



GWALIOR CHEMICAL INDUSTRIES LIMITED

Registered Office: 1 & 2 Western India House, Fort, Mumbai – 400 001

Notice pursuant to Section 192A (2) of the Companies Act, 1956, read with the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001

Dear Shareholder (s),

The Company has entered into a Business Transfer Agreement with LANXESS India Private Limited for sale and transfer of its entire chemical business including the manufacturing assets at Nagda, Madhya Pradesh and wind power business located in Maharashtra and Madhya Pradesh as going concern on a slump sale basis, on the terms and conditions as stipulated therein.

As per the provisions of Section 293(1) (a) of the Companies Act, 1956, the sale, lease or disposal of the whole or substantially the whole of undertaking of the Company or where the Company owns more than one undertaking of the whole or substantially the whole of any such undertaking, requires the approval of the Shareholders by way of an Ordinary Resolution.

As per Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001, the consent / approval of the Shareholders for the above purpose is required to be obtained by means of voting by Postal Ballot. Accordingly, the proposed Ordinary Resolution and Explanatory Statement thereto are sent to you with a Postal Ballot Form for your consideration. The Company has appointed Mr. Nishant Jawasa, a practicing Company Secretary, as Scrutinizer for conducting the Postal Ballot process in a fair and transparent manner.

In the event the draft resolution as set out is assented to by requisite majority of Shareholders by means of a Postal Ballot, it shall be deemed to have been passed as Special Business at an Extraordinary General Meeting. The date of announcement of the result of the Postal Ballot shall be considered to be the date of Extraordinary General Meeting and the date of passing of the said resolution.

You are requested to read the Notes and Instructions printed on the reverse of the Postal Ballot Form and return the Form duly completed in all respect in the enclosed self-addressed postage pre-paid envelope so as to reach the Scrutinizer on or before the close of working hours on July 23, 2009.

The Scrutinizer will submit his report to the Chairman of the Company after completion of the scrutiny and the result of the voting of the Postal Ballot will be announced on July 27, 2009 at 11.00 A. M. at the Corporate Office of the Company.

DRAFT ORDINARY RESOLUTION

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:-

"RESOLVED THAT pursuant to the provisions of Section 293(1) (a), Section 192A read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals and permissions as may be required, consent be and is hereby accorded to the Company to convey, transfer, assign, deliver or otherwise dispose of its chemicals business and wind power business, together with their respective assets and liabilities in the manner set out in the Business Transfer Agreement dated June 8, 2009, between the Company and LANXESS India Private Limited (the "**Business Transfer Agreement**") as going concern on a slump sale basis for a lumpsum consideration of the rupee equivalent of Euro 82.4 million to be calculated at the Reserve Bank of India reference rate of exchange for Euro to Indian Rupee for the date falling four working days previous to the date of completion of the transaction contemplated in the Business Transfer Agreement on a cash and debt free basis, subject to price adjustments as set out in the Business Transfer Agreement and to the fulfillment of the terms and conditions and provisions set forth in the Business Transfer Agreement.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to negotiate, finalize, enter into and execute all such deeds, documents, agreements, letters and to do such acts, deeds, matters and/or things as may be necessary and/or expedient in their discretion, including through one or more committees that may be constituted by the Board for this purpose, for giving effect to this Resolution and completing the sale of the chemical business at Nagda, Madhya Pradesh and wind power business located in Maharashtra and Madhya Pradesh to the purchaser, in the interest of the Company."

By order of the Board
For Gwalior Chemical Industries Limited

Place: Mumbai
Date: June 8, 2009

Sanjeev Pathak
Company Secretary

NOTES:

1. The Explanatory Statement pursuant to section 173 (2) and 192A (2) of the Companies Act, 1956 setting out material facts is annexed hereto.
2. The Board of Directors at its meeting held on June 8, 2009 has appointed Mr. Nishant Jawaia, a practicing Company Secretary to receive and scrutinize the complete Ballot Papers from the Shareholders. The Postal Ballot Form and the self addressed business reply envelop are enclosed for use of the Shareholders.
3. You are requested to read the instructions printed on the reverse of the Postal Ballot Form and return the Form duly completed with the assent (for) or dissent (against), in the attached pre-paid envelop, so as to reach the Scrutinizer on or before July 23, 2009 to be eligible for being considered, failing which, it will be strictly treated as if no reply has been received from the Shareholders. The Scrutinizer will submit his report to the Chairman of the Company after completion of the scrutiny and the result of the Postal Ballot will be announced on July 27, 2009, at the Corporate Office of the Company at K. K. Chambers, 4th Floor, Sir Purushottamdas Thakurdas Marg, Fort, Mumbai - 400 001 at 11.00 a.m.
4. Voting rights shall be reckoned on the paid up value of the shares registered in the name of the Shareholder as on the date of dispatch i.e. June 23, 2009 ("the Cut Off Date") and anyone who has become a Shareholder on or before the Cut Off Date and has not received the Postal Ballot Form, may request for a duplicate/fresh Postal Ballot Form from the Company and vote on the resolution by Postal Ballot.
5. Shareholders' voting rights shall be in proportion to their share of the paid up Equity Share Capital of the Company.

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) and 192A (2) of the Companies Act, 1956]

The Company operates in the Benzyl and Sulphur Chloride segment of the chemicals marketplace. Global recessionary trends, and increased competition and growing capacities have limited the growth opportunities in the Benzyl and Sulphur Chlorides businesses. Some of the Benzyl products largely feed on European and American market demand, which is currently sluggish and expected to remain so. The domestic Sulphur Chloride business is facing stiff competition from other domestic and global producers.

The Company received a proposal from LANXESS India Private Limited ("**LANXESS**") to purchase its chemicals business and wind power business together with their respective assets and liabilities as going concern on a slump sale basis for a lumpsum consideration of the rupee equivalent of Euro 82.4 million. LANXESS is a leading specialty chemicals company with sales of Euro 6.58 billion in 2008 and currently employs around 14,600 employees in 23 countries. LANXESS is represented at 44 production sites worldwide. The core business of LANXESS is the development, manufacturing and marketing of plastics, rubber, intermediates and specialty chemicals.

The Board of Directors by their Resolution dated June 8, 2009 have, subject to approval of the Shareholders of this Company, approved the transfer of the Transferred Business (as set out below) being the chemicals business and wind power business of the Company, together with their respective assets and liabilities as going concern on a slump sale basis for a lumpsum consideration of the rupee equivalent of Euro 82.4 million, which exchange rate for the purpose of this transaction shall be the Reserve Bank of India reference rate of exchange for Euro to Indian Rupee for the date falling four working days previous to the date of completion of the transaction contemplated in the Business Transfer Agreement (the equivalent of Euro 82.4 million being approximately Rs. 536 crores at currency conversion rate of 1 Euro = Rs 65.00) on a cash and debt free basis subject to the terms, conditions and provisions set forth in the Business Transfer Agreement ("**Business Transfer Agreement**") (hereinafter referred to as "**Transaction**").

Transferred Business has been defined in the Business Transfer Agreement shall mean to include all the following:

- (i) All the tangible assets including the land and the buildings standing thereon, fixed assets and current assets and all the intangible assets including rights, privileges and benefits of use and exploitation vested in or available to the Company of trademark, brands, designs, copyrights, software business plans and other business information, patents, know how and any other registered or unregistered intellectual property or any improvement therein, customer lists, supplier lists, rights, future benefits arising out of research and development etc. relating to the chemical business and wind power business of the Company.
- (ii) Undertaking Liabilities (other than as specifically set forth in the Business Transfer Agreement);
- (iii) Data and records;
- (iv) Goodwill;
- (v) All employees employed in the Transferred Business;
- (vi) Rights and benefits of and obligations under contracts subject to the terms and conditions as per the Business Transfer Agreement, and all other interests of whatsoever nature belonging to or in the ownership, power, possession, or the control of or vested in or granted in favour of or held for the benefit of or enjoyed by the Company for the chemical business and wind power business and capable of being assigned by the Company; and
- (vii) Full rights, power and authority to LANXESS for conducting and carrying on the Transferred Business in continuation of, and as successor to, the Company.

The salient features of the Business Transfer Agreement are as under:

1. The sale / transfer of the Nagda manufacturing facility after relocation of all Ankleshwar assets to Nagda which are required for conducting the Transferred Business will be by way of a slump sale as going concern for a lumpsum consideration.
2. All employees employed by the Transferred Business, as on the completion of the Transaction will be transferred to LANXESS on terms and conditions not less favourable than their present terms of employment without any interruptions in their service.
3. The Company has agreed to a non-compete and non-solicitation clause in the Business Transfer Agreement for a period of three (3) years from the completion of the Transaction in countries constituting the European Union and the European Economic Area, and for a period of five (5) years from the completion of the Transaction elsewhere in the world.
4. The Company has stipulated in the Business Transfer Agreement that the transfer of the Transferred Business is subject to the Company having obtained the approval of its Shareholders under Section 293 (1) (a) of the Companies Act, 1956.

The Transaction is required to be completed before March 5, 2010 or such other later date as may be agreed between the parties. However, it is expected to be completed prior to September 30, 2009.

The equity value accruing to the Company on subtraction of estimated debt, adjustments and deal related expenses will be approximately Rs. 380 crores (Euro 58.4 million). This value is approximately 190% of the book value as on March 31, 2009. The Business Transfer Agreement provides for certain holdbacks to the above value in respect of post closing activities such as completion certain projects, etc. totaling to approximately Rs. 30.75 crores, which will be held in escrow on and from the completion of the Transaction. The Board of Directors is confident of receiving this money on fulfillment of the conditions contained in the Business Transfer Agreement.

The amounts in rupee equivalents of the Euro amounts given in this Explanatory Statement are based on the currency conversion rate of 1 Euro = Rs 65.00. However, the conversion rate for the applicable Euro amounts for completion of the Transaction shall be the Reserve Bank of India reference rate of exchange for Euro to Indian Rupee for the date falling four working days previous to the date of the completion of the Transaction. To avoid doubt, currency conversion rate of 1 Euro = Rs 65.00 is taken to depict the approximate position to our Shareholders.

The proposed transfer of undertaking will be in conformity with the provisions of the proviso to Section 25FF of the Industrial Disputes Act, 1947 ensuring that the services of concerned employees numbering 384 or thereabout engaged in this business will be transferred with continuity of service and full protection of their existing terms and conditions of service. The Company's manufacturing facility at Ankleshwar will be retained by the Company. The Company will invest the sale proceeds in power generation business and manufacturing of high value specialty chemicals at Ankleshwar.

The Board of Directors, in their meeting on June 8, 2009 have, subject to the consumation of the Transaction, accorded their in-principle approval to the distribution of up to Rs. 100 crores to Shareholders through a one-time dividend payout and/or share buyback, subject to the applicable regulations and other approvals and the receipt of the consideration by the Company from the Transaction as set out in the Business Transfer Agreement. The Board of Directors shall decide the exact quantum of the amount of dividend and the amount to be allocated for buy back.

The sale is subject to receipt of all consent and approvals including consent of the Shareholders under Section 293(1) (a) of the Companies Act, 1956. The sale is also subject to the fulfillment of the terms and conditions of the Business Transfer Agreement dated June 8, 2009.

Accordingly, the consent of the Shareholders is solicited by passing of Ordinary Resolution through Postal Ballot under the provisions of Section 293(1) (a) of the Companies Act, 1956, as detailed in the Notice.

In the opinion of the Board of Directors, the current value derived by the Transaction is attractive. Further, in light of sluggish and recessionary global trends, the value accruing to the Company has convinced the Board of Directors to propose this sale. The cash derived from sale, after initial distribution to Shareholders, when put to use in power generation and in building the Ankleshwar facility into specialty chemical hub will yield superior return to the Shareholders. This sale shall enable the Company to distribute some cash back to the Shareholders as well as invest in the growth of the businesses.

The Board of Directors is of the opinion that the aforesaid Resolution is in the best interest of the Company and hence recommends the Resolution for your approval.

A copy of the Business Transfer Agreement referred to in above Notice will be available for inspection at the Corporate Office of the Company between 10.00 a.m. till 12.30 p.m. on all working days (except Saturdays, Sundays and Holidays), up to July 23, 2009.

The Directors of the Company may be deemed to be concerned or interested in the resolution as set out in the Notice pursuant to Section 192A of the Companies Act, 1956 to the extent of their respective Shareholding in the Company as would appear in the register of Directors' Shareholding. None of the Directors have any concern or interest in the potential buyer.

**By order of the Board
For Gwalior Chemical Industries Limited**

**Sanjeev Pathak
Company Secretary**

Registered Office:
1 & 2, Western India House,
Sir P. M. Road, Fort,
Mumbai-400 001.

Mumbai, June 8, 2009