SCHEME OF REDUCTION OF CAPITAL

OF

DUGAR HOUSING DEVELOPMENTS LTD

UNDER SECTION 66 OF THE COMPANIES ACT, 2013 READ WITH NATIONAL COMPANY LAW TRIBUNAL (PROCEDURE FOR REDUCTION OF SHARE CAPITAL OF COMPANY) RULES, 2016.

A. PREAMBLE OF THE SCHEME

This Scheme of Reduction of Capital is made pursuant to Section 66 of the Companies Act, 2013 read with the National Company Law Tribunal {Procedure for Reduction of Share Capital of Company) Rules, 2016 and other applicable provisions for reduction of equity capital of **Dugar Housing Developments Limited**.

B. DESCRIPTION OF THE COMPANY

Dugar Housing Developments Limited (Herein after referred as DHDL) The Applicant Company was incorporated on 23rd day of October 1992. DHDL is a Company engaged in the business of real estate and development of property.

Dugar Housing Developments Limited is a listed Company having its shares listed on BSE Limited (BSE).

Main Objects of the Company:

The main objects of the Company are inter-alia, the following:

1. To design, develop, make, import, export and carry on the business of information technology, computer software of all types and to conduct business in the areas of website design, including buying. developing, designing, making and selling websites, portals, vortals and all other technologies related to internet and all other information technology enabled services, such as E-Commerce, Enterprise Resource Planning, data

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processing, data mining, medical, legal accounting transcriptions and related services and any other future developments as the technology develops.

2. To establish and run computer centers either directly or through licenses or by being a franchisee holder or license holder in India or abroad in software design, data processing, networking, website design and other related areas.
3. To invest in, manage, assist software companies either in India or abroad for fulfillment of the above objects.
4. To act as builders and contractors, decorators, merchants, dealers in stone, sand, brick, timber, hardware, cement and other building requisites, brick and tile and terra-cota makers, job masters, carriers, licensed victuals and house agents in India and outside.
5. To act as promoters and developers of Plots, Flats, Houses, Commercial accommodations, Holiday homes, Hotels, Guest Houses, Ware Houses, Cold storage, Resorts, Farm House, Clubs and as contractors for construction of roads, bridges, dams, culverts and do such other infrastructural development activities as are normally handled by persons engaged in these type of business in India and outside.
6. To sell, lease, let on hire or otherwise deal with lands, house or buildings and other property or any part or portions thereof belonging to the company or in which the company is in any way interested or concerned in India and outside.
7. To manufacture constructions and other allied materials used in the construction and development of houses, flats, commercial accommodation etc.
8. To carry on business of Stock broking and allied maters acting as underwriters, brokers, dealers in securities buying and selling of securities of all kinds of description including acting as Portfolio Managers, Investment counselors, Financial consultants and also to take Corporate Membership in any Stock Exchange in India as may be expedient in the Interest of the company as determined by the Board of Directors. The liability of the Board of Directors as may be required in any regulations of the Government, Stock Exchange or Authority shall be unlimited in terms of Section 322 of the Companies Act, 1956 for any transactions entered into by the company as a Member of any Stock Exchange.

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C. RATIONAL AND PURPOSE OF THE SCHEME:

i) As on March 31, 2021, the Company has accumulated losses (debit balance of profit & loss account) of the Rs. 3,47,94,761/- (Rupees Three Crores Forty Seven Lakhs Seven Hundred Sixty One Only) as per the audited financial statements ascertained and adopted by the Board of Directors of the Company.

ii) The accumulated losses as at March 31, 2021, as stated hereinabove, have been ascertained after the audited financial statements are approved by the Board of Directors. The said accumulated losses have wiped off the value represented by the share capital. Thus, the financial statements of the Company are not reflective of the true financial position of the Company.

iii) The Company has incurred heavy losses in the past resulting in the substantial erosion of its Net Worth. The Scheme will result in improving its Net Worth.

iv) The Company's financial position will become more accurate after the capital reduction.

v) Post completion, it will give a true and fair picture of the financial condition of the Company.

vi) It will also result in the better presentation of the balance sheet of the Company;

vii) The restructuring proposal does not in any manner, alter or vary the rights of the creditors of the Company or the Company's ability to fulfil its commitments or meet its obligations in the ordinary course of business.

viii) In order to accurately and fairly reflect the liabilities & assets of the Company in its books of accounts; and for better presentation of the financial position of the Company, the Board of Directors has decided to write off the accumulated losses against reduction in the paid up share capital of the Company In accordance with section 66 of the Companies Act, 2013 read with National Company Law Tribunal (Procedure for Reduction of Share Capital of the Company) Rule, 2016, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other Applicable provisions.

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D. BENEFITS OF THE SCHEME

The reduction of capital in the manner proposed would enable the Company to have a capital structure which is commensurate with its business and assets. The proposed capital reduction would be beneficial to all the remaining shareholders as it would improve the earnings per share and enhance the shareholders' value. The corporate restructuring exercise would enable the Company to stream line their balance sheet which would facilitate and provide different avenues to raise funding from investors and financial institutions. The reduction of capital would enable the Company to represent its true and fair financial position.

E. SALIENT FEATURES OF THE SCHEME

The Scheme proposes reduction of the paid-up equity share capital of Dugar Housing Developments Limited pursuant to Section 66 of the Companies Act, 2013 read with The National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and all other applicable provisions of the Companies Act, 2013 and any other Law for the time being in force.

A. This Scheme is divided into the following parts:

- **PART I** - Definitions used in the scheme and Share Capital of the Company;
- **PART II** - Reduction of equity share capital of the Company; and
- **PART III** - General Clause and Terms and Conditions

PART -I

DEFINITIONS AND SHARE CAPITAL

1. DEFINITIONS:

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

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(a) **"Act"** or **"the Act"** means the Companies Act, 2013, including the rules, circulars, orders and regulations made there under and will include and any statutory amendments, modifications and/or re-enactments thereof for the time being in force;

(b) **NCLT or Tribunal means** The National Company Law Tribunal, Chennai Bench;

(c) **"Board" or "Board of Directors"** in relation to the petitioner Company, shall unless it is inconsistent to the context or otherwise, include a committee of directors or any person authorized by the Board of Directors or such committee of Directors.

(d) **"BSE"** means the BSE Limited;

(e) **"Company"** or **"DHDL" or "Applicant"** means **DUGAR HOUSING DEVELOPMENTS LIMITED** a Company incorporated under the Companies Act, 1956, having its Registered Office at **7TH FLOOR, DUGAR TOWERS, 123, MARSHALLS ROAD, EGMORE, CHENNAI - 600008. TAMILNADU.**

(f) **"Effective Date"** means the date on which the certified copy of the Order passed by the Hon'ble National Company Law Tribunal, Chennai, Tamilnadu, Regional Director (Southern Region), Registrar of Companies, Chennai, Tamilnadu or any other Competent Court or applicable authority issued towards the Reduction of Share Capital as per this Scheme.

(g) **"Appointed Date"** means April 01, 2021.

(h) **"SEBI"** means the Securities and Exchange Board of India;

(i) **"Designated Stock Exchange"** means the BSE Limited on which the equity shares of the Company are listed and traded. The Designated Stock Exchange of the Company shall be BSE limited.

(j) **"Equity Shares"** means fully paid up equity shares of Rs. 10/- each issued at par by the Company.

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(k) **"Record Date"** means the date to be fixed by the Board of Directors or a committee for the purpose of giving effect to the orders of the Hon'ble National Company Law Tribunal sanctioning the Scheme.

(l) **"Listing Regulation"** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements} Regulations, 2015, as amended from time to time

(m) **"Scheme"** means this Scheme of Reduction of capitals as provided herein in its present form or with any modification (s) or amendment(s) approved or imposed or directed by any of the Regulatory Authorities and may be approved by Hon'ble National Company Law Tribunal.

(n) **"Shareholders"** means a person who is registered (whether registered owner of the Shares or Beneficial owner of the shares) as a holder of equity Shares of the Company. The word "Shareholder" and "Member" are used to denote the same meaning and are used interchangeably.

(o) **"Losses"** means accumulated losses of the company as indicated in the Audited financial statements of the Company for the Financial Year ended March 31, 2021.

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 to them under the Companies Act, 2013, Securities and Exchange Board of India Act, 1992, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements} Regulations,2015, Listing Agreement and other applicable laws, rules, regulations, bye laws, as the case may be or any statutory modifications or re-enactment thereof from time to time.

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2. **Share Capital of the Company**

The Share Capital of the Applicant Company as on May 31, 2021 (date of approval of the scheme) is as under:

Particulars	Amt in Rs
Authorized	
1,00,00,000 Equity Shares of Re.10/- each	**10,00,00,000**
TOTAL	**10,00,00,000**
Issued, Subscribed & Paid up	
30,00,000 Equity shares of Rs.10/- each fully paid up	**3,00,00,000**
TOTAL	**3,00,00,000**

PART – II

REDUCTION OF CAPITAL

1. **REDUCTION OF CAPITAL OF THE COMPANY:**

1.1 This Scheme has been drawn up to comply also with the provisions of the Income Tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the said section at a later date including resulting from a retrospective amendments of the law or for any other reason whatsoever, till the time the scheme becomes effective, the provisions of the said section of the Income Tax Act, 1961, shall prevail and the scheme shall stand modified to the extent determined necessary to comply with the provisions of the Income Tax Act, 1961.

1.2 The DHDL commenced its business upon incorporation. DHDL is presently engaged in the business of to carry on the business of real estate and property development.

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1.3 The Applicant Company has accumulated losses of Rs. 3,47,94,761/- (Rupees Three Crores Forty Seven Lakhs Ninety Four thousand Seven Hundred Sixty One Only) as on March 31, 2021. The said balance as on March 31, 2020 stood at Rs. 3,38,57,817/- (Rupees Three Crores Thirty Eight Lakhs Fifty Seven Thousand Eight Hundred Seventeen Only).

1.4 Upon the Effective Date, the Share Capital of the Company before and after reduction in terms of this Scheme shall read as under:

Particulars	**Before Reduction**			**After Reduction**		
	No of Equity Shares	**Face Value (Rs.)**	**Amount (Rs.)**	**No of Equity Shares**	**Face Value (Rs.)**	**Amount (Rs.)**
Authorized Share Capital	1,00,00,000	10/-	10,00,00,000/-	1,00,00,000	10/-	10,00,00,000/-
Paid up Share Capital	30,00,000	10/-	3,00,00,000/-	3,00,000	10/-	30,00,000/-

The below table reflects the pre- reduction and post-reduction of Profit & Loss A/c (Dr) of the company

Particulars	**Before Reduction (Amt in Rs)**	**After Reduction (Amt in Rs)**
Profit and Loss Account (Debit Balance) / Accumulated Losses	3,47,94,760/-	77,49,761/-

1.5 The DHDL is now proposing to undertake a financial restructuring exercise whereby it is proposed to cancel 27,00,000 equity shares of Rs. 10/- each equivalent to Equity Share Capital of Rs. 2,70,00,000/- (Rupees Two Crore Seventy Lakhs Only). As a result

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of this capital restructuring, equity shares capital of the Company will stand reduced to 3,00,000 equity shares of Rs. 10/- equivalent to an equity share capital of Rs. 30,00,000/- (Rupees Thirty Lakhs Only).

1.6 Reduction and the consequent cancellation of the Equity Share Capital of the Company as herein above, shall be affected as per the provisions of Section 66 of the Act and other applicable provisions of the Act and Rules and Regulations made there under upon the Scheme becoming effective.

1.7 The cancellation of the shares is proportionately among the members of the Company and the same amount shall be utilized for adjusting the debit balance in Profit & Loss Account.

1.8 Thus, shareholders of the Company holding 100 equity shares of Rs. 10/- each as on the record date, will receive 10 equity shares of Rs. 10/- each post the capital reduction.

1.9 FOR FRACTIONAL SHARES

In the event, if, after giving effect to the reduction of the equity shares of the Company (as mentioned above), a shareholder becomes entitled to a fraction of an equity share of the company, the company shall not issue fractional shares or share certificates as the case may be, to such member/beneficial owner, but shall consolidate such fractions and round up the aggregate of such fractions to the next trustee nominated by the Board in that behalf, who shall sell such shares in the market at such price or prices and on such time or times as the trustee may in its sale discretion decide and on such sale, shall pay and distribute the net sale proceeds (after deduction of the expenses incurred) to the shareholders and beneficial owners respectively entitled to the same in proportion to their fractional entitlement.

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1.9.1 The Scheme does not in any manner alter, vary or affect the payment of any dues or outstanding amounts including all or any of the statutory dues payable or outstanding.

1.9.2 The Company shall not be required to use the words "As Reduced" as part of its corporate Name and such use is dispensed with.

1.9.3 The Scheme does not envisage transfer or vesting of any of the properties and/or liabilities of the Company to any person or entity.

2. COMPLIANCE

2.1 The consent of the members of the Company to this Scheme shall be taken through a Special Resolution under the provisions of Section 66 of the Companies Act, 2013. The Provisions of section 66 of the Act along with the rules made therein read with National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016 shall be operative and be applicable for this Scheme. The Scheme, if sanctioned, shall be fully in compliance of the Securities and Exchange Board of India Act, 1992 ("SEBI"), and the rules and regulations made, and the circulars issued thereunder.

3. ACCOUNTING TREATMENT

The Company will comply with all the accounting policies and accounting standards, as applicable in relation to the accounting treatment for the reduction of capital in terms of this Scheme. The Equity Share Capital written off as per above shall be utilised for writing off the accumulated losses of the Company as on the Effective Date and the Company shall pass appropriate entries as per the applicable accounting policies and accounting standards as regards accounting for the reduction of capital and writing off the accumulated losses of the Company on the Effective Date.

4. FORM OF MINUTE

The form of minute, proposed to be registered under Section 66(5) of the Companies Act, 2013, is as under:

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"The Issued, Subscribed, Paid-up share capital of Dugar Housing Developments Limited is henceforth Rs.30,00,000 (Rupees Fifteen Laks only) divided into 3,00,000 (One Lakh Fifty Thousand Only) equity shares of Rs.10/- (Rupees Ten Only) each fully paid up as reduced from Rs 3,00,00,000 (Rupees Three Crores only) divided into 30,00,000 (Thirty Lakhs only) equity shares of Rs. 10/- (Rupees Ten only) each.

5. **IMPACT OF THE SCHEME ON THE EMPLOYEES/WORKERS**

The Scheme of Reduction of Capital would not affect the employees and workers of the Company in any manner and their service shall be continuous and they would continue to enjoy the same benefits as they used to before the Reduction of Capital.

6. **IMPACT OF THE SCHEME ON THE CREDITORS**

The creditors of the Company are in no way affected by the proposed reduction of the equity share capital as there will be no reduction in the amounts payable to any of them. The reduction of capital would not in any way have any adverse effect on the Company's ability to honour its commitments or meet its liabilities in the ordinary course of business. The Scheme does not in any manner alter, vary of affect the rights of the creditors.

7. **LEGAL PROCEEDINGS**

The Scheme would not affect any legal or other proceedings by or against the Company, pending or arising, but the proceedings may be continued, prosecuted and enforced by or against the Company in the same manner and to the same extent as it would be or might have been continued, prosecuted and enforced by or against the Company prior to the Scheme.

8. **CONDUCT OF BUSINESS BY COMPANY**

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/commitments in the normal course of business. Further, this Scheme would also not in any way adversely affect the ordinary operations of the Company during the course or after the approval of the Scheme.

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PART III

GENERAL CLAUSE AND TERMS AND CONDITIONS

1. **APPLICATION TO THE NATIONAL COMPANY LAW TRIBUNAL**

The Company hereto shall, with all reasonableness dispatch, make an application under Section 66 of the Companies Act, 2013 read with National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016 to the National Company Law Tribunal, Chennai Bench for sanctioning the Scheme.

2. **MODIFICATION OF SCHEME**

The Company by its Board of Directors, either by themselves or through any authorised person/s appointed by the Board in this behalf, may, in their full and absolute discretion, make and / or assent, from time to time, to any modifications or amendments or substitution or of any conditions or limitations to/of this Scheme or to any conditions or limitations that the National Company Law Tribunal or any other competent authority under law may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them or the Board, including the withdrawal of this Scheme.

The Board of Directors of the Company shall take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions, including interpretation of the Scheme, 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. The power of the Board to modify/ amend the Scheme shall be subject to the approval of the National Company Law Tribunal.

3. **CONDITIONS PRECEDENT**

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

(a) The Scheme being approved by the Shareholders of the Company through a Special Resolution as required under the Act.

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(b) The Scheme being approved by the creditors of the Company as prescribed under the Act and/or as may be directed by NCLT and/or any other appropriate authority as may be applicable.

(c) The requisite sanctions and approvals under the applicable law including but not limited to approvals, sanctions required under the SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 issued by SEBI read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as may be required by applicable law in respect of this Scheme, being obtained.

(d) The Scheme being sanctioned by the NCLT under Sections 66 and other applicable provisions of the Companies Act, 2013 read with the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 by the National Company Law Tribunal, Chennai Bench.

(e) The Company, being a listed entity, obtaining the "No-Objection" letter or "Observation Letter" from SEBI and the stock exchange under Regulation 37 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 or any other applicable provisions or rules for the time being in force.

(f) The certified copy of the order of the NCLT sanctioning the Scheme and the minute of Reduction being filed with the ROC.

(g) All other sanctions and approvals as may be required by law in respect of this Scheme being obtained.

4. **EFFECT OF NON-RECEIPT OF APPROVALS**

In the event of any of the said sanctions and/or approvals as mentioned above are not being obtained (unless otherwise released by the Board of Directors) and /or the Scheme not being sanctioned by the National Company Law Tribunal or any other competent authority, this Scheme shall become null and void and the Company shall bear and pay the costs, charges and expenses for/or in connection with the Scheme, 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

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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.

5. **STATUTORY COMPLIANCES**

Pursuant to the Scheme of Reduction of Capital, the Company shall file the requisite forms with the Registrar of Companies, Stock Exchange and other statutory authorities.

6. **SEVERABILITY**

If any part of this Scheme hereof is invalid, ruled illegal by any appropriate authority of competent jurisdiction, or unenforceable under present or future laws, then subject to the decision of the Board of the Company, such part shall be severable from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become materially adverse, in which case the Board shall attempt to bring a suitable modification in the Scheme. The Board of Directors of Company shall be entitled to revoke, cancel and declare the Scheme of no effect, if the Board of Directors is of view that the coming into effect of the Scheme could have adverse implications on the Company.

7. **COSTS, CHARGES AND EXPENSES**

All costs, charges, taxes including duties {including the stamp duty, if any, applicable in relation to this Scheme), levies and all other expenses, if any, of the Company arising out of or incurred in carrying out and implementing this Scheme and matters incidental thereto shall be borne and paid by the Company.

8. **MISCELLANEOUS**

Notwithstanding the reduction of capital of the Company, the listing benefits of the Company on all the stock exchange where the existing equity shares of the Company are listed shall continue and the Company will comply with the applicable provisions of the listing agreement with the stock exchanges for listing and trading of shares.

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