

**SCHEME OF ARRANGEMENT
IN THE NATURE OF DE-MERGER AND TRANSFER OF
DE-MERGED UNDERTAKING
AND
CONSEQUENTIAL RESTRUCTURE OF SHARE CAPITAL OF
ASAHI SONGWON COLORS LIMITED
BETWEEN
ASAHI SONGWON COLORS LIMITED
AND
AKSHARCHEM (INDIA) LIMITED
AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

PREAMBLE

A. DESCRIPTION OF THE COMPANIES

- a) Asahi Songwon Colors Limited is a public limited company incorporated under the provisions of the Companies Act, 1956 on 19th day of December 1990 having its registered office at 167/168, Village : Indrad, Kadi Kalol Road, Mehsana, Gujarat – 382 727. It is engaged in the business of manufacturing pigments which are basically colourants used in printing inks, paints, plastics, textiles, rubber, etc. It is in the manufacturing of the Pigment Green-7, Beta Blue and CPC Blue Crude, exporting substantial production to leading MNCs around the world on account of quality of its products. The Equity Shares of Asahi Songwon Colors Limited are listed on BSE Limited ('BSE') and National Stock Exchange of India Limited ('NSE').



- b) AksharChem (India) Limited is a public limited company incorporated under the provisions of the Companies Act, 1956 on 4th Day of July 1989 having its registered office at 166/169, Indrad Village, Kadi Kalol Road, Mehsana, Gujarat – 382 727. It is primarily engaged in the business of manufacturing of dyes and intermediaries and is one of the leading manufacturer and exporter of Vinyl Sulphone. The Equity Shares of the AksharChem (India) Limited are listed on BSE Limited ('BSE') and Ahmedabad Stock Exchange Limited ('ASE').

B. RATIONALE AND PURPOSE OF THE SCHEME

This Scheme is presented under Sections 391 to 394 read with Sections 78, 100 to 103 and other applicable provisions of the Companies Act, 1956 for demerger of the CPC Green Division of Asahi Songwon Colors Limited ('ASCL') into AksharChem (India) Limited (ACIL') and consequential restructure of its share capital in form of Utilisation of Securities Premium Account of Asahi Songwon Colors Limited ('ASCL').

ASCL has two manufacturing divisions namely CPC Green Division, which is located at Kadi, Mehsana and Pigment Blue division, which is located at Padra, Vadodara, both in the State of Gujarat. With a view to achieving operational efficiencies, site synergies and streamlining its current structure, ASCL has decided to demerge its CPC Green Division into ACIL with primary intention to focus its business synergies on Pigment Blue division.

The transfer and vesting of the CPC Green Division of ASCL to ACIL pursuant to this Scheme is with a view to establishing highest operational standards and also to unlock the economic value of the CPC Green Division.



The re-organization exercise would inter alia achieve the following advantages:

- i. Realigning assets to create an integrated business model;
- ii. More focused leadership and dedicated management;
- iii. Greater visibility on the performance of Pigment Blue Division.

In view of the aforesaid, the Board of Directors of all the Companies have considered and proposed the Scheme of Arrangement in the nature of De-merger and transfer of CPC Green Division of ASCL to ACIL, under the provisions of 391 to 394 read with Section 78 and 100 to 103 of the Companies Act, 1956 and the applicable provisions of the Companies Act, 2013.

C. PARTS OF THE SCHEME

The Scheme is divided into the following parts:

1. Part A which deals with definition, date of taking effect & share capital.
2. PART B which deals with demerger of CPC Green Division of ASCL to ACIL.
3. PART C which deals with Restructure of Share Capital in form of Utilisation of Securities Premium Account.
4. PART D which deals with General terms and conditions.


PART A - DEFINITION, DATE OF TAKING EFFECT & SHARE CAPITAL

1. DEFINITIONS

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




- 1.1. "Act" or "The Act" means the Companies Act, 1956 and shall include the relevant and corresponding sections under the Companies Act, 2013, as and when the same are made applicable before the effective date of the Scheme.
- 1.2. "ACIL" or "Resulting Company" means AksharChem (India) Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered office at 166/169, Village: Indrad, Kadi Kalol Road, Mehsana, Gujarat – 382 727.
- 1.3. "Appointed Date" means 1st day of April, 2014 or such other date as may be fixed or approved by the High Court of Gujarat or any other appropriate authority.
- 1.4. "ASCL" or "Demerged Company" means Asahi Songwon Colors Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered office at 167/168, Village: Indrad, Kadi Kalol Road, Mehsana, Gujarat – 382 727.
- 1.5. "Court" or "High Court" means the High Court of Gujarat and shall include the National Company Law Tribunal, if and when applicable.
- 1.6. "Demerged Undertaking" shall mean the entire business and undertaking of ASCL relating to its CPC Green division and all and related activities carried on as a going concern basis and shall mean and include (without limitation) the following:
- a) All the assets and properties as on the Appointed Date (hereinafter referred to as "the said assets") pertaining to the Demerged Undertaking;
 - b) All the debts, liabilities, duties and obligations including contingent liabilities pertaining to the Demerged Undertaking;



- c) Without prejudice to the generality of above, the Demerged Undertaking shall include rights over land, buildings, the movable properties covering plant and machinery, equipment, furniture, fixtures, vehicles, leasehold assets and other properties, real, corporeal and incorporeal, in possession or reversion, present and contingent assets (whether tangible or intangible) of whatsoever nature, assets including cash in hand, bank balance, bills of exchange, letter of intents, loans and advances, investments but other than those forming part of Remaining Undertaking, claims, powers, authorities, allotments, approvals, consents, letters of intent, registrations, licenses, contracts, agreements, engagements, arrangements, rights, credits, titles, interests, benefits, advantages, leasehold rights, sub-letting tenancy rights, with or without the consent of the landlord as may be required, goodwill, other intangibles, permits, authorizations, trademarks, trade names, labels, brands, patents, patent rights, copyrights, designs, and other industrial and intellectual properties and rights of any nature whatsoever including labels, designs, know-how, domain names, or any applications for the above, assignments and grants in respect thereof, import quotas and other quota rights, right to use and avail of telephones, telex, facsimile and other communication facilities, connections, installations and equipment, utilities, electricity and electronic and all other services of every kind, nature and description whatsoever, provisions, funds, and benefits of all agreements, arrangements, deposits, advances, recoverables and receivables, whether from government, semi-government, local authorities or any other person including customers, contractors or other counter parties, etc., all earnest monies and/or deposits, privileges, liberties, easements, advantages, benefits, exemptions permissions, and approvals of whatsoever nature (including but not limited to benefits of tax relief including under the Income-tax Act, 1961 such as credit for advance tax, taxes deducted at source, minimum alternate tax etc.,



unutilized deposits or credits, benefits under the VAT/ Sales Tax law, VAT/ sales tax set off, unutilized deposits or credits, benefits of any unutilized MODVAT/CENVAT/Service tax credits, etc.) and wheresoever situate, belonging to or in the ownership, power or possession or control of or vested in or granted in favour of or enjoyed by the Demerged Undertaking.

- d) all permanent employees of CPC Green Division of ASCL engaged in or in relation to the Demerged Undertaking as on the Effective Date.
- e) all records, files, papers, engineering and process information, computer programs, computer softwares, manuals, data catalogues, quotations, sales and advertising materials, list of present and former customers and suppliers, customers credit information, customers pricing information and other records, whether in physical form or electronic form in connection with or relating to the Demerged Undertaking.

Explanation A: Whether any particular asset or employee should be included as asset or employee of the Demerged Undertaking or otherwise shall be decided mutually by the Board of Directors or any committee thereof of Demerged Company and Resulting Company.

Explanation B: For the purpose of this Scheme, it is clarified that liabilities pertaining to the Demerged Undertaking of ASCL shall comprise the liabilities, borrowings, debts and loans as agreed between Demerged Company and Resulting Company which will cover:

- a) The liabilities, which arise out of the activities or operations of Demerged Undertaking.
- b) Specific loans and borrowings raised, incurred and utilized solely for the activities or operation of the Demerged Undertaking.

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Liabilities other than those referred to in sub-clauses (a) and (b) above and not directly relatable to the Remaining Undertaking of ASCL, being the amounts of general or multipurpose borrowings of ASCL shall be allocated to the Demerged Undertaking of ASCL in the same proportion which the value of the assets transferred under this sub-clause bears to the total value of the assets of Demerged Company immediately before giving effect to this Scheme.

Any question that may arise as to whether a specified liability pertains or does not pertain to the Demerged Undertaking of Demerged Company or whether it arises out of the activities or operations of Demerged Undertaking of Demerged Company shall be decided by mutual agreement between the Board of Directors or any Committee thereof of Demerged Company and Resulting Company.

- 1.7. "Effective Date" means the last of the date on which the conditions specified in Clause 18 of this Scheme are fulfilled with respect to a particular Part of the Scheme.
- 1.8. "Record Date" means such date to be mutually fixed by the Board of Directors of ASCL and ACIL or any committee / person duly authorized by the respective Board of Directors, after the Effective Date, to determine the members of ASCL to whom equity shares of ACIL will be allotted pursuant to this Scheme.
- 1.9. "Remaining Undertaking" means all business and undertaking of the Demerged Company other than the Demerged Undertaking.
- 1.10. "Scheme" or "the Scheme" or "this Scheme" means this Scheme of Arrangement in its present form or with any modification(s) as approved or directed by the High Court.



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 Contract (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992, the Depositories Act, 1996 and other applicable laws, rules, regulations, bye-laws, as the case may be including any statutory modifications 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 Court, shall be effective from the Appointed Date but shall be operative from the Effective Date.

3. SHARE CAPITAL

The share capital of ASCL as at 31 March 2013 is as under:

Share Capital	Amount (in Rs.)
Authorized Share Capital 2,00,00,000 Equity shares of Rs.10 each	20,00,00,000
TOTAL	20,00,00,000
Issued, subscribed and paid-up Share Capital 1,22,72,262 Equity shares of Rs.10 each	12,27,22,620
TOTAL	12,27,22,620

Subsequent to 31 March 2013 and up to the date of approval of this Scheme by the Board of Directors of ASCL, there has been no change in the capital structure of ASCL.



The share capital of ACIL as at 31 March 2013 is as under:

Share Capital	Amount (in Rs.)
Authorized Share Capital 50,00,000 Equity shares of Rs.10 each	5,00,00,000
TOTAL	5,00,00,000
Issued, subscribed and paid-up Share Capital 49,52,850 Equity shares of Rs.10 each	4,95,28,500
TOTAL	4,95,28,500

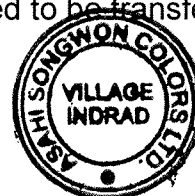
Subsequent to 31 March 2013 and up to the date of approval of this Scheme by the Board of Directors of ACIL, there has been no change in the capital structure of ACIL.

PART B – DEMERGER OF CPC GREEN DIVISION OF ASCL TO ACIL

4. TRANSFER AND VESTING OF DEMERGED UNDERTAKING OF ASCL

With effect from the Appointed Date, the Demerged Undertaking of ASCL shall, in accordance with Section 2(19AA) of the Income-tax Act, 1961, stand transferred to and vested in or deemed to be transferred to and vested in Resulting Company, as a going concern and in the following manner:

- 4.1. With effect from the Appointed Date and upon the Scheme becoming effective, the whole of Demerged Undertaking and its properties, shall pursuant to the provisions contained in Sections 391 to 394 and all other applicable provisions, if any, of the Act and without any further act, deed, matter or thing, stand transferred to and vested in and / or be deemed to be transferred to and



vested in Resulting Company so as to vest in Resulting Company all rights, title and interest pertaining to the Demerged Undertaking.

- a) All the movable assets pertaining to the Demerged Undertaking, which are capable of being physically transferred including cash on hand, shall be physically handed over by delivery to Resulting Company to the end and intent that the property therein passes to Resulting Company. Such delivery and transfer shall be made on a date to be mutually agreed upon between the respective Board of Directors or Committees thereof of Demerged Company and Resulting Company;
- b) In respect of other assets pertaining to Demerged Undertaking including actionable claims, sundry debtors, outstanding loans, advances recoverable in cash or kind or for value to be received and deposits with the Government, semi-Government, local and other authorities and bodies and customers, Demerged Company shall, on being so requested by Resulting Company, issue notices in such form as Resulting Company may specify stating that pursuant to this Scheme, the relevant debt, loan, advance, deposit or other asset, be paid or made good to, or be held on account of, Resulting Company as the person entitled thereto, to the end and intent that the right of Demerged Company to receive, recover or realize the same, stands transferred to Resulting Company and that appropriate entries should be passed in their respective books to record the aforesaid changes;
- c) In respect of such of the assets belonging to the Demerged Undertaking other than those referred to in sub-clauses (i) to (ii), the same shall be transferred to and vested in and/or be deemed to be transferred to and vested in Resulting Company on the Appointed Date pursuant to the provisions of Section 394 of the Act.

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- 4.2. With effect from the Appointed Date and upon the Scheme becoming effective, all debts, liabilities including accrued interest thereon, contingent liabilities, duties and obligations of every kind, nature and description of Demerged Company pertaining to the Demerged Undertaking under the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Act, and without any further act or deed, be transferred to or be deemed to be transferred to Resulting Company, so as to become from the Appointed Date the debts, liabilities including accrued interest thereon, contingent liabilities, duties and obligations of Resulting Company 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 debts, liabilities including accrued interest thereon, contingent liabilities, duties and obligations have arisen in order to give effect to the provisions of this sub-clause.
- 4.3. With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licenses, permissions or approvals or consents held by Demerged Company required to carry on operations of the Demerged Undertaking shall stand vested in or transferred to Resulting Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of Resulting Company and the benefit of all statutory and regulatory permissions, environmental approvals and consents, registration or other licenses etc. shall vest in and become available to Resulting Company as if they were originally obtained by Resulting Company. 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 Demerged Company relating to the Demerged Undertaking, are concerned, the same shall vest with and be available to Resulting Company on the same terms and conditions as applicable to Demerged Company, as if the same had been allotted and/or granted and/or sanctioned and/or allowed to Resulting Company.



- 4.4. The transfer and vesting of the Demerged 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 relatable to the Demerged Undertaking to the extent such securities, charges, mortgages, encumbrances are created to secure the liabilities forming part of the Demerged Undertaking.

In so far as any securities, charges, hypothecation and mortgages over the assets comprised in the Demerged Undertaking are securities for liabilities of the Remaining Undertaking, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets shall stand released and discharged from the obligations and security relating to the same and the securities, charges, hypothecation and mortgages shall only extend to and continue to operate against the assets retained by Demerged Company and shall cease to operate against any of the assets transferred to Resulting Company in terms of this Scheme. The absence of any formal amendment which may be required by a lender or third party shall not affect the operation of the above. The provisions of this Clause shall operate notwithstanding anything contained in any instrument, deed or writing or terms of sanction or issue or any security document, all of which instruments, deeds and writings shall stand modified and/or superseded by the foregoing provision.

In so far as any securities, charges, hypothecation and mortgages over the assets comprised in the Remaining Undertaking are securities for liabilities of the Demerged Undertaking, the same shall, on the Effective Date, without any further act, instrument or deed be modified to the extent that all such assets shall stand released and discharged from the obligations and security relating to the same and the securities, charges, hypothecation and mortgages shall only extend to and continue to operate against the assets transferred to Resulting Company and shall cease to operate against any of the assets

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retained in Demerged Company in terms of this Scheme. The absence of any formal amendment which may be required by a lender or third party shall not affect the operation of the above. The provisions of this Clause shall operate notwithstanding anything contained in any instrument, deed or writing or terms of sanction or issue or any security document, all of which instruments, deeds and writings shall stand modified and/or superseded by the foregoing provision.

Provided further that the securities, charges, hypothecation and mortgages (if any subsisting) over and in respect of the assets or any part thereof of Resulting Company shall continue with respect to such assets or any part thereof of Resulting Company and this Scheme shall not operate to enlarge such securities, charges, hypothecation or mortgages and shall not extend or be deemed to extend, to any of the assets of the Demerged Undertaking vested in Resulting Company, provided always that this Scheme shall not operate to enlarge the security of any loan, deposit or facility created by Demerged Company in relation to the Demerged Undertaking which shall vest in Resulting Company by virtue of the vesting of the Demerged Undertaking with Resulting Company and there shall not be any obligation to create any further or additional security therefore after the Scheme has become effective.

Provided further that all the loans, advances and other facilities sanctioned to Demerged Company in relation to the Demerged Undertaking by its bankers and financial institutions prior to the Appointed Date, which are partly drawn or utilized shall be deemed to be the loans and advances sanctioned to Resulting Company and the said loans and advances may be drawn and utilized either partly or fully by Demerged Company from the Appointed Date till the Effective Date and all the loans, advances and other facilities so drawn by Demerged Company in relation to the Demerged Undertaking (within the overall limits sanctioned by their bankers and financial institutions) shall on the Effective Date be treated as loans, advances and other facilities made available to Resulting Company and all the obligations of Demerged Company in relation to the Demerged Undertaking under loan agreement



shall be construed and shall become the obligation of Resulting Company without any further act or deed on the part of Resulting Company.

- 4.5. It is clarified that if any assets, (estate, claims, rights, title, interest in, or authorities relating to such assets) or any contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever in relation to any of the Demerged Undertaking which Demerged Company owns or to which Demerged Company is a party and which cannot be transferred to Resulting Company or to its successor in business, for any reason whatsoever, Demerged Company shall hold such assets or contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of Resulting Company to which the Demerged Undertaking is being transferred in terms of this scheme, in so far as it is permissible so to do, till such time as the transfer is effected.

5. CONSIDERATION

- 5.1. Upon this Scheme becoming effective, Resulting Company shall without any further application or deed, issue and allot Shares, credited as fully paid-up, to the extent indicated below to the shareholders of Demerged Company, holding shares in Demerged Company and whose name appear in the Register of Members 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 respective Board of Directors in the following proportion:

5 (five) fully paid up Equity Shares of Rs. 10/- each of Resulting Company shall be issued and allotted for every 26 (twenty six) fully paid up Equity Shares of Rs. 10/- each held in Demerged Company.

- 5.2. The equity shares issued and allotted by the Resulting Company in terms of this Scheme shall rank paripassu in all respects with the then existing equity shares of the Resulting Company.

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- 5.3. No fractional certificate(s) shall be issued by the Resulting Company in respect of any fractions which the members of the Demerged Company may be entitled to on issue and allotment of the New Equity Shares as aforesaid by the Company. The Board of Directors of the Resulting Company shall instead, consolidate all such fractional entitlements and allot New Equity Shares in lieu thereof to a Director or an officer of the Resulting Company or such other person(s) as the Board of Directors of the Resulting Company shall appoint in this regard who shall hold the New Equity Shares in trust on behalf of the members entitled to such fractional entitlements with express understanding that such director or officer or person(s) shall sell the same in market at such time(s) (not later than 6 months upon coming into effect of this Scheme) at such price(s) and to such person(s) as it/ he/ they may deem fit, and pay to the Resulting Company the net sale proceeds thereof. Thereupon the Resulting Company shall distribute the net sale proceeds, after deduction of applicable taxes/ duties/ levies, if any, to the members entitled in proportion to their respective fractional entitlements. In case the number of such shares to be allotted to the Director/officer by virtue of consolidation of fractional entitlements is a fraction, one additional equity share will be issued in the Resulting Company to such Director/officer.
- 5.4. Shares to be issued by Resulting Company pursuant to Clause 5.1 in respect of any equity shares held by shareholder of Demerged Company which are held in abeyance under the provisions of Section 206A of the Act or otherwise shall, pending allotment or settlement of dispute by order of Court or otherwise, also be held in abeyance by Resulting Company.
- 5.5. In so far as the issue of equity shares pursuant to Clause 5.1 is concerned, the same shall be issued and allotted in dematerialized form to those equity shareholders who hold equity shares in Demerged Company in dematerialized form, in to the account with the Depository Participant in which



the equity shares of Demerged Company are held or such other account with the Depository Participant as is intimated by the equity shareholders to Resulting Company before the Record Date. All those equity shareholders of Demerged Company who hold equity shares of Demerged Company in physical form shall also have the option to receive the shares, as the case may be, in dematerialized form provided the details of their account with the Depository Participant are intimated in writing to Resulting Company before the Record Date. In the event that Resulting Company has received notice from any equity shareholder of Demerged Company that equity shares are to be issued in physical form or if any member 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 member do not permit electronic credit of the shares of Resulting Company, then Resulting Company shall issue equity shares of Resulting Company, in accordance with the Demerged Company Share Entitlement Ratio, as the case may be, in physical form to such equity Shareholder.

- 5.6. In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of Demerged Company, the board of directors or any committee thereof of Demerged Company shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in Demerged Company as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transfer of the share in Demerged Company and in relation to the shares issued by Resulting Company after the effectiveness of this Scheme. The board of directors of Demerged Company and Resulting Company shall be empowered to jointly remove such difficulties as may arise in the course of implementation of this Scheme and registration of new members in Resulting Company on account of difficulties faced in the transaction period.




- 5.7. The equity shares issued by Resulting Company, in terms of Clause 5.1 of this Scheme, will be listed and/or admitted to trading on the stock exchange where the Resulting Company shares are already traded subject to necessary approval to be obtained from regulatory authorities and all necessary applications and compliances will be made in this respect by Resulting Company.
- 5.8. Approval of this Scheme by the shareholders of Resulting Company shall be deemed to be the due compliance of the provisions of Section 81(1A) of the Act and the other relevant and applicable provisions of the Act for the issue and allotment of equity shares by Resulting Company to the equity shareholders of Demerged Company, as provided in this Scheme.
- 5.9. The 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.
- 5.10. The equity shares to be issued by Resulting Company shall be subject to the Scheme and the Memorandum and Articles of Association of Resulting Company.
- 5.11. The Resulting Company shall, if and to the extent required to, apply for and obtain any approvals from the concerned regulatory authorities for the issue and allotment by the Resulting Company of new equity shares to the equity shareholders of the Demerged Company.
- 5.12. Resulting Company shall comply with the relevant and applicable rules and regulations including provisions of FEMA to enable it to issue shares pursuant to this Scheme.



6. TRANSFER OF AUTHORISED SHARE CAPITAL AND AMENDMENT TO MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

A. RESULTING COMPANY

6.1. Capital Clause

Upon the Scheme being effective, the Authorised Share Capital of the Demerged Company amounting to Rs.3,50,00,000/- shall be transferred to the Resulting Company and accordingly the Authorised Share Capital of the Resulting Company shall automatically stand increased by the said amount, as on the effective date, without any further act or deed and without any further payment of the stamp duty or the registration fees and accordingly Clause V of the Memorandum of Association and Article 3 of the Articles of Association of the Resulting Company shall be altered.

6.2. Objects Clause

Clause III A of the Memorandum of Association of the Resulting Company shall be amended to add sub-clause 2 and 3 after sub-clause 1, as mentioned in the Schedule 2, attached herewith, without any further act or deed, to enable the Resulting Company to carry on the business of Demerged Undertaking.

B. DEMERGED COMPANY

6.3. Upon the Scheme being effective, and on the proposed transfer of the Authorised Share Capital of the Demerged Company amounting to Rs.3,50,00,000/- to the Resulting Company, the Authorised Share Capital of the Demerged Company shall automatically stand reduced to the said extent, as on the effective date, without any further act or deed. Clause V of the Memorandum of Association and Article 5 (a) of the Articles of Association of the Demerged Company shall be accordingly altered.

The Demerged Company and the Resulting Company will file necessary



forms with concerned Registrar of Companies for increasing / reclassification of Authorised Share Capital.

- 6.4. Under the accepted principle of Single Window Clearance, it is hereby provided that the above referred amendments, viz. Change in the Capital Clause of both Demerged Company and Resulting Company as well as Change in the Objects Clause of the Resulting Company shall become operative on the scheme being effective by virtue of the fact that the Shareholders of the Demerged Company and the Resulting Company, while approving the scheme as a whole, have also resolved and accorded the relevant consents as required respectively under Section 16, 17, 31, 94, 97 and 149 of the Companies Act, 1956 or any other provisions of the Act and shall not be required to pass separate resolutions as required under the Act.

7. ACCOUNTING TREATMENT IN THE BOOKS OF RESULTING COMPANY

On the Scheme becoming effective and with effect from the Appointed Date, the Resulting Company shall account for demerger in its books as under:

- 7.1. Resulting Company shall record the assets and liabilities pertaining to the Demerged Undertaking at their respective book values.
- 7.2. Resulting Company shall credit to the Share Capital account in its books of account, the aggregate face value of the shares issued and allotted as per Clause 5.1 of the Scheme to shareholders of Demerged Company.
- 7.3. The inter-company balances, if any, appearing in the books of accounts of ACIL and the Demerged Undertaking being transferred, will stand cancelled.
- 7.4. The difference being the excess of the Net Assets Value of the Demerged Undertaking transferred to and recorded by Resulting Company as per Clause 7.1 above and the face value of Shares allotted as per Clause 7.2 above, after considering the adjustments mentioned in Clause 7.3 above,



shall be credited to General Reserve of Resulting Company. The shortfall, if any, shall be debited to Goodwill account of Resulting Company. ("Net Assets Value" shall be computed as the value of assets less the value of liabilities, of the Demerged Undertaking transferred to Resulting Company and recorded in Resulting Company in terms of Clause 7.1).

8. ACCOUNTING TREATMENT IN THE BOOKS OF DEMERGED COMPANY

On the Scheme becoming effective and with effect from the Appointed Date, the Demerged Company shall account for demerger in its books as under:

- 8.1. Upon the Scheme becoming effective and from the Appointed Date, Demerged Company shall reduce from its books, the book value of assets and liabilities transferred as part of the Demerged Undertaking to Resulting Company, pursuant to the Scheme.
- 8.2. The difference in the book value of assets and the book value of liabilities transferred pursuant to the Scheme shall be adjusted entirely against the Securities Premium Account, (as provided in detail in clause 17 herein below).

9. CONDUCT OF BUSINESS UNTIL THE EFFECTIVE DATE

- 9.1. Demerged Company in respect of the Demerged Undertaking, shall carry on and be deemed to have been carrying on the business and activities and shall stand possessed of and hold all of its properties and assets for and on account of and in trust for Resulting Company. Demerged Company hereby undertakes to hold the said assets with utmost prudence until the Effective Date.
- 9.2. With effect from the Appointed Date, all the profits or income accruing or arising to Demerged Company in respect of the Demerged Undertaking or expenditure or losses arising to or incurred by Demerged Company in respect of the Demerged Undertaking, shall for all purposes and intents be treated



and be deemed to be and accrue as the profits or incomes or expenditure or losses (as the case may be) of Resulting Company.

- 9.3. Demerged Company in respect of the Demerged Undertaking shall carry on the business and activities with reasonable diligence, business prudence and shall not without the prior written consent of Resulting Company, alienate, charge, mortgage, encumber or otherwise deal with or dispose off the Demerged Undertaking or any part thereof except in respect of activities in the ordinary course of business nor shall it undertake any new businesses within the Demerged Undertaking or a substantial expansion of the Demerged Undertaking.
- 9.4. Demerged Company shall not vary the terms and conditions of service of the employees or conclude settlements with unions or employees, except in the ordinary course of business or consistent with past practice or pursuant to any pre-existing obligation without the prior written consent of the Board of Directors of Resulting Company.

10. DECLARATION OF DIVIDEND

- 10.1. For the avoidance of doubt it is hereby clarified that nothing in this Scheme shall prevent Demerged Company from declaring and paying dividends, whether interim or final, to its equity shareholders as on the record date for the purpose of any such dividend.
- 10.2. Demerged Company shall not utilize the profits or income, if any, relating to the Demerged Undertaking for the purpose of declaring or paying any dividend to its shareholders or for any other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of Resulting Company.




11. LEGAL PROCEEDINGS

- 11.1. All legal proceedings of whatsoever nature by or against Demerged Company pending and/or arising before the Effective Date and relating to the Demerged Undertaking, shall not abate or be discontinued or be in any way prejudicially affected by reason of the Scheme or by anything contained in this Scheme but shall be continued and enforced by or against ACIL, as the case may be, in the same manner and to the same extent as would or might have been continued and enforced by or against Demerged Company.
- 11.2. After the Effective Date, if any proceedings are taken against Demerged Company in respect of the matters referred to in the Clause 11.1 above, it shall defend the same at the cost of Resulting Company and Resulting Company shall reimburse and indemnify Demerged Company against all liabilities and obligations incurred by Demerged Company in respect thereof.
- 11.3. Resulting Company undertakes to have all respective legal or other proceedings initiated by or against Demerged Company referred to in Clause 11.1 and/or 11.2 above transferred into its name and to have the same continued, prosecuted and enforced by or against Resulting Company as the case may be, to the exclusion of Demerged Company.

12. CONTRACTS, DEEDS, ETC.

- 12.1. Notwithstanding anything to the contrary contained in the contract, deed, bond, agreement or any other instrument, but subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments, if any, of whatsoever nature and subsisting or having effect on the Effective Date and relating to the Demerged Undertaking, shall continue in full force and effect against or in favour of Resulting Company and may be enforced effectively by or against Resulting Company as fully and effectually as if, instead of Demerged Company, Resulting Company had been a party thereto.



- 12.2. Resulting Company, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, enter into, or issue or execute deeds, writings, confirmations, novations, declarations, or other documents with, or in favour of any party to any contract or arrangement to which Demerged Company is a party or any writings as may be necessary to be executed in order to give formal effect to the above provisions. Resulting Company shall, be deemed to be authorised to execute any such writings on behalf of Demerged Company and to carry out or perform all such formalities or compliances required for the purposes referred to above on the part of Demerged Company.

13. SAVING OF CONCLUDED TRANSACTIONS

The transfer of assets, properties and liabilities above and the continuance of proceedings by or against Resulting Company above shall not affect any transaction or proceedings already concluded in Demerged Company, in relation to the Demerged Undertaking on or after the Appointed Date till the Effective Date, to the end and intent that Resulting Company accepts and adopts all acts, deeds and things done and executed by Demerged Company, in relation to the Demerged Undertaking in respect thereto as done and executed on their behalf.

14. STAFF, WORKMEN & EMPLOYEES

- 14.1. Upon the coming into effect of this Scheme, all staff, workmen and employees of Demerged Company engaged in or in relation to the Demerged Undertaking and who are in such employment as on the Effective Date shall become the staff, workmen and employees of Resulting Company from Appointed Date or their respective joining date, whichever is later and, subject to the provisions of this Scheme, on terms and conditions not less favorable than those on which they are engaged by Demerged Company and without any interruption of or break in service as a result of the transfer of the Demerged Undertaking.




- 14.2. In so far as the existing provident fund, gratuity fund and pension and/or superannuation fund, trusts, retirement fund or benefits and any other funds or benefits created by Demerged Company for the employees related to the Demerged Undertaking (collectively referred to as the "Funds"), the Funds and such of the investments made by the Funds which are referable to the employees related to the Demerged Undertaking being transferred to Resulting Company, in terms of the Scheme shall be transferred to Resulting Company and shall be held for their benefit pursuant to this Scheme in the manner provided hereinafter. The Funds shall, subject to the necessary approvals and permissions and at the discretion of Resulting Company, either be continued as separate funds of Resulting Company for the benefit of the employees related to the Demerged Undertaking or be transferred to and merged with other similar funds of Resulting Company. In the event that Resulting Company does not have its own funds in respect of any of the above, Resulting Company may, subject to necessary approvals and permissions, continue to contribute to relevant funds of Demerged Company, until such time that Resulting Company creates its own fund, at which time the Funds and the investments and contributions pertaining to the employees related to the Demerged Undertaking shall be transferred to the funds created by Resulting Company. Subject to the relevant law, rules and regulations applicable to the Funds, the Board of Directors or any committee thereof of Demerged Company and Resulting Company may decide to continue to make the said contributions to the Funds of Demerged Company. It is clarified that the services of the employees of the Demerged Undertaking will be treated as having been continuous and not interrupted for the purpose of the said fund or funds.
- 14.3. Any question that may arise as to whether any employee belongs to or does not belong to the Demerged Undertaking shall be decided by the Board of Directors or Committee thereof of Demerged Company.



15. REMAINING UNDERTAKING OF DEMERGED COMPANY

It is clarified that, the Remaining Undertaking of ASCL shall continue with ASCL as follows:

- a) The Remaining Undertaking of Demerged Company and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be managed by Demerged Company;
- b) All legal and other proceedings by or against Demerged Company under any statute, whether pending on the Appointed Date or which may be initiated in future, whether or not in respect of any matter arising before the Effective Date and relating to the Remaining Undertaking of Demerged Company (including those relating to any property, right, power, liability, obligation or duty, of Demerged Company in respect of the Remaining Undertaking of Demerged Company) shall be continued and enforced by or against Demerged Company.

With effect from the Appointed Date and including the Effective Date:

- a) Demerged Company shall be deemed to have been carrying on and to be carrying on all business and activities relating to the Remaining Undertaking of Demerged Company for and on its own behalf;
- b) All profit accruing to Demerged Company thereon or losses arising or incurred by it relating to the Remaining Undertaking of Demerged Company shall, for all purposes, be treated as the profit, or losses, as the case may be, of Demerged Company.

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16. TAX CREDITS

- 16.1. Resulting Company will be the successors of Demerged Company vis-à-vis the Demerged Undertaking. Hence, it will be deemed that the benefit of any tax credits whether central, state or local, availed vis-à-vis the Demerged Undertaking and the obligations if any for payment of the tax on any assets forming part of the Demerged Undertaking or their erection and / or installation, etc. shall be deemed to have been availed by Resulting Company or as the case may be deemed to be the obligations of Resulting Company. Consequently, and as the Scheme does not contemplate removal of any asset by Resulting Company from the premises in which it is installed, no reversal of any tax credit needs to be made or is required to be made by Demerged Company.
- 16.2. With effect from the Appointed Date and upon the Scheme becoming effective, all taxes, duties, cess payable/receivable by Demerged Company relating to the Demerged Undertaking including all or any refunds/credit/claims relating thereto shall be treated as the asset/liability or refunds/credit/claims, as the case may be, of Resulting Company.
- 16.3. Demerged Company and Resulting Company are expressly permitted to revise their respective tax returns including tax deducted at source (TDS) certificates/ returns and to claim refunds, advance tax credits, excise and service tax credits, set off, etc., on the basis of the accounts of the Demerged Undertaking of Demerged Company as vested with Resulting Company upon coming into effect of this Scheme, and its right to make such revisions in the related tax returns and related certificates, as applicable, and the right to claim refunds, adjustments, credits, set-offs, advance tax credits pursuant to the sanction of this Scheme and the Scheme becoming effective is expressly reserved.

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PART C - RESTRUCTURE OF SHARE CAPITAL OF THE DEMERGED COMPANY

17. RESTRUCTURE OF SHARE CAPITAL OF THE DEMERGED COMPANY IN FORM OF UTILISATION OF ITS SECURITIES PREMIUM ACCOUNT

- 17.1. Consequent to the demerger of the demerged undertaking of ASCL, the de-merged company, as envisaged under clause 8.2 hereinabove, the amount of difference in the book value of assets and the book value of liabilities transferred pursuant to the Scheme shall be adjusted entirely against the Securities Premium Account.
- 17.2. The above referred proposal amounts to reduction of capital under Section 78 as well as 100 to 103 of the Act. However, the same is consequential in nature and is proposed to be effected as an integral part of the Scheme. The approval of the members of the Demerged Company to the proposed Scheme shall be deemed to be their approval under the provisions of Section 78 and 100 and all other applicable provisions of the Act and the Demerged Company shall not be required to undertake any separate proceedings for the same. The order of the Honorable High Court sanctioning the Scheme shall be deemed to be an Order under Section 102 of the Act. In view of the same, the Demerged Company shall not be required to separately comply with Section 100 or any other provisions of Act.
- 17.3. Further, since the above restructure involving the utilization of Securities Premium Account of the company is only deemed reduction under Section 78 read with Section 100 of the Act and there is no actual Reduction of Issued, Subscribed and Paid up Share Capital of the company, the Demerged company shall not be required to add the suffix "and reduced" to its name.

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PART D – GENERAL TERMS & CONDITIONS

18. CONDITIONALITY OF THE SCHEME

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

- a) The Scheme being approved by the requisite majority of the respective members and such class of persons of the Demerged Company and the Resulting Company as directed by Securities and Exchange Board of India Circular CIR/CFD/DIL/5/2013 dated February 4, 2013 and Circular CIR/CFD/DIL/8/2013 dated May 21, 2013;
- b) The Scheme being approved by the requisite majority in number and value of such classes of persons including the respective members and/or creditors of Demerged Company and Resulting Company as may be directed by the High Court;
- c) The sanction of the High Court under Sections 391 to 394 of the Companies Act, 1956 in favour of Demerged Company and Resulting Company under the said provisions and to the necessary Order under Section 394 of the said Act being obtained;
- d) Certified or authenticated copy of the Order of the High Court sanctioning the Scheme being filed with the Registrar of Companies, Gujarat by Demerged Company and Resulting Company as may be applicable;
- e) The requisite consent, approval or permission of the Government Authority or any other statutory authority, which by law may be necessary for the implementation of this scheme.



19. MODIFICATION OR AMENDMENTS TO THE SCHEME

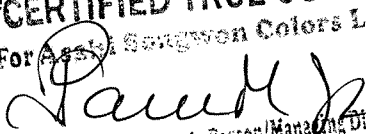
- 19.1. Demerged Company and Resulting Company by their respective Board of Directors or any duly authorised committee may make or consent to any modifications or amendments to the Scheme or to any conditions or limitations that the Court or any other authority may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them and solve all difficulties that may arise for carrying out the Scheme and do all acts, deeds and things necessary for putting the Scheme into effect.
- 19.2. Demerged Company and Resulting Company shall be at liberty to withdraw from this Scheme, in case of any condition or alteration imposed by the Hon'ble High Court or any other authority or any bank or financial institution is unacceptable to them or otherwise if so mutually agreed.

20. EFFECT OF NON-RECEIPT OF APPROVALS

In the event of any of the approvals or conditions enumerated in the Scheme not being obtained or complied, or for any other reason, this Scheme cannot be implemented, then the Board of Directors of Demerged Company and Resulting Company shall mutually waive such conditions as they consider appropriate to give effect, as far as possible, to this Scheme and failing such mutual agreement the Scheme shall become null and void and each party shall bear and pay their respective costs, charges and expenses in connection with this Scheme.

21. COSTS, CHARGES AND EXPENSES

ACIL shall bear and pay all costs, charges, expenses, taxes including duties, levies in connection with the Scheme

CERTIFIED TRUE COPY
 For Asst. Secretary Colors Ltd.

 Chair Person/Managing Director

SCHEDULE - 1

The statement indicating broad Assets and liabilities of the De-merged Undertaking based on the provisional financial statements as on 30 September 2013

Particulars	As on 30 September 2013
LIABILITIES	
Non-current liabilities	
(a) Long-term borrowings	36,193,769
(b) Deferred tax liabilities (Net)	23,956,605
(c) Long-term provisions	7,248,235
Current liabilities	
(a) Short-term borrowings	172,696,718
(b) Trade payables	103,847,240
(c) Other current liabilities	36,801,495
(d) Short term provisions	9,679,841
ASSETS	
Non-current assets	
Fixed assets	
(i) Tangible assets	272,446,124
(ii) Intangible assets	-
(iii) Capital work-in-progress	59,802,746
(iv) Intangible assets under development	2,026,180
(c) Long-term loans and advances	6,532,316
Current assets	
(a) Inventories	85,657,503
(b) Trade Receivables	148,427,214
(c) Cash and cash equivalents	3,156,617
(d) Short term loans and advances	88,965,622
(e) Other current assets	1,325,555

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SCHEDULE 2

Main objects to be added in Memorandum of Association of AksharChem (India) Limited pursuant to demerger of CPC Green Division of Asahi Songwon Colors Limited with AksharChem (India) Limited

1. To manufacture, make, buy, sell, import, export, distribute, introduce or otherwise deal in decorative boards, laminates sheets, Boards, Wooden Sheets, Plywood and Artificial Leather cloth and similar products in India elsewhere.
2. To carry on the business as manufacturers, importers, exporters, processors, buyers, sellers, dealers, consignors, agent, stockist, suppliers of all kinds, types and nature of pigments, dyes, chemicals, auxiliaries, intermediates, Agro chemicals and chemical products of any nature and kind whatsoever, including heavy chemicals, fine chemicals, organic and inorganic chemicals and allied chemicals.

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