

**SCHEME OF ARRANGEMENT**

**BETWEEN**

**SHREE DIGVIJAY CEMENT COMPANY LIMITED**

**AND**

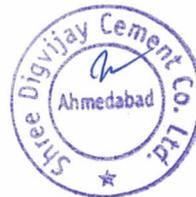
**ITS EQUITY SHAREHOLDERS**

**UNDER**

**SECTIONS 230 TO 232 READ WITH SECTION 66 AND**

**OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013**

*Certified copy*



## GENERAL

### A. DESCRIPTION OF COMPANY:

**SHREE DIGVIJAY CEMENT COMPANY LIMITED**, (CIN: L26940GJ1944PLC000749) (“SDCCL”) is a listed public company incorporated on 6<sup>th</sup> November, 1944 under the Indian Companies Act, 1913 having its registered office at P.O. Digvijaygram – 361140 via Jamnagar (Gujarat) hereinafter referred to as the “**Company**”. The Company is engaged in manufacturing and selling of Cement. The Company has one manufacturing facility at Sikka with installed capacity of 10.75 lacs MT per annum. The Company caters mainly in the domestic market within India. The Equity shares of the Company are listed on BSE Limited.

As on 31<sup>st</sup> March, 2017, the paid up share capital of the Company is Rs. 141,37,46,805 (including amount in respect of forfeited shares) divided into 141,374,278 equity shares of the Rs. 10/- each and Reserve & Surplus of Rs. 41,62,24,044 comprising of Capital Reserve of Rs. 87,86,86,782, Capital redemption reserve of Rs. 35,00,000, Securities Premium Account of Rs. 20,43,244 and accumulated losses of Rs. 46,80,05,982.

### B. RATIONALE OF THE SCHEME OF ARRANGEMENT:

- i. As on 31<sup>st</sup> March, 2017, on one hand, the Company has accumulated carry forward losses to the extent of Rs. 46,80,05,982 and on the other hand, the Company has Capital reserve to the extent of Rs. 87,86,86,782, Capital redemption reserve of Rs. 35,00,000/- and Securities Premium Account of Rs. 20,43,244.
- ii. The Company issued 87,00,000 6% Non-Cumulative Compulsorily Convertible Preference Shares of Rs. 100 each to its then promoters viz. Cimpor Inversiones S.A., on a preferential basis, which were due for conversion on 8<sup>th</sup> September, 2010. However, to prevent a reduction in the proportion of public shareholding below the minimum threshold specified under the provision of erstwhile Listing Agreement, the promoters allowed their conversion rights to lapse. Consequently, the sum of Rs. 87.00 Crores was transferred to Capital Reserve Account on extinguishment of 6% Non-Cumulative Compulsorily Convertible Preference Shares held by promoters of the Company in the financial year ended on 31<sup>st</sup> December, 2010. Thus, the Capital reserve to the extent of Rs. 87.00 Crores was not arising out of revaluation of assets or any other notional profit.



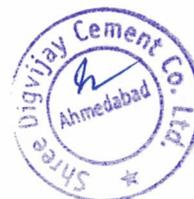
- iii. The Company proposes to utilize Capital redemption reserve of Rs. 35,00,000 and Securities Premium account of Rs. 20,43,244 and Capital Reserve of Rs. 46,24,62,738 in writing off the accumulated losses of Rs. 46,80,05,982 as on 31<sup>st</sup> March, 2017. This reduction of accumulated losses/various reserves/capital is proposed as an integral part of the Scheme of Arrangement.
- iv. The remaining amount of capital reserve (arising out of total capital profit recognized in cash amounting to Rs. 87.00 Crores as per clause ii supra after utilizing for writing off accumulated losses as per clause iii supra) to the extent of Rs. 40,75,37,262/- is proposed to be transferred to Business Development Reserve Account.
- v. This treatment will facilitate the Company to bring reality in its financial statements by wiping out the accumulated losses on one hand and restructuring the amount of various Reserves on the other hand. The Company will be able to use the amount of Business Development Reserve to provide further growth to the business/activities of the Company.

**C. PURPOSE OF THE SCHEME :**

The purpose of the Scheme is to internally restructure the Company by rationalizing its Reserve and Surplus as on 1<sup>st</sup> April, 2017 by setting off accumulated losses to the extent of Rs. 46,80,05,982 as on 31<sup>st</sup> March, 2017 and creating Business Development Reserve to the extent of Rs. 40,75,37,262. The amount of Capital Reserve to the extent of Rs. 86,86,782 (not arising out of Capital Profit recognized in cash) shall remain the same in the books of accounts of the Company. Thus, this scheme of Arrangement is between SHREE DIGVIJAY CEMENT COMPANY LIMITED and its Equity Shareholders for internal restructuring of the Company.

**D. OBJECTS/ BENEFITS ARISING OUT OF THE SCHEME:**

- a. Under this Scheme, if approved, the Company will represent true financial position which would benefit the shareholders as their holding will yield better results and value and also enable the Company to explore opportunities for the benefits of the shareholders of the Company including dividend payments.
- b. The set off of various Reserves against the accumulated losses would not have any impact on the shareholding pattern and the equity share capital structure of the Company.
- c. The Scheme does not involve any financial outlay/ outgo and therefore would not affect the ability or liquidity of the Company to meet its obligations in the normal course of business. Further this Scheme would also not in any way adversely affect the ordinary operations of the Company.



- d. The Scheme, if approved, may enable the Company to foresee other business initiatives that it is not able to take advantage because of existing accumulated losses.
- e. The proposed scheme will enable the Company to use the amount which is lying unutilized in the Capital Reserve to the extent of Rs. 87.00 Crores being the capital profit recognized in cash in an effective manner in the interest of the Company.

#### E. PARTS OF THE SCHEME:

The Scheme is divided into three parts:

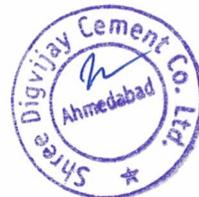
- a. Part I deals with Definitions
- b. Part II deals with restructuring the Reserves and Surplus of the Company
- c. Part III deals with the general terms and conditions applicable with the Scheme.

#### PART I DEFINITIONS

1. In this Scheme, unless repugnant to the meaning or context thereof, the following expressions shall have the following meaning:
  - 1.1 "**Act**" means the Companies Act, 2013 with any statutory modification thereof.
  - 1.2. "**Appointed Date**" means the date from which this scheme shall become operative. For the purpose of this Scheme and for Income Tax Act, 1961, the "Appointed Date" means 1<sup>st</sup> April, 2017 or such other date as the Tribunal may direct;
  - 1.3. "**Board of Directors**" or "**Board**" means the Board of Directors of SDCCL and shall include a duly constituted committee thereof;
  - 1.4. "**Capital Reserves**" means and includes Capital Reserves as reflected in the accounts of the Company.
  - 1.5. "**Capital Redemption Reserves**" means and includes Capital Redemption Reserves as reflected in the accounts of the Company.



- 1.6. "Effective Date"** means the date on which the certified copy of the Order of the Tribunal sanctioning this scheme is filled with concerned Register of Companies by the Company.
- 1.7. "Member" or "Shareholder"** means every person holding equity shares of the Company at the relevant time and the term "Members" shall be construed accordingly;
- 1.8. "Securities Premium Account"** means and includes Securities Premium account as reflected in the accounts of the Company.
- 1.9. "The Company"** means **SHREE DIGVIJAY CEMENT COMPANY LIMITED ( or "SDCCL" in brief)**, a company incorporated under the Indian Companies Act, 1913 having its registered office at P.O. Digvijaygram -361140 Via Jamnagar, Gujarat;
- 1.10. "Scheme"** mean this Scheme of Arrangement, as amended or modified in accordance with the provisions hereof;
- 1.11. "Stock Exchanges"** means the BSE Limited (BSE);
- 1.12. "SEBI"** means the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992.
- 1.13. "SEBI" circular"** means, together, the Circular No.CFD/DIL3/CIR/2017/21 dated 10<sup>th</sup> March, 2017 and as amended by the Circular No. CFD/DIL3/CIR/2017/26 dated 23<sup>rd</sup> March, 2017 and Circular No. CFD/DIL3/CIR/2018/2 dated 3<sup>rd</sup> January, 2018, issued by the SEBI, and all applicable circulars and regulations issued by the SEBI in this respect.
- 1.14. "Tribunal"** means the Hon'ble National Company Law Tribunal or such other Court / Tribunal empowered to sanction the scheme and having jurisdiction over the Company, as per the provisions of the Act;
- 1.15.** All terms not defined but used 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 and byelaws, as the case may be, or any statutory amendment(s) or re-enactment thereof, for the time being in force.



**1.16.** The words importing the singular shall include the plural and words importing any gender shall include every gender

All terms and words not defined in the Scheme, shall unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed in the Companies Act, 2013, Securities Contract Regulations Act, 1956, Securities and Exchange Board of India Act, 1992, Depositories Act, 1996, Listing Regulations, 2015 and other applicable laws, rules, regulations, bye laws as the case may be or any statutory modifications thereof from time to time.

## **2. MAIN OBJECT AND PRESENT SHARE CAPITAL OF THE COMPANY:**

### **Main Objects of the Company:**

The Object of the Company are laid down in Clause III of the Memorandum of Association of the Company.

At present, the Company has been engaged in the activities of manufacturing and selling of cement.

## **3. Authorized and Paid up Share Capital of the Company:**

The Authorized, subscribed and paid-up share capital of the Company as on 31<sup>st</sup> March, 2017 is as under:

<b>Particulars</b>	<b>Rs.</b>
<b>Authorised Share Capital</b>	
150,000,000 Equity Shares of Rs. 10/- each	15,00,000,000
<b>Issued Share Capital</b>	
141,643,645 Equity Shares of Rs. 10/- each	14,16,436,000
<b>Subscribed and Paid up Share Capital</b>	
141,375,398 Equity Shares of Rs. 10/- each	
Less: 1120 Equity shares of Rs 10/- each forfeited	
Add: Amount paid on forfeited shares Rs. 7,025/-	14,13,749,805

Subsequent to balance sheet date, there is no change in capital structure of the Company.



Reserves & Surplus of the Company as on 31<sup>st</sup> March, 2017 is as under:

Particulars	Amount (Rs.)
Capital Reserve	87,86,86,782
Capital Redemption Reserve	35,00,000
Securities Premium Account	20,43,244
Deficit in Statement of Profit & Loss Account	(46,80,05,982)
<b>Total</b>	<b>41,62,24,044</b>

#### 4. DATE OF TAKING EFFECT AND OPERATIVE DATE:

The Scheme set out herein in its present form or with any modifications approved or imposed or directed by the Hon'ble National Company Law Tribunal shall be operative from the Appointed Date but shall be effective from the Effective Date.

### PART II

#### RESTRUCTURING OF RESERVES AND SURPLUS OF THE COMPANY

#### 5. WRITING OFF OF ACCUMULATED LOSSES AND RECLASSIFICATION AND UTILISATION OF THE CAPITAL RESERVE

5.1 Upon this Scheme becoming effective and with effect from the Appointed Date, the amount of Rs. 20,43,244 standing to the credit of Securities Premium Account and the amount of Rs. 35,00,000 standing to the credit of Capital Redemption Reserve Account shall be set off against part of the Accumulated losses of the Company as on the Appointed date.

5.2 Upon this Scheme becoming effective and with effect from the Appointed Date, the amount of Rs. 46,24,62,738 standing to the credit of Capital Reserve [or such higher or lower amount as may be necessary upon computation/re-computation of accumulated losses as on the Appointed date as per the Companies (Indian Accounting Standards) Rules, 2015] shall be set off against the remaining Accumulated losses of the Company as on Appointed Date thereby completely squaring off the debit balance of the Profit and Loss Account as on Appointed date.



5.3 Upon this Scheme becoming effective and with effect from the Appointed Date, out of remaining amount of Capital reserve to the extent of Rs. 40,75,37,262 (or such higher or lower amount in view of clause 5.2 supra) shall be utilized in creating and transferring to "Business Development Reserve Account" in the books of accounts of the Company in the manner provided in the Act and/or other applicable laws for creation and transferring to General Reserve Account or any other Reserve Account with such other nomenclature as may be decided by the Board of the Company.

5.4 For the preparation of financial statements of the Company, the Business Development Reserve Account, created hereinabove shall be available for use in accordance with the provisions of the Act, Rules made thereunder including the applicable Accounting Standards.

5.5 After the implementation of the Scheme, as on the Appointed date, the balances reflected in the Reserves and surplus in the books of accounts of the Company shall be as under:

Particulars	Amount (Rs.)
Capital Reserve	86,86,782
Business Development Reserve	40,75,37,262*
<b>Total</b>	<b>41,62,24,044</b>

\* Subject to Clause 5.3

### PART III

#### GENERAL TERMS AND CONDITIONS APPLICABLE WITH THE SCHEME

6. Upon this Scheme becoming effective, if required or necessary, the Financial Statements of the Company prepared/to be prepared after the appointed date, shall be revised/re-opened, to give effect to the terms of the Scheme in accordance with the applicable provisions of the Act and Rules made thereunder.

#### 7. DIVIDENDS

Nothing contained herein shall be construed as restricting the Company from being entitled to declare and pay dividends, whether interim or final, to its shareholders whether during the pendency of the Scheme or otherwise and the holders of the shares of the Company shall, save as expressly provided otherwise



in this Scheme, continue to enjoy their existing rights under the Articles of Association, including the right to receive dividends, if any.

It is clarified that the aforesaid provisions in respect of declaration of dividend are enabling provisions only and shall not be deemed to confer any right on any member of the Company to demand or claim any dividends which, subject to the provisions of the said Act, shall be entirely at the discretion of the Board of Directors and subject to the approval, if required, of the Members.

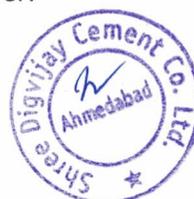
## 8. ACCOUNTING TREATMENT

Upon this Scheme becoming effective and with effect from the Appointed Date:

- 8.1 The amount of Rs. 20,43,244 standing to the credit of Securities Premium Account and the amount of Rs. 35,00,000 standing to the credit of Capital Redemption Reserve Account shall be set off against the Accumulated losses of the Company as on Appointed date.
- 8.2 The amount of Rs. 46,24,62,738 standing to the credit of the Capital Reserve (or such higher or lower amount as per Clause 5.3 of this Scheme) of the Company shall be set off against the remaining amount of Accumulated losses of the Company as on appointed date.
- 8.3 The amount of capital reserve to the extent of Rs. 40,75,37,262 (or such higher or lower amount as per Clause 5.3 of this Scheme) shall be transferred to Business Development Reserve Account.
- 8.4 At the time of utilizing or closure of the Business Development Reserve Account, the Board of Directors of the Company shall authorize requisite accounting entries to be passed in the books of accounts of the Company.
- 8.5 While giving aforesaid accounting treatments, the Company shall comply with all applicable accounting principles and accounting standards.

## 9. FILING OF APPLICATIONS

The Company shall make necessary applications before the National Company Law Tribunal, Ahmedabad Bench or any other Bench having jurisdiction, in connection with seeking appropriate directions and for the sanction of this Scheme under Sections 230 to 232 read with 66 and any other applicable provisions, if any of the Companies Act, 2013 and Rules made thereunder.



## 10. MODIFICATION OF SCHEME

The Company (acting through its Board) may, in its full and absolute discretion:

- a. assent to any alteration(s) or modification(s) to this Scheme which the NCLT and/or any other Governmental Authority may deem fit to approve or impose and to do all acts, deeds and things as may be necessary, desirable or expedient for the purposes of this Scheme;
- b. give such directions as it may consider necessary to settle any question or difficulty arising under the Scheme or in regard to, and of the meaning or interpretation of the Scheme, or implementation thereof, or in any matter whatsoever connected therewith (including any question or difficulty arising as a result of inadequacy of information provided by a Member or in connection with any deceased or insolvent Member of the Company), or to review the position relating to the satisfaction of various conditions to the Scheme and if necessary, to waive any of those (to the extent permissible under law), or, that otherwise as may be considered to be in the best interest of the Company and its Members and do all acts, deeds and things as may be necessary, desirable or expedient for giving effect to the Scheme;
- c. modify, vary or withdraw this Scheme prior to the Effective Date in any manner at any time;

Provided that any modification, to the Scheme, by the Company, after the receipt of sanction by the NCLT, shall be made, only with the prior approval of the NCLT.

## 11. IMPACT OF THE SCHEME ON EMPLOYEES/ WORKERS:

The Scheme shall not have any adverse impact on the employees and workers of the Company and they would in fact generally be benefited from the Scheme.

## 12. IMPACT OF SCHEME ON CREDITORS/ BANKS/ FINANCIAL INSTITUTIONS

The Scheme shall not affect any of the creditors/ Banks/ Financial Institutions. The Scheme does not provide any compromise or arrangement with any of the Creditors of the Company. However, as a prudent practice, the Company may obtain the approval of the creditor/Banks/Financial Institutions to this scheme.



### 13. SCHEME CONDITIONAL UPON SANCTIONS, ETC:

This Scheme is conditional upon and subject to:

- a. the Scheme being approved by the requisite majority of the Members of the Company as required under the Act, unless such meeting is otherwise dispensed with by the NCLT, Ahmedabad;
- b. the approval/comments of SEBI in terms of the SEBI Circular being obtained upon this Scheme being sanctioned by the NCLT;
- c. The requisite consents, approvals or permissions if any of the Government Authority or any other Statutory Agencies, Stock Exchanges, which by law may be necessary for the implementation of this Scheme.
- d. The authenticated/certified copies of the orders of the National Company Law Tribunal sanctioning this Scheme being filed with the Registrar of Companies, Gujarat at Ahmedabad or any other Registrar of Companies having jurisdiction.
- e. In the event of this Scheme failing to take effect finally by 31<sup>st</sup> March, 2019, or by such later date as may be agreed by the Board of Directors of the Company or their respective Delegates, this Scheme shall become null and void and be of no effect and in that event no rights and liabilities whatsoever shall accrue to or be incurred or claimed inter- se by the parties or their shareholders or creditors or employees or any other person. In such case, each company shall bear its own costs, charges and expenses or as may be mutually agreed.

### 14. COSTS, CHARGES, EXPENSES AND STAMP DUTY:

All past, present and future costs, charges and expenses (including any taxes and duties) in relation to or in connection with or incidental to the or the implementation thereof shall be paid by the Company and all above costs (including Stamp duty, if any) shall be treated as costs relating to the Scheme.

### 15. SEVERABILITY

The provisions contained in this Scheme are inextricably inter-linked with the other provisions and the Scheme constitutes an integral whole. The Scheme would be given effect to only if is approved in its entirety unless specifically agreed otherwise by the Board of Directors of the Company.



If any part of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of the Company, affect the validity or implementation of the other parts and/or provisions of this Scheme.

#### 16. BINDING EFFECT

Upon the Scheme becoming effective, the same shall be binding on the Company and all concerned parties without any further act, deed, matter or thing

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