

# JK PAPER LTD.

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





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

## Scheme of Arrangement

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 Directors 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 informed the Directors that as per the mandate given by the Board at its meeting held on May 21, 2013 to 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. The C.O.D. at its meeting held on 18<sup>th</sup> July 2013 considered various options and 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. 159 lac and (ii) the 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 statement of profit and loss.

  
  
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The advisors apprised the Audit Committee about the business rationale and the salient features of the Scheme. The Audit Committee of the Company at its meeting held on 19.7.2013 considered the proposal and recommended acquisition of the Lime Kiln Undertaking through the Scheme.

A draft Scheme, which would be considered for the proposed acquisition of the Lime Kiln Undertaking, as approved by the C.O.D. and Audit Committee, was also placed before the Board for its consideration.

### **A. Business Rationale:**

- (i) consolidation of the businesses presently being carried on by JKETL through the Lime Kiln Undertaking with the businesses of the Company shall be beneficial to the interests of the shareholders, creditors and employees of both the companies and to the interests of public at large, as such consolidation shall create greater synergies between the businesses and shall facilitate the more effective utilisation of the Lime Kiln Undertaking by utilisation of the management, administrative, technical skills and resources of the Company;
- (ii) creation of value for shareholders of the Company;
- (iii) creation of greater management focus and easier, speedy decision process to achieve strategic advantage;
- (iv) better administration and cost reduction (including reduction in administrative and other common costs);
- (v) alignment, coordination and streamlining of day to day operations of businesses; and
- (vi) creation of synergies of operations besides economies of administrative and managerial costs by combining operations, which will result in improved performance and enhance shareholders' value.

### **B. Salient Features of the Scheme:**

- (i) The Scheme contemplates the transfer of the Lime Kiln Undertaking from JKETL to the Company as a going concern on slump sale basis with effect from April 01, 2013, i.e., the Appointed Date;
- (ii) The Company shall pay an amount of Rs. 159 lac to JKETL as lump sum purchase consideration in terms of the Scheme, upon approval of the Scheme by the relevant Court(s);
- (iii) Upon the Scheme becoming effective and upon the arrangement becoming operative, the Company shall account for the transactions contemplated in this Scheme at its purchase cost and apportion it appropriately.
- (iv) The loss arising in the books of the Company, as a result of the diminution in value of the investments made in JKETL by the Company shall be charged to the statement of profit and loss of the Company.



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(v) An amount equivalent to the aforementioned diminution in value of the investments, i.e., Rs. 504.36 lac, shall be transferred from the securities premium reserve of the Company to its statement of profit and loss.

(vi) The Scheme has been drawn up in compliance with the conditions specified under the tax laws, specifically Section 2(42C) and other relevant Sections of the Income Tax Act, 1961.

The valuation report dated 15.7.2013 from M/s S.S. Kothari Mehta & Co., and fairness opinion dated 17.7.2013 of ICICI Securities Ltd., and other related documents were placed before the Board.

The Board considered the acquisition of the Lime Kiln Undertaking and the reduction of securities premium account of the Company through the Scheme.

The matter was discussed and the following resolution was passed:

RESOLVED that pursuant to the provisions of Sections 391 to 394, Section 78 and Sections 100 to 103 of the Companies Act, 1956 ("Companies Act") and other applicable provisions, if any, of the Companies Act, read with the rules and regulations made thereunder, and subject to requisite approvals of the shareholders and/or creditors of the Company and the High Court of Gujarat and other statutory/regulatory authorities as may be required, consent of the Board be and is hereby accorded for: (i) acquisition of the business and operations of JK Enviro-tech Limited (JKETL) insofar as it pertains to its Lime Kiln Undertaking (defined in the draft Scheme of Arrangement) by the Company, with effect from April 01, 2013, and (ii) reduction of securities premium account of the Company (which in terms of Section 78 of the Companies Act amounts to a reduction of the capital) by transferring an amount equivalent to the diminution in value of the investments of the Company in JKETL, i.e., an amount of Rs.5,04,36,444/-, from the securities premium reserve of the Company to its statement of profit and loss in terms of the Scheme;

RESOLVED further that the draft scheme of arrangement ("Scheme") for the transfer of the Lime Kiln Undertaking to the Company and the reduction of securities premium account as mentioned above, as placed before the Board, be and is hereby approved, and the consent of the Board be and is hereby accorded to seek appropriate dispensation from holding of meetings of the shareholders and/or creditors of the Company as may be approved by the relevant court(s);

RESOLVED further that Shri Harsh Pati Singhania, Vice-Chairman & Managing Director, Shri O.P. Goyal, Whole-time Director, Shri A.S. Mehta, President, Shri V. Kumaraswamy, Chief Finance Officer, Shri Suresh Chander Gupta, Secretary and Shri Ashok Gupta, Chief General Manager (Finance & Accounts) of the Company ("Authorised Persons") be and are hereby authorised severally to make such alterations or modifications in the draft Scheme as they may deem expedient or necessary for satisfying the conditions imposed by the relevant court(s) or any other regulatory authority in this regard, provided, however, the prior approval of the Board shall be obtained for making any material changes in the draft Scheme as approved by the Board herewith;



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RESOLVED further that all the Authorised Persons be and are hereby authorised severally to take all steps necessary in connection with the Scheme, including and without limitation the following:

(i) appoint solicitors, advocates, accountants, advisors, merchant bankers, consultants and other experts for implementation of the Scheme and fix their remuneration;

(ii) file the Scheme before the relevant court(s), and to do all such acts, deeds and things as they may deem necessary and desirable towards approval and sanction of the Scheme by the shareholders and creditors of the Company and by the relevant court(s);

(iii) execute and file appropriate applications, consents, waiver letters and other documents before the relevant court(s), for holding or dispensing with the requirement for holding meeting(s) of the shareholders and/or creditors of the Company and represent the Company in such meetings, if convened by the relevant court(s);

(iv) execute and file appropriate applications, consents, waiver letters and other documents before the relevant court(s), whether in its capacity as a shareholder or creditor of JKETL, for holding or dispensing with the requirement for holding a meeting of the shareholders and/or creditors of JKETL and represent the Company in such meetings, if convened by the relevant court(s);

(v) make applications to the relevant authorities or other persons for their approval to the Scheme and to make such disclosures to regulatory authorities as may be required for this purpose;

(vi) file appropriate petitions, affidavits, undertakings, etc., for confirmation of the Scheme by the relevant court(s), including filing appropriate company petition/application for reduction of securities premium reserve of the Company before the relevant court(s);

(vii) affix the Common Seal of the Company in accordance with the provisions of the Articles of Association of the Company on any documents executed or furnished by the Company in connection with this resolution, and to send the Common Seal of the Company to other places, if so required, to facilitate execution of such documents in connection with the Scheme;

(viii) make such alterations or modifications as any of them may deem expedient or necessary for satisfying the conditions as may be imposed by the court(s), any other statutory/regulatory authority or stock exchanges in this regard, including for making any changes in the draft Scheme to enable implementation of the proposed acquisition as approved by the Board through this resolution;

(ix) withdraw the Scheme at any stage in case any modifications suggested or required to be made in the Scheme or any condition imposed, whether by any shareholder, creditor, court(s), statutory/regulatory authority or stock exchanges, are in their view not in the interest of the Company, or if the Scheme cannot be implemented otherwise, and to do all such acts, deeds and things as any of them may deem necessary and desirable in connection therewith and incidental thereto;

(x) file and/or receive any other application, petition, affidavit or reports from Registrar of Companies, Regional Director or any other statutory/regulatory authority on or in connection with the Scheme or in connection with its sanction thereof, whether before the court(s), any other statutory/regulatory authority or stock exchanges, and to do all such acts, deeds and things as they may deem necessary and desirable in connection therewith and incidental thereto;



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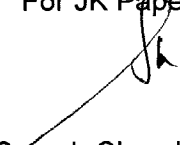
- (xi) represent the Company in general before any statutory/regulatory authority, stock exchanges or the court(s) in relation to any matter pertaining to the Scheme;
- (xii) ratify the actions already taken by the Committee of Directors and the Audit Committee of the Company in this regard; and
- (xiii) do all such other acts, matters, deeds and things necessary, incidental or desirable in connection with or incidental to giving effect to the purpose of the above resolution or to otherwise give effect to the Scheme including filing of a certified copy of the final order of the court(s) sanctioning the Scheme with the relevant Registrar of Companies;

RESOLVED further that each of the aforementioned Authorised Persons be and is hereby authorised severally to approve such actions as may be considered necessary and desirable for approval of the Scheme by the shareholders and/or creditors of the Company and the relevant court(s), and for implementation of the said Scheme after the same is sanctioned by the relevant court(s) and becomes effective, including but not limited to transfer of the Lime Kiln Undertaking from JKETL to the Company in general, approval of all other actions required for full and effective implementation of the sanctioned Scheme, and removal or resolution of all doubts and difficulties, and doing all such acts, deeds and things as may be considered necessary or desirable in connection therewith and incidental thereto;

RESOLVED further that the BSE Limited be and is hereby chosen as the designated stock exchange for the purposes of coordinating with the Securities and Exchange Board of India to seek its approval to the Scheme;

RESOLVED further that copies of this resolution, certified to be true by any Director or by the Company Secretary of the Company, be furnished to any authority, company, body corporate, etc., and they be requested to act thereon.

Certified to be true  
For JK Paper Limited

  
Suresh Chander Gupta  
Company Secretary

