MPRadhakrishnan	Director of NFCL	NIL	NIL	NIL	NIL
5	Shri Ashok Chopra	Director of NFCL	NIL	NIL	NIL	NIL
6	Shri Chandra Pal Singh Yadav	Director of NFCL	NIL	NIL	NIL	NIL
7	Shri S R Ramakrishnan	Director of NFCL	NIL	NIL	NIL	NIL
8	Shri K Rahul Raju	Director of NFCL & NORL	3200	10	10 * * held on behalf of NCL	01 * * held on behalf of NFCL
9	Shri R S Nanda	Director of NFCL	2200	NIL	NIL	NIL
10	Shri S P Arora	Director of NFCL	NIL	NIL	NIL	NIL
11	Shri Sunil Sarma	Director of NFCL	NIL	NIL	NIL	NIL
12	Shri B K Batra	Director of NFCL	NIL	NIL	NIL	NIL
13	Shri Y Vijayanand	Director of iKisan	NIL	NIL	NIL	NIL
14	Shri K Soma Raju	Director of iKisan, NORL and KFL	NIL	10	NIL	NIL
15	Shri T V Dwarakanath	Director of KFL	NIL	NIL	NIL	NIL
16	Shri A Vyas Maheshwar Rao	Director of KFL and iKisan	NIL	NIL	NIL	01 * * held on behalf of NFCL

17. The Applicant Company has obtained the approval to the Scheme in the terms of Clause 24(f) of the Listing Agreement of National Stock Exchange Limited and Bombay Stock Exchange Limited vide its letters dated February 15, 2011 and February 22, 2011 respectively.
18. The financial position of the Applicant Company will not be adversely affected by the Scheme. Further, the rights and interests of the creditors of the Applicant Company will not be prejudicially affected by the Scheme as the Applicant Company, post the Scheme will be able to meet its liabilities as they arise in the ordinary course of business. Further, the rights and interests of the shareholders and creditors of the Applicant Company will not be prejudicially affected by the Scheme as no sacrifice or waiver is, at all, called from them nor are their rights sought to be modified in any manner.
19. No investigation proceedings are pending or are likely to be pending under Sections 235 to 251 of the Companies Act, 1956 in respect of the Applicant Company.
20. In the event of any of the said sanctions and approvals referred to in the Scheme not being obtained and / or the Scheme not being sanctioned by the High Court or such other competent authority and / or the order or orders not being passed as aforesaid before December 31, 2011 or such other date as may be agreed by the respective Board of Directors of NFCL, NORL, iKisan and KFL may determine, the Scheme shall become null and void, and each party shall bear and pay their respective costs, charges and expenses in connection with the Scheme.
21. Inspection of the following documents may be had by the Members of the Applicant Company at the Registered Office of NFCL up to one day prior to the date of the meeting between 11:00 am and 1:00 pm on all working days (except Saturdays, Sundays and Public holidays):
 - (a) Copy of the Order dated 4th day of March, 2011 of the Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad passed in Company Application No. 178 of 2011 directing the convening of the meeting of the Members of the Applicant Company.
 - (b) Composite Scheme of Arrangement and Amalgamation.
 - (c) Memorandum and Articles of Association of the Applicant Company, NORL, iKisan and KFL.
 - (d) The Audited Financial Statements of the Applicant Company and KFL for last three financial years ended March 31, 2010, March 31 2009 and March 31, 2008.
 - (e) The Audited Financial Statements of iKisan for the years ended March 31, 2010 and March 31 2009.
 - (f) The Unaudited Financial Statements of the Applicant Company, NORL, iKisan and KFL as on December 31, 2010.
 - (g) Copy of No Objection Certificate to the Scheme received from the National Stock Exchange Limited and Bombay Stock Exchange Limited vide its letters dated February 15, 2011 and February 22, 2011 respectively.
 - (h) Valuation Report of M/s Grant Thornton, on share exchange ratio.
 - (i) Fairness Opinion issued by Keynote Corporate Services Ltd.

This statement may be treated as an Explanatory Statement under Section 393 of the Companies Act, 1956. A copy of the Scheme, Explanatory Statement and Form of Proxy may be obtained from the Registered Office of the Applicant Company and/or at the office of the Advocates Ch. Pushyam Kiran, Flat No. D, 1st Floor, Uma Enclave, 8-2-584, Road No. 9, Banjara Hills, Hyderabad 500 034.

Sd/-
B. Satya Sivaji
Chairperson appointed for the meeting

Dated this 4th day of March, 2011

Registered office:

Nagarjuna Hills,
Punjagutta,
Hyderabad 500082

**COMPOSITE SCHEME OF ARRANGEMENT AND AMALGAMATION
BETWEEN
IKISAN LIMITED
AND
KAKINADA FERTILIZERS LIMITED
AND
NAGARJUNA FERTILIZERS AND CHEMICALS LIMITED
AND
NAGARJUNA OIL REFINERY LIMITED
AND
THEIR RESPECTIVE SHAREHOLDERS & CREDITORS**

PREAMBLE

All the companies are part of the Nagarjuna Group ('the Group'). The above Composite Scheme of Arrangement and Amalgamation comprising of various distinct but integrally connected arrangements under the provisions of Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 envisaging the following:

- Demerger of Oil Business Undertaking of Nagarjuna Fertilizers and Chemicals Limited into Nagarjuna Oil Refinery Limited;
- Merger of residual Nagarjuna Fertilizers and Chemicals Limited and iKisan Limited into Kakinada Fertilizers Limited

SECTIONS OF THE SCHEME

The Scheme comprises of the following arrangements:

- (a) Section 1 deals with the Definitions, date of taking effect and share capital;
- (b) Section 2 deals with the demerger of Oil Business Undertaking of Nagarjuna Fertilizers and Chemicals Limited into Nagarjuna Oil Refinery Limited;
- (c) Section 3 deals with the merger of residual Nagarjuna Fertilizers and Chemicals Limited and iKisan Limited into Kakinada Fertilizers Limited; and
- (d) Section 4 deals with Other Terms and Conditions which unless the context requires otherwise are applicable to all the arrangements envisaged by the Scheme.

This Scheme also provides for various other matters consequential or otherwise integrally connected herewith.

SECTION 1

1. Definitions

In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meanings:

- | | |
|---|---|
| <p>1.1 "Act" or "the Act" means the Companies Act, 1956 and shall include any statutory modifications, re-enactment or amendments thereof for the time being in force.</p> <p>1.2 "Appointed Date" means the 1st day of April 2011 or such other date as may be approved by the High Courts.</p> <p>1.3 "Effective Date" means, the later of the date on which the certified copies of the Orders of High Court of Judicature of Bombay at Mumbai and High Court of Judicature of Andhra Pradesh at Hyderabad, sanctioning the Scheme are filed with the Registrar of Companies, Maharashtra, Mumbai and Registrar of Companies, Andhra Pradesh, Hyderabad, respectively.</p> <p>1.4 "High Courts" means the High Court of Judicature of Bombay at Mumbai and the High Court of Judicature of Andhra Pradesh at Hyderabad</p> | <p>collectively or such other competent authority and shall include the National Company Law Tribunal, if applicable.</p> <p>1.5 "iKisan" means iKisan Limited, a company incorporated under the Companies Act, 1956 and having its registered office at A/612, Dalamal Towers, 211, Nariman Point, Mumbai 400 021.</p> <p>1.6 "KFL" or "the Transferee Company" means Kakinada Fertilizers Limited, a company incorporated under the Companies Act, 1956 and having its registered office at A/612, Dalamal Towers, 211, Nariman Point, Mumbai 400021.</p> <p>1.7 "NFCL" means Nagarjuna Fertilizers and Chemicals Limited, a company incorporated under the Companies Act, 1956 and having its registered office at Nagarjuna Hills, Punjagutta, Hyderabad - 500 082.</p> <p>1.8 "NORL" means Nagarjuna Oil Refinery Limited, a company incorporated under the Companies Act, 1956 and having its registered office at Nagarjuna Hills, Punjagutta, Hyderabad-500082.</p> |
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- 1.9 **"Oil Business Undertaking"** means the entire business and undertaking of NFCL relating to oil business related activities as a going concern and shall include (without limitation) the following:
- 1.9.1 All assets (whether movable or immovable, real or personal, corporeal or incorporeal, present, future or contingent, including investment in Nagarjuna Oil Corporation Limited) and liabilities pertaining thereto.
- 1.9.2 Without prejudice to the generality of the provisions of sub-clause 1.9.1 above, the Oil Business Undertaking shall include in particular:
- (i) All property of and required for the above business wherever situated, including all immoveable property, current assets, funds, capital work in progress, furniture, fixtures, office equipment, appliances, accessories, etc whether on lease or not;
- (ii) All permits, rights, entitlements, industrial and other licenses, bids, tenders, letters of intent, expressions of interest, municipal and other statutory permissions, approvals, consents, licenses, registrations, subsidies, concessions, exemptions, remissions, tax deferrals, tenancies in relation to office, bank accounts, lease rights, licenses, powers and facilities of every kind, nature and description whatsoever, rights to use and avail of telephones, telexes, facsimile connections and installations, utilities, electricity and other services, provisions, funds, benefits of all agreements, contracts and arrangements and all other interests in connection with or relating to the Oil Business Undertaking;
- (iii) Debts, duties, obligations, and liabilities (including contingent liabilities) directly relatable to the Oil Business Undertaking.
- 1.9.3 For the purpose of this Scheme, it is clarified that liabilities pertaining to the Oil Business Undertaking include:
- (a) The liabilities (excluding internal liabilities), which arise out of the activities or operations of the Oil Business Undertaking.
- (b) Specific loans and borrowings raised, incurred and utilised solely for the activities or operation of the Oil Business Undertaking.
- 1.9.4 All permanent employees of the Oil Business Undertaking, as identified by the Board of Directors of NFCL, as on the Effective Date.
- 1.9.5 Any question that may arise as to whether a specific asset or liability pertains or does not pertain to the Oil Business Undertaking or whether it arises out of the activities or operations of the Oil Business Undertaking shall be decided by mutual agreement between the Board of Directors of NFCL and NORL.
- 1.10 **"Record Date"** means the date to be fixed by the Board of Directors of KFL and NORL and informed to the stock exchanges for the purposes of issue and allotment of equity and preference shares of KFL and NORL to the equity and preference shareholders of NFCL and equity shares to the shareholders of iKisan, eligible to be allotted shares pursuant to the Scheme.
- 1.11 **"Residual NFCL"** means businesses of NFCL other than the Oil Business Undertaking as defined in Clause 1.9.
- 1.12 **"Scheme" or "the Scheme" or "this Scheme"** means this Composite Scheme of Arrangement and Amalgamation in its present form with or without any modification(s), if any made, as approved or imposed by the High Court of Andhra Pradesh and High Court of Bombay as per Clause 26 of the Scheme.
- 1.13 **"Transferor Companies"** means iKisan Limited and Residual NFCL collectively.
- 1.14 All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and other applicable laws, rules, regulations, bye laws, as the case may be, including any statutory modification or re-enactment thereof from time to time.
- 2 DATE OF TAKING EFFECT AND OPERATIVE DATE**
- The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the High Courts or made as per Clause 26 of the Scheme, shall be effective from the Appointed Date but shall be operative from the Effective Date.
- 3 SHARE CAPITAL**
- 3.1 The share capital of iKisan as at December 31, 2010 is as under:
- | Authorised Capital | Rupees(₹) |
|--|---------------------|
| 2,99,00,000 Equity Shares of Rs.10/- each | 29,90,00,000 |
| 1,00,000 Preference Shares of Rs.10/- each | 10,00,000 |
| Total | 30,00,00,000 |
| Issued, Subscribed & Paid up | |
| 2,95,50,000 Equity Shares of Rs.10/- each | 29,55,00,000 |
| Total | 29,55,00,000 |
- 3.2 The share capital of KFL as at December 31, 2010 is as under:
- | Authorised Capital | Rupees(₹) |
|---|--------------------|
| 10,00,000 Equity Shares of Rs.10/- each | 1,00,00,000 |
| Total | 1,00,00,000 |
| Issued, Subscribed & Paid up | |
| 50,000 Equity Shares of Rs.10/- each | 5,00,000 |
| Total | 5,00,000 |

3.3 The share capital of NFCL as at December 31, 2010 is as under:

Authorised Capital	Rupees (₹)
60,00,00,000 Equity Shares of Rs 10 each	600,00,00,000.00
2,00,00,000 Preference Shares of Rs 100 each	200,00,00,000.00
Total	800,00,00,000.00
Issued, Subscribed & Paid up	
42,81,81,821 Equity Shares of Rs 10 each	428,18,18,210.00
37,20,372 Preference Shares of Rs. 100 each	37,20,37,200.00
Total	465,38,55,410.00

3.4 The share capital of NORL as at December 31, 2010 is as under:

Authorised Capital	Rupees (₹)
50,000 Equity Shares of Rs.10/- each	5,00,000
Total	5,00,000
Issued, Subscribed & Paid up	
50,000 Equity Shares of Rs 10/- each	5,00,000
Total	5,00,000

SECTION 2

DEMERGER OF OIL BUSINESS UNDERTAKING OF NFCL INTO NORL

4 TRANSFER AND VESTING

- 4.1 The Oil Business Undertaking (as defined in Clause 1.9) shall stand transferred to and vested in or deemed to be transferred to and vested in NORL, as a going concern in the following manner:
- 4.2 With effect from the Appointed Date, the Oil Business Undertaking shall, under the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Act, without any further act or deed, stand transferred to and vested in and/or deemed to be transferred to and vested in NORL, so as to vest in NORL all the rights, title and interest pertaining to the Oil Business Undertaking.
- 4.3 With effect from the Appointed Date, the liabilities relating to the Oil Business Undertaking (excluding internal liabilities) shall, without any further act or deed be and shall stand transferred to NORL so as to become as from the Appointed Date, the liabilities of NORL and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such liabilities have arisen in order to give effect to the provisions of this sub-clause.
- 4.4 With effect from the Appointed Date any Letter of Intent or other letter, document, permission of the Government of India, Government of Tamilnadu, statutory licences, agreements including shareholders agreements and investor agreements, permissions or approvals or consents held by NFCL required to carry on operations of the Oil Business Undertaking shall stand vested in or transferred to NORL without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour

of NORL. The benefit of all statutory and regulatory permissions, environmental approvals and consents, registration or other licences, and consents shall vest in and become available to NORL pursuant to the Scheme. In so far as the various incentives, subsidies, rehabilitation Schemes, special status and other benefits or privileges enjoyed, granted by any Government body, local authority or by any other person, or availed of by NFCL relating to the Oil Business Undertaking respectively, are concerned, the same shall vest with and be available to NORL on the same terms and conditions.

- 4.5 The transfer and vesting of Oil Business Undertaking as aforesaid shall be subject to the existing securities, charges, mortgages and other encumbrances if any, subsisting over or in respect of the property and assets or any part thereof relating to Oil Business Undertaking.
- 4.6 With effect from the Appointed Date, NORL shall be deemed to carry on, and is authorized to carry on the Oil Business Undertaking of NFCL. The Articles of Association of NORL shall stand amended with the deletion of the existing clause 94 and insertion of following clauses in the Articles of Association of NORL and NORL shall on the Scheme becoming effective file necessary forms with the appropriate fees with the Registrar of Companies, Andhra Pradesh, Hyderabad and also comply with the other provisions of the Companies Act, 1956.

Article No.94

- i. "Notwithstanding anything to the contrary contained elsewhere in these Articles and so long as Nagarjuna Holdings Private Limited and its associates (referred to for brevity as 'NHL') as Promoters hold or continue to hold fully paid-up Equity Shares in the company, NHL shall have the right to nominate Directors on the Board of Directors of the Company, subject to a minimum of five Directors by NHL who may be referred to as 'Promoter Directors'. Subject to the provisions of Section 255 and 256 of the Companies Act, 1956 and any Statutory Enactment / Order / Notification as may be in force from time to time and Articles 91, 105 and 106 of the Articles of Association of the Company, such Promoter Directors shall not be liable to retirement by rotation nor shall they be required to hold any qualification shares. NHL shall exercise their powers of nomination / reappointment / removal as the case may be by means of letters addressed to the Company which shall take effect forthwith on their receipt by the Company at its Registered Office".
- ii.a. "Subject to Section 255 and other applicable provisions of the Companies Act, 1956 and notwithstanding anything otherwise contained in these Articles, the Government of Andhra Pradesh shall, so long as the Governor of Andhra Pradesh,

holds not less than 10% of the paid-up share capital of the Company, have power to appoint two Directors (referred to as Official Directors) or in the event of the investment falling below 10% but not less than 2.5% of the equity share capital of the company, shall have power to nominate a minimum one Director on the Board of the company, who shall not be liable to retirement by rotation. The Government shall have powers to remove any such Nominee Director at their absolute discretion and to fill any vacancy in the office of such official Directors caused by removal, resignation, death or otherwise. The appointment or termination of the Official Directors shall be effected by means of a letter addressed to the Board of Directors of the Company and such appointment or termination shall have effect forthwith upon the said letter being delivered to the company".

ii.b. If and when the State Government decides to disinvest the whole or any part of its Equity, the same shall be offered to Nagarjuna Holdings Private Limited and the said Nagarjuna Holdings Private Limited who shall be entitled to acquire the shares so offered in its own name or in the name of any other party acceptable to the State Government in terms of the agreement entered into between NHL and the State Government.

iii. "Subject to Section 255 and other applicable provisions of the Companies Act, 1956 and notwithstanding anything otherwise contained in these Articles, so long as Krishak Bharati Co-operative Limited (KRIBHCO), holds share capital of the Company, KRIBHCO shall have power to appoint one Director (referred to as Official Directors), who shall not be liable to retirement by rotation. KRIBHCO shall have powers to remove any such Nominee Director at their absolute discretion and to fill any vacancy in the office of such official Directors caused by removal, resignation, death or otherwise. The appointment or termination of the Official Directors shall be effected by means of a letter addressed to the Board of Directors of the Company and such appointment or termination shall have effect forthwith upon the said letter being delivered to the company".

If and when KRIBHCO decides to disinvest the whole or any part of its Equity, the same shall be offered to Nagarjuna Holdings Private Limited and the said Nagarjuna Holdings Private Limited who shall be entitled to acquire the shares so offered in its own name or in the name of any other party acceptable to KRIBHCO in terms of the agreement entered into between NHL and KRIBHCO.

iv. "Subject to Section 255 and other applicable provisions of the Companies Act, 1956 and notwithstanding anything otherwise contained in these Articles, so long as Snamprogetti S.p.A (now called Saipem S.p.A), holds share capital of the Company, Saipem shall have power to appoint one

Director (referred to as Official Directors), who shall not be liable to retirement by rotation. Saipem shall have powers to remove any such Nominee Director at their absolute discretion and to fill any vacancy in the office of such official Directors caused by removal, resignation, death or otherwise. The appointment or termination of the Official Directors shall be effected by means of a letter addressed to the Board of Directors of the Company and such appointment or termination shall have effect forthwith upon the said letter being delivered to the company".

If and when Saipem decides to disinvest the whole or any part of its Equity, the same shall be offered to Nagarjuna Holdings Private Limited and the said Nagarjuna Holdings Private Limited who shall be entitled to acquire the shares so offered in its own name or in the name of any other party acceptable to Saipem in terms of the agreement entered into between NHL and Saipem .

v.a. Whenever the Company enters into a contract with any Government, Central, State or Local or any Financial Institution or any person or persons (hereinafter referred to as "the appointer") for borrowing any money or for providing any guarantee or security or for technical collaboration or assistance or for underwriting or enters into any other arrangement whatsoever, the Board shall have, subject to the provisions of Section 255 of the Act, the power to agree that such appointer shall have the right to appoint or nominate by a notice in writing addressed to the Company one or more Directors on the Board for such period and upon such conditions as may be provided in the agreement and that such Director or Directors may not be liable to retire by rotation nor be required to hold any such share qualification. The Board may also agree that any such Director or Directors may be removed from time to time by the appointed entitled to appoint or nominate them and the appointer may appoint another or others in his or their place and also fill any vacancy which may occur as a result of any such Director or Directors ceasing to hold that office for any reason whatsoever. Unless otherwise agreed to between the Board and the appointer, the Director appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by the other Directors of the Company including payment of remuneration and travelling expenses to such Director or Directors as may be agreed by the Company with the appointer.

v.b. Notwithstanding anything to the contrary contained in these Articles, so long as any moneys owing by the Company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), The Industrial Credit & Investment Corporation of India Limited (ICICI) and Life Insurance Corporation of India (LIC) or to any other

- Finance Corporation or Credit Corporation or to any other Finance Company or Body or the State Bank of India (SBI) out of any loans granted by them to the Company or so long as IDBI, IFCI, ICICI, LIC and Unit Trust of India (UTI) or any other Financing Corporation or Credit Corporation or any other Financing Company or Body or SBI (each of which IDBI, IFCI, ICICI, LIC and UTI or any other Finance Corporation or Credit Corporation or any other Financing Company or Body or SBI is hereinafter in this Article referred to as "the Corporation") continue to hold debentures in the Company by direct subscription or private placement, or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any Guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, whole time or non-whole time (which Director or Directors is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s.
- vi. The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Directors shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Directors shall not be liable to retire by rotation. Subject as aforesaid, the Nominee Directors shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.
- vii. The Nominee Directors so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds Debentures in the Company, as a result of direct subscription or private placement or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director's so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of the Guarantee furnished by the Corporation.
- viii. The nominee Directors appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which the Nominee Directors is/are members as also the minutes of

such meetings. The Corporation shall also be entitled to receive all such notices and minutes.

- ix. The Company shall pay to the Nominee Directors sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees, commission, moneys or remuneration in any form is payable to the Directors of the Company, the fees, commission, moneys and remuneration in relation to such Nominee Directors shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Directors in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or, as the case may be, to such Nominee Directors.

Provided that if any such Nominee Directors is an officer of the Corporation the sitting fees, in relation to such Nominee Director's shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

- x. In the event of the Nominee Directors being appointed as whole time Directors such nominee Directors shall exercise such powers and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Directors shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation".
- xi. The Chairman and the Managing Director shall be the nominees of NHL or its successors in business.

5 CONSIDERATION

- 5.1 In consideration of the transfer and vesting of the Oil Business Undertaking of NFCL in NORL, NORL shall on or after the Record Date, without any further application or deed, issue and allot to all the equity shareholders of NFCL, whose names appears in the Register of Members of NFCL as on the Record Date or to his/her heirs, executors, administrators or the successors-in-title, as the case may be, fully paid-up equity shares in the following ratio:

1 (one) equity share of Re. 1 each fully paid up of NORL for every 1 (one) equity share of Rs. 10 each fully paid up, held by the equity shareholders in NFCL.

Equity shares issued by NORL pursuant to the above Clause is hereinafter referred to as "NORL Equity Shares".

- 5.2 In consideration of the transfer and vesting of the Oil Business Undertaking of NFCL in NORL, NORL shall on or after the Record Date, without any further application or deed, issue and allot to all the preference shareholders of NFCL, whose names appears in the Register of Members of

NFCL as on the Record Date or to his/her heirs, executors, administrators or the successors-in-title, as the case may be, fully paid-up preference shares in the following ratio:

1 (One) preference share of Rs. 10 each fully paid up of NORL for every 1 (One) preference shares of Rs. 100 each fully paid up, held by the preference shareholders in NFCL.

Preference shares issued by NORL pursuant to the above Clause is hereinafter referred to as "NORL Preference Shares".

The key terms and conditions for the NORL Preference Shares to be issued pursuant to Clause 5.2 above are specified in Schedule 1 hereto.

- 5.3 Further, the NORL Preference Shares to be issued pursuant to Clause 5.2 above shall rank for dividend in priority to the equity shares of NORL, and shall, on winding up of NORL be entitled to rank, as regards repayment of capital upto the commencement of winding up, in priority to the equity shares of NORL. NORL Preference Shares shall be issued in physical form.
- 5.4 In respect of fractional entitlements, if any, by NORL, to the equity shareholders of NFCL at the time of issue and allotment of NORL Equity Shares under Clause 5.1, the Board of Directors of NORL shall consolidate all fractional entitlements, and allot NORL Equity Shares in lieu thereof to a Director or such other authorized representative(s) as the Board of Directors of NORL shall appoint in this behalf, who shall hold the NORL Equity Shares issued in NORL, in trust on behalf of the equity shareholders entitled to fractional entitlements with the express understanding that such director(s) or other authorized representative(s) shall sell the same in the market at such time or times and at such price or prices and to such person or persons, as it/he/they may deem fit, and pay to NORL, the net sale proceeds thereof, whereupon NORL shall distribute such net sale proceeds (after deduction of applicable taxes), to the equity shareholders in proportion to their respective fractional entitlements. The Board of Directors of NORL, if it deems necessary, in the interests of allottees, approve such other method in this behalf as it may, in its absolute discretion, deem fit.
- 5.5 The NORL Equity Shares shall be issued and allotted in dematerialized form to those equity shareholders who hold shares of NFCL in dematerialized form, in to the account in which NFCL shares are held or such other account as is intimated by the equity shareholders to NFCL and / or its Registrar. All those equity shareholders who hold equity shares of NFCL in physical form shall also have the option to receive the NORL Equity Shares, as the case may be, in dematerialized form provided the details of their account with the Depository Participant are intimated in writing to NFCL and / or its Registrar. In the event that NORL
- has received notice from any person that equity shares are to be issued in physical form or if any person has not provided the requisite details relating to his/her /its account with a depository participant or other confirmations as may be required or if the details furnished by any person do not permit electronic credit of the NORL Equity Shares, then NORL shall issue NORL Equity Shares in physical form to such person or persons.
- 5.6 The NORL Equity Shares and NORL Preference Shares to be issued and allotted as above shall be subject to the Memorandum and Articles of Association of NORL and shall rank pari passu with the existing equity shares and preference shares of NORL in all respects including dividends.
- 5.7 The Board of Directors of NORL shall, if and to the extent required, apply for and obtain any approvals from concerned Government / Regulatory authorities for the issue and allotment of NORL Equity Shares and NORL Preference Shares pursuant to Clause 5.1 and Clause 5.2 of the Scheme. Further, NORL shall take all necessary steps for increase of authorised share capital for issue of equity and preference shares pursuant to the Scheme.
- 5.8 NORL Equity Shares to be issued and allotted to the equity shareholders of NFCL pursuant to Clause 5.1 of this Scheme will be listed and/or admitted to trading on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, where the equity shares of NFCL are listed and/or admitted to trading. NORL shall enter into such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the said stock exchanges.
- 5.9 In the event of there being any pending share transfers with respect to the application lodged for transfer by any shareholder of NFCL, the Board of Directors or any committee thereof of NFCL if in existence, or failing which the Board of Directors or any committee thereof of NORL shall be empowered in appropriate case, even subsequent to the Record Date to effectuate such a transfer in NFCL as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor or the transferee of the share(s) in NFCL and in relation to the NORL Equity Shares and NORL Preference Shares after the Scheme becomes effective.
- 5.10 NORL Equity Shares & NORL Preference Shares to be issued and allotted by NORL to the equity and preference shareholders of NFCL pursuant to Clause 5.1 and Clause 5.2 of this Scheme, in respect of any equity and preference shares in NFCL which are held in abeyance under the provisions of Section 206A of the Act or otherwise, pending allotment or settlement of dispute, by order

- of court or otherwise, be held in abeyance by NORL.
- 5.11 Approval of this Scheme by the equity shareholders of NORL shall be deemed to be the due compliance of the provisions of Section 81(1A) and the other relevant and applicable provisions of the Act for the issue and allotment of equity shares by NORL, as provided in this Scheme.
- 5.12 The approval of this Scheme by the equity shareholders of NORL under Sections 391 and 394 of the Act shall be deemed to have the approval under Sections 16, 31 and other applicable provisions of the Act and any other consents and approvals required in this regard.
- 5.13 The NORL Equity Shares allotted pursuant of the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange.
- 5.14 There shall be no change in the shareholding pattern or control of NORL between the Record Date and the listing of the NORL Equity Shares with the designated stock exchange.
- 6 ACCOUNTING TREATMENT IN THE BOOK OF NFCL**
- 6.1 Upon the Scheme becoming effective, NFCL shall reduce the book value of assets and liabilities pertaining to the Oil Business Undertaking.
- 6.2 The difference, being the excess of the book value of assets transferred over the book value of liabilities transferred, or vice versa, as the case may be, shall be adjusted in the Profit & Loss Account of NFCL.
- 7 ACCOUNTING TREATMENT IN THE BOOK OF NORL**
- 7.1 NORL shall, upon the Scheme becoming effective, record the assets and liabilities of the Oil Business Undertaking vested in it pursuant to this Scheme, at the respective book values, ignoring revaluations, if any, as at the Appointed Date.
- 7.2 NORL shall credit to the Share Capital Account in its books of account, the aggregate face value of the NORL Equity Shares and NORL Preference Shares of NORL issued and allotted by it to the members of NFCL pursuant to this Scheme. The Paid-up Equity Share Capital of NORL shall be Rs.42.82 crores consisting of 42,81,81,821 Equity Shares of Rs.1/- each fully paid-up and the Preference Share Capital of NORL shall be Rs 3,72,03,720 consisting of 37,20,372 preference shares of Rs.10/- each fully paid-up.
- 7.3 The difference between the book value of net assets of Oil Business Undertaking and the face value of NORL Equity Shares and NORL Preference Shares issued and allotted pursuant to Clause 5 of the Scheme shall be accounted as per Accounting Standard 14.
- 7.4 The credit arising on cancellation of equity share capital of NORL pursuant to Clause 8 shall be credited to the Capital Reserve Account.
- 8 CANCELLATION OF EXISTING EQUITY SHARE CAPITAL OF NORL AND CAPITAL REORGANISATION**
- 8.1 Upon the Scheme becoming effective and on issue of shares by NORL to the shareholders of NFCL, 50,000 equity shares of Rs. 10 each currently held by the shareholders of NORL shall stand cancelled and reduced to the extent of face value of shares.
- 8.2 Such reduction of share capital of NORL as provided in Clause 8.1 above shall be effected as a part of the Scheme, upon which the share capital of NORL shall be deemed to be reduced and the orders of the High Courts sanctioning the Scheme shall be deemed to be an order under Section 100 to 103 of the Act confirming such reduction of share capital of NORL.
- 8.3 Further post cancellation the existing authorised share capital of NORL of Rs. 5,00,000/- (Rupees Five Lakhs only) consisting of 50,000 equity shares of Rs. 10 each shall stand sub - divided without any further act, instrument or deed into 5,00,000 equity shares of Re. 1 each.
- 9 CONDUCT OF BUSINESS OF OIL BUSINESS UNDERTAKING TILL EFFECTIVE DATE**
- 9.1 With effect from the date of passing of the board resolution for approving the Scheme and up to and including the Effective Date, NFCL shall be deemed to have been carrying on and shall carry on its business and activities and shall be deemed to have held and stood possessed of and shall hold and stand possessed of all its properties and assets pertaining to the business and undertaking of Oil Business Undertaking for and on account of and in trust for the NORL. NFCL hereby undertakes to hold its said assets with respect to the Oil Business Undertaking with utmost prudence until the Effective Date.
- 9.2 With effect from the date of passing of the board resolution for approving the Scheme and up to and including the Effective Date, NFCL shall carry on its business and activities with reasonable diligence, business prudence and shall not, except in the ordinary course of business or without prior written consent of NORL, alienate, charge, mortgage, encumber or otherwise deal with or dispose of Oil Business Undertaking or part thereof.
- 9.3 With effect from the Appointed Date and up to and including the Effective Date, all the profits or income accruing or arising to NFCL or expenditure or losses arising or incurred or suffered by NFCL pertaining to the business and undertaking of Oil Business Undertaking shall for all purposes be treated and be deemed to be and accrue as the income or profits or losses or expenditure as the case may be of the NORL.

9.4 With effect from the date of passing of the board resolution for approving the Scheme and up to and including the Effective Date, NFCL shall not vary the terms and conditions of employment of any of the employees except in the ordinary course of business or without the prior consent of the NORL or pursuant to any pre-existing obligation undertaken by the Oil Business Undertaking as the case may be, prior to the Appointed Date.

9.5 With effect from the date of passing of the board resolution for approving the Scheme and up to and including the Effective Date, NFCL shall be entitled, pending the sanction of the Scheme, to apply to the Central/State Government, and all other agencies, departments and authorities concerned as are necessary under any law or rules, for such consents, approvals and sanctions, which NORL, may require pursuant to this Scheme.

10 LEGAL PROCEEDINGS

10.1 If any suit, appeal or other proceeding of whatever nature by or against NFCL pertaining to the Oil Business Undertaking is pending, the same shall not abate or be discontinued or in any way be prejudicially affected by reason of or by anything contained in this Scheme, but the said suit, appeal or other legal proceedings may be continued, prosecuted and enforced by or against NORL, as the case may be, in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against NFCL as if this Scheme had not been made.

10.2 In case of any litigation, suits, recovery proceedings which are to be initiated or may be initiated against NFCL pertaining to the Oil Business Undertaking, NORL shall be made party thereto, respectively, and any payment and expenses made thereto shall be the liability of NORL.

11 CONTRACTS, DEEDS AND OTHER INSTRUMENTS

11.1 Subject to the other provisions of this Scheme, all contracts, deeds, bonds, insurance, Letters of Intent, undertakings, arrangements, policies, agreements (including shareholders agreements and investor agreements) and other instruments, if any, of whatsoever nature pertaining to the Oil Business Undertaking, to which NFCL is a party and subsisting or having effect on the Effective Date, shall be in full force and effect against or in favour of NORL, as the case may be, and may be enforced by or against NORL as fully and effectually as if, instead of NFCL, NORL had been a party thereto.

11.2 NORL shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations, to which NFCL will, if necessary, also be party in order to give formal effect to the provisions of this Scheme, if so required or becomes necessary.

NORL shall be deemed to be authorised to execute any such deeds, writings or confirmations on behalf of NFCL and to implement or carry out all formalities required on the part of NFCL to give effect to the provisions of this Scheme.

12 STAFF, WORKMEN & EMPLOYEES

12.1 On the Scheme becoming effective all the employees of the Oil Business Undertaking of NFCL shall become the employees of NORL, without any break or interruption in their services, on same terms and conditions on which they are engaged as on the Effective Date. NORL further agrees that for the purpose of payment of any retirement benefit / compensation, such immediate uninterrupted past services with the Oil Business Undertaking of NFCL, shall also be taken into account. NORL undertakes to continue to abide by the terms of agreement / settlement entered into by NFCL, with employees' union / employee or associations of the Oil Business Undertaking.

12.2 The accounts / funds of the employees whose services are transferred under Clause 12.1 above, relating to superannuation, provident fund and gratuity fund shall be identified, determined and transferred to the respective Trusts / Funds of NORL and such employees shall be deemed to have become members of such Trusts / Funds of NORL.

SECTION 3

MERGER OF TRANSFEROR COMPANIES INTO KFL

13 TRANSFER AND VESTING

13.1 With effect from the Appointed Date, the entire business and whole of the undertaking of Transferor Companies including all its properties and assets (whether fixed assets, current assets, deferred revenue assets, movable or immovable, tangible or intangible), including Trademarks, copyrights, patents, of whatsoever nature such as licenses, permits, quotas, approvals, lease, tenancy rights, permissions, incentives if any, and all other rights, title, interest, contracts, consent, approvals or powers of every kind nature and descriptions whatsoever shall under the provisions of Sections 391 to 394 of the Act and pursuant to the orders of the High Courts or any other appropriate authority sanctioning this Scheme and without any further act, instrument or deed, but subject to the charges affecting the same as on the Effective Date be transferred and/or deemed to be transferred to and vested in KFL so as to become the properties and assets of KFL.

13.2 All tangible movable assets of Transferor Companies, which are capable of being physically transferred including all movable plant and machinery, stock in trade and cash in hand, shall be delivered to KFL to the end and intent that the property therein passes to KFL. The Bank balances

as appearing in the books of Transferor Companies shall also be transferred to KFL.

- 13.3 The transfer and vesting as aforesaid shall be subject to the existing charges / hypothecation / mortgages, if any, as may be subsisting and agreed to be created over or in respect of the said assets or any part thereof, provided however, any reference in any security documents or arrangements to which Transferor Companies is a party wherein the assets of Transferor Companies have been or are offered or agreed to be offered as security for any financial assistance or obligations shall be construed as reference only to the assets pertaining to Transferor Companies and vested in KFL by virtue of this Scheme to the end and intent that the charges shall not extend or deemed to extend to any assets of KFL.

Provided that the Scheme shall not operate to enlarge the security for the said liabilities of Transferor Companies which shall vest in KFL by virtue of the Scheme and KFL shall not be obliged to create any further, or additional security thereof after the merger has become effective or otherwise. Further, the Scheme shall not operate to enlarge the security for any liabilities of KFL, in as much as the security shall not extend to the assets transferred by Transferor Companies to KFL in terms of Clause 13.1 above.

- 13.4 The liabilities (including all secured loans, unsecured loans, deferred tax liability, provisions, etc) shall also, without any further act, instrument or deed be and transferred to and vested in and assumed by and/or deemed to be transferred to and vested in and assumed by KFL pursuant to the provisions of Sections 391 to 394 of the Act, so as to become the liabilities of KFL and further that it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such liabilities have arisen, in order to give effect to the provisions of this clause.
- 13.5 KFL may at any time after the coming into effect of the Scheme in accordance with the provisions of the Scheme, if so required, under any law or otherwise, execute necessary writings, in favour of the secured creditors of Transferor Companies or in favour of any other party to any contract or arrangement to which Transferor Companies is a party or any writings as may be necessary to be executed in order to give formal effect to the above provisions. KFL shall under the provisions of the Scheme be deemed to be authorised to execute any such writings on behalf of Transferor Companies and to implement or carry out all such formalities or compliance referred to above on the part of Transferor Companies to be carried out or performed.
- 13.6 With effect from the Appointed Date and upon the Scheme becoming effective, all development

rights, statutory licences, permissions, approvals or consents to carry on the operations and business of Transferor Companies shall stand vested in or transferred to KFL without any further act or deed and shall be appropriately mutated by the Statutory Authorities concerned in favour of KFL. The benefit of all statutory and regulatory permissions, environmental approvals and consents, registrations or other licences and consents shall vest in and become available to KFL pursuant to this Scheme. In so far as the various incentives, subsidies, rehabilitation Schemes, special status and other benefits or privileges enjoyed, granted by any Government body, local authority or by any other person, or availed of by Transferor Companies, are concerned, the same shall vest with and be available to KFL on the same terms and conditions.

- 13.7. With effect from the Appointed Date, KFL shall be deemed to carry on, and is authorized to carry on, the business of the Transferor Companies. The Articles of Association of KFL shall stand amended with the deletion of the existing clause 94 and the insertion of following clauses in the Articles of Association of KFL and KFL shall on the Scheme becoming effective file necessary forms with the appropriate fees with the Registrar of Companies, Maharashtra, Mumbai, and also comply with the other provisions of the Companies Act, 1956.

Article No.94

"Notwithstanding anything to the contrary contained elsewhere in these Articles and so long as Nagarjuna Holdings Private Limited and its associates (referred to for brevity as 'NHL') as Promoters hold or continue to hold fully paid-up Equity Shares in the company, NHL shall have the right to nominate Directors on the Board of Directors of the Company, subject to a minimum of five Directors by NHL who may be referred to as 'Promoter Directors'. Subject to the provisions of Section 255 and 256 of the Companies Act, 1956 and any Statutory Enactment / Order / Notification as may be in force from time to time and Articles 91, 105 and 106 of the Articles of Association of the Company, such Promoter Directors shall not be liable to retirement by rotation nor shall they be required to hold any qualification shares. NHL shall exercise their powers of nomination / reappointment / removal as the case may be by means of letters addressed to the Company which shall take effect forthwith on their receipt by the Company at its Registered Office".

- ii. a. "Subject to Section 255 and other applicable provisions of the Companies Act, 1956 and notwithstanding anything otherwise contained in these Articles, the Government of Andhra Pradesh shall, so long as the Governor of Andhra Pradesh, holds not less than 10% of

- the paid-up share capital of the Company, have power to appoint two Directors (referred to as Official Directors) or in the event of the investment falling below 10% but not less than 2.5% of the equity share capital of the company, shall have power to nominate a minimum one Director on the Board of the company, who shall not be liable to retirement by rotation. The Government shall have powers to remove any such Nominee Director at their absolute discretion and to fill any vacancy in the office of such official Directors caused by removal, resignation, death or otherwise. The appointment or termination of the Official Directors shall be effected by means of a letter addressed to the Board of Directors of the Company and such appointment or termination shall have effect forthwith upon the said letter being delivered to the company".
- ii.b. If and when the State Government decides to disinvest the whole or any part of its Equity, the same shall be offered to Nagarjuna Holdings Private Limited and the said Nagarjuna Holdings Private Limited who shall be entitled to acquire the shares so offered in its own name or in the name of any other party acceptable to the State Government in terms of the agreement entered into between NHL and the State Government.
- iii. "Subject to Section 255 and other applicable provisions of the Companies Act, 1956 and notwithstanding anything otherwise contained in these Articles, so long as Krishak Bharati Co-operative Limited (KRIBHCO), holds share capital of the Company, KRIBHCO shall have power to appoint one Director (referred to as Official Directors), who shall not be liable to retirement by rotation. KRIBHCO shall have powers to remove any such Nominee Director at their absolute discretion and to fill any vacancy in the office of such official Directors caused by removal, resignation, death or otherwise. The appointment or termination of the Official Directors shall be effected by means of a letter addressed to the Board of Directors of the Company and such appointment or termination shall have effect forthwith upon the said letter being delivered to the company".
- If and when KRIBHCO decides to disinvest the whole or any part of its Equity, the same shall be offered to Nagarjuna Holdings Private Limited and the said Nagarjuna Holdings Private Limited who shall be entitled to acquire the shares so offered in its own name or in the name of any other party acceptable to KRIBHCO in terms of the agreement entered into between NHL and KRIBHCO.
- iv. "Subject to Section 255 and other applicable provisions of the Companies Act, 1956 and notwithstanding anything otherwise contained in these Articles, so long as Snamprogetti S.p.A (now called Saipem S.p.A), holds share capital of the Company, Saipem shall have power to appoint one Director (referred to as Official Directors), who shall not be liable to retirement by rotation. Saipem shall have powers to remove any such Nominee Director at their absolute discretion and to fill any vacancy in the office of such official Directors caused by removal, resignation, death or otherwise. The appointment or termination of the Official Directors shall be effected by means of a letter addressed to the Board of Directors of the Company and such appointment or termination shall have effect forthwith upon the said letter being delivered to the company".
- If and when Saipem decides to disinvest the whole or any part of its Equity, the same shall be offered to Nagarjuna Holdings Private Limited and the said Nagarjuna Holdings Private Limited who shall be entitled to acquire the shares so offered in its own name or in the name of any other party acceptable to Saipem in terms of the agreement entered into between NHL and Saipem .
- v.a. Whenever the Company enters into a contract with any Government, Central, State or Local or any Financial Institution or any person or persons (hereinafter referred to as "the appointer") for borrowing any money or for providing any guarantee or security or for technical collaboration or assistance or for underwriting or enters into any other arrangement whatsoever, the Board shall have, subject to the provisions of Section 255 of the Act, the power to agree that such appointer shall have the right to appoint or nominate by a notice in writing addressed to the Company one or more Directors on the Board for such period and upon such conditions as may be provided in the agreement and that such Director or Directors may not be liable to retire by rotation nor be required to hold any such share qualification. The Board may also agree that any such Director or Directors may be removed from time to time by the appointed entitled to appoint or nominate them and the appointer may appoint another or others in his or their place and also fill any vacancy which may occur as a result of any such Director or Directors ceasing to hold that office for any reason whatsoever. Unless otherwise agreed to between the Board and the appointer, the Director appointed or nominated under this Article shall be entitled to exercise and enjoy

all or any of the rights and privileges exercised and enjoyed by the other Directors of the Company including payment of remuneration and travelling expenses to such Director or Directors as may be agreed by the Company with the appointer.

- v.b. Notwithstanding anything to the contrary contained in these Articles, so long as any moneys owing by the Company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), The Industrial Credit & Investment Corporation of India Limited (ICICI) and Life Insurance Corporation of India (LIC) or to any other Finance Corporation or Credit Corporation or to any other Finance Company or Body or the State Bank of India (SBI) out of any loans granted by them to the Company or so long as IDBI, FCI, ICICI, LIC and Unit Trust of India (UTI) or any other Financing Corporation or Credit Corporation or any other Financing Company or Body or SBI (each of which IDBI, IFCI, ICICI, LIC and UTI or any other Finance Corporation or Credit Corporation or any other Financing Company or Body or SBI is hereinafter in this Article referred to as "the Corporation") continue to hold debentures in the Company by direct subscription or private placement, or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Corporation arising out of any Guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, whole time or non-whole time (which Director or Directors is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s.
- vi. The Board of Directors of the Company shall have no power to remove from office the Nominee Directors. At the option of the Corporation such Nominee Directors shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Directors shall not be liable to retire by rotation. Subject as aforesaid, the Nominee Directors shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.
- vii. The Nominee Directors so appointed shall hold the said office only so long as any moneys remain owing by the Company to the

Corporation or so long as the Corporation holds Debentures in the Company as a result of direct subscription or private placement or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or the liability of the Corporation arising out of the Guarantee is outstanding and the Nominee Director's so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures/shares in the Company or on the satisfaction of the liability of the Corporation arising out of the Guarantee furnished by the Corporation.

viii. The nominee Directors appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which the Nominee Directors is/are members as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.

ix. The Company shall pay to the Nominee Directors sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees, commission, moneys or remuneration in any form is payable to the Directors of the Company, the fees, commission, moneys and remuneration in relation to such Nominee Directors shall accrue to the Corporation and the same shall accordingly be paid by the Corporation directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Directors in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or, as the case may be, to such Nominee Directors.

Provided that if any such Nominee Directors is an officer of the Corporation the sitting fees, in relation to such Nominee Director's shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

x. In the event of the Nominee Directors being appointed as whole time Directors such nominee Directors shall exercise such powers and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Directors shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation".

- xi. The Chairman and the Managing Director shall be the nominees of NHL or its successors in business.

14 CONSIDERATION

- 14.1 Upon this Scheme becoming effective, KFL shall, without any application or deed, issue and allot equity shares, credited as fully paid up, to the extent indicated below, to the equity shareholders of the Transferor Companies and whose names appear in the Register of Members of the Transferor Companies on the Record Date, or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of KFL / Transferor Companies in the following proportion viz.: 11 (eleven) equity shares of Re. 1 each fully paid up of KFL for every 10 (ten) equity shares of Rs. 10 each fully paid up, held by the equity shareholders in NFCL. 43 (forty three) equity shares of Re. 1 each fully paid up of KFL for every 10 (ten) equity shares of Rs. 10 each fully paid up, held by the shareholders in iKisan.

Equity shares issued by KFL pursuant to the above Clause is hereinafter referred to as "KFL Equity Shares".

- 14.2 Upon this Scheme becoming effective, KFL shall, without any further application or deed, issue and allot to all the preference shareholders of Transferor Companies, whose names appears in the Register of Members of Transferor Companies as on the Record Date or to his/her heirs, executors, administrators or the successors-in-title, as the case may be, fully paid-up equity shares in the following ratio:

1 (one) preference share of Rs. 90 each fully paid up of KFL for every 1 (one) preference shares of Rs. 100 each fully paid up, held by the preference shareholders in NFCL.

Preference shares issued by KFL pursuant to the above Clause is hereinafter referred to as "KFL Preference Shares".

- 14.3 The key terms and conditions for the KFL Preference Shares to be issued pursuant to Clause 14.2 above are specified in Schedule 2 hereto.
- 14.4 Further, the KFL Preference Shares to be issued pursuant to Clause 14.2 above shall rank for dividend in priority to the equity shares of KFL, and shall, on winding up of KFL be entitled to rank, as regards repayment of capital upto the commencement of winding up, in priority to the equity shares of KFL. KFL Preference Shares shall be issued in physical form.
- 14.5 In respect of fractional entitlements, if any, by KFL, to the equity shareholders of Transferor Companies at the time of issue and allotment of KFL Equity

Shares under Clause 14.1, the Board of Directors of KFL shall consolidate all fractional entitlements, and allot KFL Equity Shares in lieu thereof to a Director or such other authorized representative(s) as the Board of Directors of KFL shall appoint in this behalf, who shall hold the KFL Equity Shares issued in KFL, in trust on behalf of the equity shareholders entitled to fractional entitlements with the express understanding that such director(s) or other authorized representative(s) shall sell the same in the market at such time or times and at such price or prices and to such person or persons, as it/he/they may deem fit, and pay to KFL, the net sale proceeds thereof, whereupon KFL shall distribute such net sale proceeds (after deduction of applicable taxes), to the equity shareholders in proportion to their respective fractional entitlements. The Board of Directors of KFL, if it deems necessary, in the interests of allottees, approve such other method in this behalf as it may, in its absolute discretion, deem fit.

- 14.6 The KFL Equity Shares shall be issued and allotted in dematerialized form to those equity shareholders who hold shares of Transferor Companies in dematerialized form, in to the account in which Transferor Companies shares are held or such other account as is intimated by the equity shareholders to Transferor Companies and / or its Registrar. All those equity shareholders who hold equity shares of Transferor Companies in physical form shall also have the option to receive the KFL Equity Shares, as the case may be, in dematerialized form provided the details of their account with the Depository Participant are intimated in writing to Transferor Companies and / or its Registrar. In the event that KFL has received notice from any person that equity shares are to be issued in physical form or if any person has not provided the requisite details relating to his/her /its account with a depository participant or other confirmations as may be required or if the details furnished by any person do not permit electronic credit of the KFL Equity Shares, then KFL shall issue KFL Equity Shares in physical form to such person or persons.

- 14.7 The KFL Equity Shares and KFL Preference Shares to be issued and allotted as above shall be subject to the Memorandum and Articles of Association of KFL and shall rank pari passu with the existing equity shares and preference shares of KFL in all respects including dividends.

- 14.8 The Board of Directors of KFL shall, if and to the extent required, apply for and obtain any approvals from concerned Government / Regulatory authorities for the issue and allotment of KFL Equity Shares and KFL Preference Shares pursuant to Clause 14.1 and Clause 14.2 of the Scheme.

14.9 KFL Equity Shares to be issued and allotted to the equity shareholders of Transferor Companies pursuant to Clause 14.1 of this Scheme will be listed and/or admitted to trading on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, where the equity shares of Transferor Companies are listed and/or admitted to trading. KFL shall enter into such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the said stock exchanges.

14.10 In the event of there being any pending share transfers with respect to the application lodged for transfer by any shareholder of Transferor Companies, the Board of Directors or any committee thereof of Transferor Companies if in existence, or failing which the Board of Directors or any committee thereof of KFL shall be empowered in appropriate case, even subsequent to the Record Date to effectuate such a transfer in Transferor Companies as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor or the transferee of the share(s) in Transferor Companies and in relation to the KFL Equity Shares and KFL Preference Shares after the Scheme becomes effective.

14.11 KFL Equity Shares & KFL Preference Shares to be issued and allotted by KFL to the equity and preference shareholders of Transferor Companies pursuant to Clause 14.1 and Clause 14.2 of this Scheme, in respect of any equity and preference shares in Transferor Companies which are held in abeyance under the provisions of Section 206A of the Act or otherwise pending allotment or settlement of dispute, by order of court or otherwise, be held in abeyance by KFL.

14.12 Approval of this Scheme by the equity shareholders of KFL shall be deemed to be the due compliance of the provisions of Section 81(1A) and the other relevant and applicable provisions of the Act for the issue and allotment of equity shares by KFL, as provided in this Scheme.

14.13 The approval of this Scheme by the equity shareholders of KFL under Sections 391 and 394 of the Act shall be deemed to have the approval under Sections 16, 31 and other applicable provisions of the Act and any other consents and approvals required in this regard.

14.14 The KFL Equity Shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange.

14.15 There shall be no change in the shareholding pattern or control of KFL between the Record Date

and the listing of the KFL Equity Shares with the designated stock exchange.

15 CAPITAL REORGANISATION

15.1 Upon sanction of this Scheme, the existing authorised share capital of KFL of Rs. 1,00,00,000/- (Rupees One crore only) consisting of 10,00,000 equity shares of Rs. 10 each shall stand sub - divided without any further act, instrument or deed into 1,00,00,000 equity shares of Re. 1 each.

15.2 Upon sanction of this Scheme, the authorised share capital of the KFL shall stand increased without any further act, instrument or deed on the part of KFL including payment of stamp duty and fees payable to Registrar of Companies, by the authorised share capital of NFCL amounting to Rs. 800,00,00,000 (Rupees Eight Hundred Crores) comprising of 60,00,00,000 (Sixty Crores) equity shares of Rs. 10 each and 2,00,00,000 (Two Crores) preference shares of Rs. 100 each which shall stand sub - divided and reclassified into 620,00,00,000 (Six Hundred and Twenty Crores) equity shares of Re. 1 each and 2,00,00,000 (Two Crores) preference shares of Rs. 90 each and the Memorandum of Association and Articles of Association of KFL (relating to the authorized share capital) shall, without any further act, instrument or deed, be and stand altered, modified and amended, and the consent of the shareholders of KFL to the Scheme shall be deemed to be sufficient for the purposes of effecting this amendment, and no further resolution(s) under Sections 16, 31, 94 and 394 and applicable provisions of the Act would be required to be separately passed, as the case may be and for this purpose the stamp duties and fees paid on the authorized capital of NFCL shall be utilized and applied to the increased authorized share capital of KFL and there would be no requirement for any further payment of stamp duty and/or fee by KFL for increase in the authorised share capital to that extent.

15.3 Consequent upon the Scheme becoming effective, the authorised, share capital of KFL will be as under:

Authorised Capital	Rupees (₹)
620,00,00,000 Equity Shares of Rs. 1/- each	620,00,00,000
2,00,00,000 Preference Shares of Rs. 90/- each	180,00,00,000
Total	800,00,00,000

It is clarified that the approval of the members of KFL to the Scheme shall be deemed to be their consent / approval also to the alteration of the Memorandum and Articles of Association of KFL as may be required under the Act, and Clause V of the Memorandum of Association and Article 5(1)

of the Articles of Association of KFL shall respectively stand substituted by virtue of the Scheme to read as follows:

Clause V of the Memorandum of Association of KFL:

The Authorised Share Capital of the Company is Rs.801,00,00,000/- (Rupees Eight Hundred and One Crores only) comprising 621,00,00,000 (Six Hundred and Twenty One Crores only) Equity Shares of Re.1/- each and 2,00,00,000 (Two Crores only) Preference Shares of Rs.90/- each with the rights, privileges and conditions attaching thereto as are provided by the regulations of the company for the time being with power to increase and / or reduce the Capital of the company and to divide the shares in the Capital for the time being in accordance with the provisions of the Companies Act, 1956 or any other statutory enactments in force from time to time into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions including that of redemption and / or conversion (including deemed redemption / conversion) as may be determined by or in accordance with the enactment / order / notification as may be in force from time to time and to vary, modify or abrogate manner as may for the time being be provided by the regulations of the Company or any statutory enactment / order / notification as may be in force from time to time.

Article 5(1) of the Articles of Association:

The Authorised Share Capital of the Company is Rs.801,00,00,000/- (Rupees Eight Hundred and One Crores only) comprising 621,00,00,000 (Six Hundred and Twenty One Crores only) Equity Shares of Re.1/- each and 2,00,00,000 (Two Crores only) Preference Shares of Rs.90/- each with such rights, privileges and conditions provided by any statutory enactment for the time being in force and as may be provided by these Articles or by a Special Resolution passed at a General Meeting duly convened and held for the purpose.

16 ACCOUNTING TREATMENT IN THE BOOKS OF KFL

- 16.1 With effect from the Appointed Date, all the assets and liabilities of Transferor Companies transferred to and vested in KFL, shall be recorded at their respective fair values, as may be determined by the Board of Directors of KFL.
- 16.2 Inter Company balances, if any, will be cancelled.
- 16.3 Inter Company investments, if any, will be cancelled.
- 16.4 KFL shall credit to the Share Capital Account in its books of account on the appointed date, the aggregate face value of the KFL Equity Shares and KFL Preference Shares of KFL issued and allotted under the Scheme by it to the shareholders of Transferor Companies pursuant to this Scheme.

16.5 The difference, between the value of net assets of Transferor Companies transferred to KFL and recorded by KFL pursuant to the High Courts Order in accordance Clause 16.1 over the fair value of KFL Equity Shares and KFL Preference Shares allotted by KFL pursuant to this Scheme shall, in case of there being a deficit, be debited to Goodwill Account. In case of there being a surplus, the same shall be credited to Capital Reserve Account. Further, the credit arising on cancellation of equity share capital of KFL pursuant to Clause 17 shall be credited to the Capital Reserve Account. The paid-up equity share capital of KFL shall be Rs. 59,80,65,003 consisting of 59,80,65,003 equity shares of Rs.1/- each fully paid-up and the preference share capital of KFL shall be Rs 33.48 crores consisting of 37,20,372 preference shares of Rs.90/- each fully paid-up.

16.6 All the statutory reserves shall retain their identity as required by the Accounting Standard 14.

17 CANCELLATION OF EXISTING EQUITY SHARE CAPITAL OF KFL

17.1 The investment held by NFCL in the equity share capital of KFL shall stand cancelled and accordingly, the share capital of KFL shall stand reduced to the extent of face value of shares held by NFCL in KFL as and when the KFL Equity Shares are issued by KFL pursuant to the Scheme.

17.2 Such reduction of share capital of KFL as provided in Clause 17.1 above shall be effected as a part of the Scheme, upon which the share capital of KFL shall be deemed to be reduced and the orders of the High Courts sanctioning the Scheme shall be deemed to be an order under Sections 100 to 103 of the Act confirming such reduction of share capital of KFL.

18 CONDUCT OF BUSINESS OF TRANSFEROR COMPANIES TILL EFFECTIVE DATE

18.1 With effect from the date of passing of the board resolution for approving the Scheme and up to and including the Effective Date, Transferor Companies shall be deemed to have been carrying on and shall carry on its business and activities and shall be deemed to have held and stood possessed of and shall hold and stand possessed of all its properties and assets pertaining to the business and undertaking of Transferor Companies for and on account of and in trust for the KFL. Transferor Companies hereby undertakes to hold its said assets with utmost prudence until the Effective Date.

18.2 With effect from the date of passing of the board resolution for approving the Scheme and up to and including the Effective Date, Transferor Companies shall carry on its business and activities with reasonable diligence, business prudence and shall not, except in the ordinary course of business or without prior written consent of KFL alienate, charge, mortgage, encumber or otherwise deal with or dispose of Transferor Companies or part thereof.

18.3 With effect from the Appointed Date and upto and including the Effective Date, all the profits or income accruing or arising to Transferor Companies or expenditure or losses arising or incurred or suffered by Transferor Companies pertaining to the business and undertaking of Transferor Companies shall for all purposes be treated and be deemed to be and accrue as the income or profits or losses or expenditure as the case may be of the KFL.

18.4 With effect from the date of passing of the board resolution for approving the Scheme and up to and including the Effective Date, Transferor Companies shall not vary the terms and conditions of employment of any of the employees except in the ordinary course of business or without the prior consent of the KFL or pursuant to any pre-existing obligation undertaken by the Transferor Companies as the case may be, prior to the Appointed Date.

18.5 With effect from the date of passing of the board resolution for approving the Scheme and up to and including the Effective Date, Transferor Companies shall be entitled, pending the sanction of the Scheme, to apply to the Central/State Government, and all other agencies, departments and authorities concerned as are necessary under any law or rules, for such consents, approvals and sanctions, which the KFL, may require pursuant to this Scheme.

19 STAFF, WORKMEN & EMPLOYEES

19.1 On the Scheme becoming effective all the employees of the Transferor Companies shall become the employees of KFL, without any break or interruption in their services, on same terms and conditions on which they are engaged as on the Effective Date. KFL further agrees that for the purpose of payment of any retirement benefit / compensation, such immediate uninterrupted past services with the Transferor Companies, shall also be taken into account. KFL undertakes to continue to abide by the terms of agreement / settlement entered into by the Transferor Companies, with employees' union / employee or associations of the Transferor Companies.

19.2 The accounts / funds of the employees whose services are transferred under Clause 19.1 above, relating to superannuation, provident fund and gratuity fund shall be identified, determined and transferred to the respective Trusts / Funds of KFL and such employees shall be deemed to have become members of such Trusts / Funds of KFL.

20 LEGAL PROCEEDINGS

20.1 If any suit, appeal or other proceeding of whatever nature by or against the Transferor Companies is pending, the same shall not abate or be discontinued or in any way be prejudicially affected by reason of or by anything contained in this Scheme, but the said suit, appeal or other legal proceedings may be continued, prosecuted and enforced by or against the KFL, as the case may be, in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against the Transferor

Companies as if this Scheme had not been made.

20.2 In case of any litigation, suits, recovery proceedings which are to be initiated or may be initiated against the Transferor Companies, KFL shall be made party thereto, and any payment and expenses made thereto shall be the liability of KFL.

20.3 Subject to the other provisions of this Scheme, all contracts, deeds, bonds, insurance Letters of intent, undertakings, arrangements, policies, agreements and other instruments, if any, of whatsoever nature pertaining to Transferor Companies to which Transferor Companies is party and subsisting or having effect on the Effective Date, shall be in full force and effect against or in favour of KFL, as the case may be, and may be enforced by or against KFL as fully and effectually as if, instead of Transferor Companies, KFL had been a party thereto.

21 CONTRACTS, DEEDS, ETC.

21.1 Subject to the other provisions of this Scheme, all contracts, deeds, bonds, insurance, Letters of intent, or other letters, documents, permission of the Government of India, Government of Andhra Pradesh, statutory licences, agreements including shareholders agreements and investor agreements, of which NFCL is a signatory with Government of Andhra Pradesh, KRIBHCO, Saipem, undertakings, arrangements, policies, and other instruments, if any, of whatsoever nature to which the Transferor Companies are a party and subsisting or having effect on the Effective Date, shall be in full force and effect against or in favour of KFL, as the case may be, and may be enforced by or against the KFL as fully and effectually as if, instead of the Transferor Companies, KFL had been a party thereto.

21.2 KFL shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations, to which the Transferor Companies will, if necessary, also be party in order to give formal effect to the provisions of this Scheme, if so required or becomes necessary. KFL shall be deemed to be authorised to execute any such deeds, writings or confirmations on behalf of Transferor Companies and to implement or carry out all formalities required on the part of the Transferor Companies to give effect to the provisions of this Scheme.

22 SAVING OF CONCLUDED TRANSACTIONS

The transfer of assets and liabilities under Clause 13 above and the continuance of proceedings by or against Transferor Companies under Clause 20 above shall not affect any transaction or proceedings already concluded by Transferor Companies on or after the Appointed Date till the Effective Date, to the end and intent that KFL accepts and adopts all acts, deeds and things done and executed by Transferor Companies in respect thereto as done and executed on behalf of KFL.

23 DISSOLUTION OF TRANSFEROR COMPANIES

On the Scheme becoming effective, Transferor Companies shall stand dissolved without being wound-up.

SECTION 4

OTHER TERMS AND CONDITIONS

24 CHANGE OF NAME

With effect from the Appointed Date, the name of KFL shall be changed to "Nagarjuna Fertilizers and Chemicals Limited" or such other name as may be approved by the Registrar of Companies. Approval of the shareholders of NFCL and KFL to the Scheme shall be considered as the approval required under the provisions of Companies Act, 1956 for change of name.

25 APPLICATION TO HIGH COURTS

iKisan, KFL, NFCL and NORL shall with all reasonable dispatch make all necessary applications under Sections 391 and 394 of the Act and other applicable provisions of the Act to the High Courts for seeking approval of the Scheme.

26 MODIFICATION OR AMENDMENTS TO THE SCHEME

iKisan, KFL, NFCL and NORL by their respective Boards of Directors ('the Board', which term shall include any duly authorised Committee thereof), may assent to/make and/or consent to any modifications/amendments to the Scheme or to any conditions or limitations that the Courts and/or any other Authority under law may deem fit to direct or impose, or which may otherwise be considered necessary, desirable or appropriate as a result of subsequent events or otherwise by them (i.e. the Board). iKisan, KFL, NFCL and NORL by their respective Board are authorised to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whatsoever for carrying the Scheme into effect, whether by reason of any directive or Orders of any other authorities or otherwise howsoever, arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith.

27 CONDITIONALITY OF THE SCHEME

This Scheme is and shall be conditional upon and subject to:

27.1 This Scheme comprises of demerger of NFCL and merger of Residual NFCL and iKisan. Each part in each Section is interlinked and dependent on the other Sections and is not severable. Further, the Scheme shall be implemented in the same order as it is given in the Scheme. The Scheme shall be effective upon sanction of the High Courts.

27.2 The Scheme would be given effect to only if is approved in its entirety and no part shall be implemented in isolation of the other parts of the Scheme.

27.3 The Scheme being approved by the requisite majorities in number and value of such classes of persons including the respective members and/or creditors of iKisan, KFL, NFCL and NORL as may be directed by the High Courts.

27.4 The sanction of the High Courts under Sections 391 and 394 of the said Act in favour of iKisan, KFL, NFCL and NORL under the said provisions and to the necessary Orders under Section 394 of the said Act being obtained;

27.5 All other sanctions and orders as are legally necessary or required in respect of the Scheme being obtained.

28 EFFECT OF NON-RECEIPT OF APPROVALS

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 High Courts or such other competent authority and / or the Order not being passed as aforesaid before December 31, 2011 or within such further period or periods as may be agreed upon between iKisan, KFL, NFCL and NORL by their Boards of Directors (and which the Boards of Directors of the companies are hereby empowered and authorised 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.

29 COSTS, CHARGES, EXPENSES & CONTRIBUTION

Consequent to the merger being approved by the respective High Courts and NORL being listed with the Stock Exchanges and issuing shares to the shareholders of NFCL, KFL shall contribute a sum of Rs.1 crore per year to NORL or such amount that as may be required from time to time for a period of five years or until such time that NORL is able to manage its financial affairs and receive dividend from Nagarjuna Oil Corporation Limited. Such payment to NORL by KFL shall not require any further approval to be obtained under the Companies Act, 1956 and shall be made on a quarterly basis in equal installments. NORL shall return the sum of Rs.1 crore or such other sum to KFL as and when its financial position facilitates repayment.

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

SCHEDULE - 1**KEY TERMS AND CONDITIONS FOR ISSUE OF NORL PREFERENCE SHARES**

Issuer	Nagarjuna Oil Refinery Limited
Instrument	Non Convertible Cumulative Redeemable Preference Shares
Face value	Rs. 10 per NORL Preference Share
Coupon Rate	0.01% per annum
Redemption	To be redeemed at par at the end of 20 years from the date of allotment
Option	The NORL Preference Shares shall be redeemable at the option of the preference shareholders.

SCHEDULE - 2**KEY TERMS AND CONDITIONS FOR ISSUE OF KFL PREFERENCE SHARES**

Issuer	Kakinada Fertilizers Limited
Instrument	Non Convertible Cumulative Redeemable Preference Shares
Face value	Rs. 90 per KFL Preference Share
Coupon Rate	0.01% per annum
Redemption	To be redeemed at par at the end of 20 years from the date of allotment
Option	The KFL Preference Shares shall be redeemable at the option of the preference shareholders.