

JK PAPER LTD.

Nehru House, 4 Bahadur Shah Zafar Marg, New Delhi-110002



Certified that following Resolution has been passed by the Audit Committee of Directors of JK Paper Limited at their meeting held on 19th July 2013 at Nehru House, 4, Bahadur Shah Zafar Marg, New Delhi-110 002.

Scheme of Arrangement

The Chairman of the Audit Committee informed the members that Lime Sludge Reburning Kilns were required to be installed at both the Units of the Company in order to comply with environmental norms. The Board at its meeting held on July 29, 2006, decided to form a special purpose vehicle for this purpose. Accordingly, "JK Enviro-tech Limited" ("JKETL") was incorporated on December 19, 2007. JKETL is now operating Lime Sludge Reburning Kilns located within the premises of Unit-JKPM and Unit-CPM of the Company at Jaykaypur, District - Rayagada, Orissa and Fort Songadh, District - Tapi, Gujarat respectively.

The Members noted that based on the approval of the Board granted at its meeting held on May 21, 2013, the Company has, for an aggregate consideration of Rs. 500.80 lac, acquired 32 lac fully paid equity shares of Rs. 10/- each at book value of Rs. 15.65 per equity share based on the audited accounts of JKETL as on March 31, 2013. Pursuant to such acquisition, the Company now owns 49 lac fully paid equity shares of Rs. 10/- each in JKETL representing 98.98% of the issued, subscribed and paid-up share capital of JKETL. The remaining 50,600 fully paid equity shares of Rs. 10 each in JKETL representing 1.02% of the issued, subscribed and paid-up share capital are held by certain other shareholders.

The Chairman of the Audit Committee informed the members that the Board of Directors had, on May 21, 2013, authorised the Committee of Directors ("C.O.D") of the company to explore options for consolidation of the operations of JKETL with the Company. Various advisors, namely M/s Amarchand & Mangaldas & Suresh A. Shroff & Co. and M/s S.S. Kothari Mehta & Co., Chartered Accountants, were appointed to explore such options. Based on recommendations of such advisors, the C.O.D. has vide its resolution passed at its meeting held on 18th July 2013 recommended the acquisition of Lime Kiln Undertaking of JKETL consisting of Lime Sludge Reburning Kilns being operated by JKETL located within the premises of Unit-JKPM and Unit-CPM of the Company at Jaykaypur, District - Rayagada, Orissa and Fort Songadh, District - Tapi, Gujarat respectively ("Lime Kiln Undertaking") by the Company, as a going concern on slump sale basis with effect from April 01, 2013, through a Scheme of Arrangement ("Scheme") in accordance with Sections 391 to 394 of the Companies Act, 1956, for a lump sum consideration of Rs. 1.59 crore and (ii) and reduction of the securities premium reserve of the Company (which in terms of Section 78 of the Companies Act, 1956 amounts to a reduction of capital) by transferring an amount equivalent to the diminution in value of the investments of the Company in JKETL, i.e., Rs. 504.36 lac, from the securities premium reserve of the Company to its profit and loss account.



A draft Scheme that was approved by the C.O.D. was also placed before the Audit Committee and the Audit Committee took the draft on record.

In addition to the above, the following documents were also presented before the Audit Committee:

- (i) valuation report dated 15.7.2013 from M/s S.S. Kothari Mehta & Co.; and
- (ii) fairness opinion dated 17.7.2013 from ICICI Securities Ltd.

The advisors apprised the Audit Committee about the business rationale and the salient features of the Scheme.

The Audit Committee was requested to consider the acquisition of the Lime Kiln Undertaking and the aforementioned reduction of the securities premium reserve of the Company and make necessary recommendations to the Board of Directors in this regard.

After discussion, the Audit Committee passed the following resolution:

"RESOLVED that, based on the valuation report dated 15.7.2013 from M/s S.S. Kothari Mehta & Co., and other relevant documents presented before the Audit Committee, recommendation be and is hereby made to the Board of Directors for acquisition of the Lime Kiln Undertaking (defined in the draft Scheme of Arrangement) of JK Enviro-Tech Limited (JKETL) by the Company and reduction of the securities premium reserve of the Company [which in terms of Section 78 of the Companies Act, 1956 ("Companies Act") amounts to a reduction of capital] by transferring an amount equivalent to the diminution in value of the investments of the Company in JKETL from the securities premium reserve of the Company to its profit and loss account.

RESOLVED further that the draft Scheme of Arrangement, as placed before the Audit Committee, for acquisition of the Lime Kiln Undertaking as a going concern on slump sale basis with effect from April 01, 2013 and reduction of the securities premium reserve of the Company, in accordance with Sections 391 to 394, Section 78 and Sections 100 to 103 of the Companies Act, be and is hereby recommended to the Board of Directors for approval with suitable modifications and amendments, as the Board may think fit."

Certified to be true

For JK Paper Limited


Suresh Chander Gupta
Company Secretary

