

# APAR INDUSTRIES LIMITED



13th ANNUAL REPORT 2001-2002



## APAR INDUSTRIES LIMITED

Registered Office : 301, Panorama Complex,  
R. C. Dutt Road, Vadodara-390007 (Gujarat)

### Electronic Clearing Service (ECS) for Dividend

Dear Shareholder,

We would like to inform you that presently the facility of Electronic Clearing Service (ECS) is available at the following cities :

**a. Offered by Reserve Bank of India :**

Ahmedabad	Bangalore	Bhubaneshwar
Chandigarh	Chennai	Hyderabad
Jaipur	Mumbai	Nagpur
New Delhi	Thiruvanthapuram	Kolkata

**b. The Company is trying to make available this facility for shareholders of following cities in addition to the above :**

Vadodara	Surat	Agra	Bhopal	Coimbatore	Indore	Lucknow	Ludhiana	Panaji	Pune	Shimla
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If you are a Shareholder residing in one of the above cities and have bank account in one of these cities, you can avail of the ECS facility for receiving payment of dividend through direct credit to your designated bank account. ECS operates as follows :

1. Apar Industries Limited would instruct its dividend banker to credit your bank account on the dividend payable date and your account would get an immediate credit with marking 'ECS' for the amount of dividend.
2. This facility is available only for a transaction upto Rs. 5,00,000/-.
3. This is an alternative mode of payment and is optional. Shareholders have the right to withdraw from this mode of payment by giving an advance notice of 4 weeks.
4. If you are agreeable to participate in the new payment mechanism, you are requested to fill in the **Mandate Form** (ECS Form) given overleaf. The information to be supplied should be accurate and complete in all respects. The ECS Form should reach the Registered Office of the Company on or before 16th September, 2002. The shareholders opting for this facility would be intimated of credit instructions along with the certificate for deduction of tax, if any.
5. Shareholders not residing in the above-mentioned cities or who have not opted for ECS facility shall continue to receive the dividend warrants to their usual address registered with the Company.
6. The last date for submission of the ECS Form is 16th September, 2002, for receiving the Dividend through ECS for the financial year 2001-2002. The Company will not be responsible for non-receipt/late-receipt of ECS Forms.
7. Please note that the process of registration for payment of Dividend through ECS with our dividend Banker is in progress. Hence, the payment of dividend through ECS will be made only on completion of registration procedure with the dividend banker. The Company shall not be held responsible, if for any technical reasons, the payment of dividend under ECS facility is not made available to the shareholders. In such situation, the Company shall issue dividend warrant to the shareholders.
8. The shareholders, who are holding shares in Demat Form and wish to have the payment of Dividend under ECS facility are requested to furnish the details required as per column No. 3 of Mandate Form printed overleaf to their concerned Depository Participant (DP) on or before 13th September, 2002.

For Apar Industries Limited,

D. C. Patel

**Company Secretary**

Vadodara, 29th July, 2002

**P.S.** It may please be noted that it is obligatory on the part of shareholders who are entitled to receive dividend for the financial year 2001-2002, exceeding Rs. 2,500/- to furnish Income tax Permanent Account No. (PAN) so as to enable the Company to print PAN on the TDS certificate.

P.T.O.



**IN THE HIGH COURT OF GUJARAT AT AHMEDABAD**  
**ORIGINAL JURISDICTION**  
**COMPANY APPLICATION No. 177 of 2002**

In the matter of **Scheme of Arrangement** under  
Section 391 of the Companies Act, 1956

**And**

In the matter of **Scheme of Arrangement**  
between **APAR INDUSTRIES LIMITED** and its  
Equity Shareholders and Preference Shareholders  
(Series I & II)

**APAR INDUSTRIES LIMITED**, a Company incorporated  
under the Companies Act, 1956 and having its Registered  
Office at 301, Panorama Complex, R. C. Dutt Road,  
Vadodara-390007 (Gujarat)..... Applicant Company

**NOTICE CONVENING THE MEETING OF EQUITY SHAREHOLDERS**

To,  
Equity Shareholder(s) of the Applicant Company,

**TAKE NOTICE THAT** by an order made on 10th July, 2002, the Hon'ble High Court of Gujarat has directed that a meeting of Equity Shareholders of the Applicant Company be convened and held on Friday, the 27th September, 2002 at 11.00 A.M. at the Auditorium of The Vanijiya Bhavan, Central Gujarat Chamber of Commerce, Near GEB Head Office, Race Course, Vadodara-390007 for the purpose of considering and if thought fit, for approving with or without modifications, the Scheme of Arrangement and restructure in the nature of conversion of 10% Redeemable Cumulative Preference Share Capital (Series II) into 10% Non-convertible Redeemable Debentures.

**TAKE FURTHER NOTICE THAT** in pursuance of the said order, a meeting of the Equity Shareholders of the Company will be held on **Friday, the 27th September, 2002 at 11.00 A.M.** at the Auditorium of The Vanijiya Bhavan, Central Gujarat Chamber of Commerce, Near GEB Head Office, Race Course, Vadodara-390007 for the purpose of considering and if thought fit, for approving with or without modifications, the Scheme of Arrangement and restructure in the nature of conversion of 10% Redeemable Cumulative Preference Share Capital (Series II) into 10% Non-convertible Redeemable Debentures, **when you are requested to attend.**

**TAKE FURTHER NOTICE THAT** you may attend and vote at the said meeting in person or by proxy, provided that a proxy form, duly signed by you, is deposited at the Registered Office of the Company at 301, Panorama Complex, R.C.Dutt Road, Vadodara-390007 not later than 48 hours before the meeting.

The Court has appointed Dr. N.D.Desai, Chairman & Managing Director of the Company or failing him, Mr. C.N.Desai, Executive Director of the Company to be the Chairman of the Meeting.

A copy of each of the Scheme of Arrangement, Explanatory Statement under Section 393 and Form of Proxy are enclosed.

Dated this 11th day of July, 2002  
Place : Mumbai.

**Dr. N. D. Desai**  
Chairman appointed for the meeting

**Registered Office :**  
301, Panorama Complex,  
R.C.Dutt Road, Vadodara-390007 (Gujarat).

# IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

## ORIGINAL JURISDICTION

### COMPANY APPLICATION No. 177 of 2002

In the matter of **Scheme of Arrangement** under Section 391 of the Companies Act, 1956

And

In the matter of **Scheme of Arrangement** between **APAR INDUSTRIES LIMITED** and its Equity Shareholders and Preference Shareholders (Series I & II)

**APAR INDUSTRIES LIMITED**, a Company incorporated under the Companies Act, 1956 and having its Registered Office at 301, Panorama Complex, R. C. Dutt Road, Vadodara- 390007 (Gujarat).....

Applicant Company

### EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956

1. Pursuant to the Order dated 10th July, 2002 passed by the Hon'ble High Court of Gujarat at Ahmedabad in the Company Application referred to above, separate class meetings of the Equity Shareholders, Preference Shareholders (Series I), Preference Shareholders (Series II), Secured Creditors and Unsecured Creditors of the Company are being convened for the purpose of considering and if thought fit, approving with or without modifications, the Scheme of Arrangement between APAR INDUSTRIES LIMITED and its Equity Shareholders and Preference Shareholders (Series I & II), which is annexed to the Notice.
2. In this statement, Apar Industries Limited (Apar) is herein after referred as "the Company" as the context may admit and the other terms used herein shall have the meanings assigned in the Scheme of Arrangement (Scheme).
3. The Scheme has been approved by the Board of Directors of the Company at its meeting held on 31st May, 2002.
4. (a) The Company was incorporated under the Companies Act, 1956 on 28th September, 1989 under the name of Gujarat Apar Polymers Limited (GAPL). Consequent to the amalgamation of the industrial businesses of Apar Limited with GAPL as approved by the Hon'ble High Court of Gujarat, the name of GAPL has been changed to Apar Industries Limited on 19th April, 1999.  
 (b) The Registered Office of the Company is situated at 301, Panorama Complex, R.C.Dutt Road, Vadodara-390007 in the state of Gujarat.  
 (c) The present Authorised, Issued, Subscribed and Paid up Share Capital of the Company is set out in clause 2 of the Scheme.
5. The Company is engaged in the business of manufacturing and selling of Synthetic Rubbers & Lattices, Transformer Oils, Industrial Oils, Speciality Oils and Lubricants and Aluminium Conductors with or without steel core at its factory locations in the Gujarat, Maharashtra and Union Territory of Dadra & Nagar Haveli.
6. The proposed Scheme of Arrangement envisages that with effect from the Appointed Date, 1st April, 2002, 25,000,000 10% Redeemable Cumulative Preference Shares (Series II) of Rs. 10/- each aggregating to Rs. 250,000,000/- (Rs. 25 crores) shall, pursuant to the provisions contained in Section 391 read with the provisions of Sections 80, 81(1A), 100, 106 and 117 of the Companies Act, 1956, without any further act, deed, matter or thing be and shall stand converted or be deemed to be converted into 250,000 10% Non-Convertible Redeemable Debentures (NCDs) of Rs. 1000/- each aggregating to Rs. 250,000,000.
7. (a) The present industrial environment of the Country has become highly competitive in view of globalised free trade system under WTO regime. The success and survival of any industry mainly depend on cost effectiveness, which improves the margin of business. Amongst various measures taken by the Company for cost cutting / efficiency, the restructuring of Series II - Preference Share Capital of Rs. 250,000,000/- is also a part of it.  
 (b) Considering the present economic scenario, in order to ease out the pressure on the liquid funds of the Company, it is proposed under the present Scheme, the restructure of Series II Preference Share capital. Also with a view to minimize Company's cash outflow on account of simultaneous redemptions of Preference Shares of Series I and II, the Company proposes to convert its Preference Shares (Series II) into the Non-Convertible Redeemable Debentures. The proposed conversion is considered prudent to minimize Company's cash outflow and it is also beneficial for

the Company to pay 10% interest on debentures than payment of 10 % dividend on the Preference Shares because the cost of servicing the Preference Shares is higher than that of the Debentures. It is for the purpose of achieving such cost-efficiency and avoiding the simultaneous cash outflow, the Company has proposed the present Scheme.

8. The gist of terms of conversion of 25,000,000 - 10 % Redeemable Cumulative Preference Shares (Series II) of Rs. 10/- each aggregating to Rs. 250,000,000/- into Non-convertible Redeemable Debentures (NCDs) are as under :

- (a) 250,000 - 10 % NCDs of Rs. 1000/- each fully paid up, aggregating to Rs. 250,000,000/- shall be issued in the ratio of 1 NCD of Rs. 1000/- face value for every 100 Preference Shares (Series II) of Rs. 10/- each.
- (b) Since the above NCDs are to be issued on private placement basis and in accordance with the provisions of Section 391 of the Companies Act, 1956 under a Scheme of Arrangement to be approved by the Hon'ble High Court of Gujarat, no Prospectus or Offer Letter shall be issued for the issue of aforesaid NCDs. Accordingly, the relevant provisions of SEBI (Disclosures & Investors Protection) Guidelines, 2000 for the issue of Debentures, are not applicable to the Company.
- (c) Interest @ 10 % p.a. on face value of each NCD shall be payable on annual basis i.e. on 31st March, every year. First payment of interest for the period 1st April, 2002 to 31st March, 2003 shall due on 31st March, 2003. The unpaid interest, if any shall be accumulated in the books of accounts as liability.
- (d) NCDs shall be secured by way of mortgage of specified properties ranking second or third in priority of charge, subject to consent of Financial Institutions and Bankers and / or such other charge as may be approved by the financial institutions/banks. The Board of Directors of the Company shall have power with the consent of Series II Preference Shareholders / Debentureholders to vary or create such other security as may be agreed to by the existing chargeholders.

For securing the NCDs, the Board of Directors of the Company shall appoint suitable person or body corporate or bank as Trustee for the debentureholders.

- (e) Each NCD shall be redeemable in five equal installments at par on face value of Rs. 1,000/- in the following manner :

- 20% of face value (Rs. 200/- per NCD) on 31st March, 2007 (Rs. 5 crores);
- 20% of face value (Rs. 200/- per NCD) on 31st March, 2008 (Rs. 5 crores);
- 20% of face value (Rs. 200/- per NCD) on 31st March, 2009 (Rs. 5 crores);

- 20% of face value (Rs. 200/- per NCD) on 31st March, 2010 (Rs. 5 crores);
- 20% of face value (Rs. 200/- per NCD) on 31st March, 2011 (Rs. 5 crores).

Further, considering the financial position of the Company,

- (i) The Board of Directors of the Company shall have option / discretion to redeem the above NCDs for such amount and in such manner and at any time prior to the above schedule of redemption as the Board may decide.
- (ii) Similarly, with the consent of debentureholders, the Board of Directors of the Company may extend the aforesaid redemption period by roll over of NCDs for such amount and for such further period and on such terms and conditions as it may deem fit.
- (f) Upon payment of each installment fully or partially, the face value of each debenture shall stand reduced automatically to that extent and no interest shall accrue to the debentureholders on the amount paid towards full or part redemption of debenture.
- (g) Upon issue and allotment of aforesaid NCDs, the Preference Shares (Series II) shall stand automatically cancelled and of no value and would not be entitled to receive any dividend for the financial year 2002-2003 and accordingly, the said Preference Shares shall be deemed to be redeemed / paid in full in accordance with the provisions of Section 80 of the Companies Act, 1956. The rights, privileges and obligations attached to the Preference Shares in pursuance of relevant provisions of the Companies Act, 1956 shall get extinguished. However dividend on (Series II) Preference Share Capital @ 10% p.a. for the financial year 2001-2002 (upto the Appointed date) has been recommended by the Board of Directors of the Company and the same will be paid by the Company to its holders as on the 31st May, 2002, after the same is declared at the next Annual General Meeting of shareholders of the Company.
- (h) In terms of Section 117C read with clarification issued by the Deptt. of Company Affairs vide its General Circular No. 9/2002 dated 18/4/2002, a Debenture Redemption Reserve (DRR) of total amount of Rs. 62,500,000, which is equal to 25% of the aggregate face value of NCDs, shall be created out of the Profits of the Company, beginning from the financial year 2002-2003 over a period until the debentures are fully redeemed in such amounts as the Board of Directors shall determine from time to time, and the DRR amount shall be utilised for redemption of these NCDs only.
- (i) NCDs shall be transferrable in accordance with the applicable provisions of the Companies Act, 1956 but



NCDs shall not be listed with any Stock Exchanges in India or abroad.

- (j) The holders of NCDs shall not have any right of voting at any of the meetings of shareholders nor they have priority in claiming their dues in the event of winding up of the Company.

The shareholders / creditors are requested to read in detail the entire text of the Scheme of Arrangement. The aforesaid are the only salient features of the Scheme.

9. With a view to provide greater level of transparency and openness and to secure full involvement of all Equity Shareholders, Preference Shareholders and Secured and Unsecured Creditors of the Company, the Board of Directors has decided to present this proposal as a Scheme of Arrangement under Section 391 of the Companies Act, 1956.
10. The Directors of the Company are deemed to be interested in the proposed Scheme to the extent of their holdings of Equity Shares and Preference Shares (Series I & II) in the Company, particulars whereof are given in the Register of Directors' Shareholding which is available for inspection at the Registered Office of the Company.
11. There is no likelihood that any Secured or Unsecured Creditors of the Company would lose or be prejudiced as a result of the proposed Scheme being passed. The latest audited Accounts for the year ended 31st March, 2002 indicate that the Company would be easily able to meet the liabilities as they arise in the course of business. In view of this, the Scheme does not affect the interest of Equity Shareholders, Preference Shareholders (Series I) or any class of Creditors.
12. The Company shall make application(s)/petition(s) under Section 391 of the Companies Act, 1956 to the Hon'ble High Court of Gujarat at Ahmedabad for sanctioning of the Scheme.
13. No investigation proceedings have been instituted or are pending under Sections 235 to 251 of the Companies Act, 1956 against the Company.
14. In the event that any of the sanctions and approvals upon which the Scheme is conditional not being obtained or if for any reason, this Scheme cannot be implemented or does not otherwise become effective on or before 31st March, 2003, or within such further period or periods as may be approved by the Board, then the Scheme shall become null and void and all costs, charges and expenses in connection with the Scheme shall be borne by the Company.
15. The Equity Shares, Preference Shares (Series I & II) held by the directors of the Company either singly or jointly, where their names appeared first in order as on 31st May, 2002 are as under :

Sr. No.	Name of the Directors	No. of Shares held		
		Equity	Preference (Series I)	Preference (Series II)
1.	Dr. N. D. Desai	4542592	282521	5000000
2.	Smt. S. D. Desai	557198	17710	—
3.	Shri V. A. Gore	—	—	—
4.	Dr. N. K. Thingalaya	—	—	—
5.	Shri F. B. Virani	12856	—	—
6.	Shri Cyril S. Shroff	180	1320	—
7.	Shri V. D. Shinde	—	—	—
8.	Shri K. N. Desai	4678163	965909	3000000
9.	Shri C. N. Desai	4736666	1003878	3500000
10.	Shri M. M. Patel	800	—	—
<b>TOTAL</b>		<b>14528455</b>	<b>2271338</b>	<b>11500000</b>
<b>% to Total Capital</b>		<b>69.83 %</b>	<b>28.98 %</b>	<b>46.00 %</b>

16. Briefly stated, the financial position of Apar Industries Limited as on 31st March, 2002 is as under :

Rs. in lacs

Liabilities	Amounts	Assets	Amounts
Share Capital	5362.61	Fixed Assets	8848.62
Reserves & Surplus	2122.82	Investments	4.28
Loan Funds	14165.62	Net Current Assets	13238.60
Deferred Taxation Liability (Net)	1674.95	Miscellaneous Expenditure	1234.50
<b>Total</b>	<b>23326.00</b>	<b>Total</b>	<b>23326.00</b>

17. Copies of the following are open for inspection at the Registered Office of the Applicant Company at 301, Panorama Complex, R.C. Dutt Road, Vadodara 390 007 on all working days except Sundays till the date of the meeting between 10.00 A.M. to 3.00 P.M. :
- Memorandum and Articles of Association of the Company.
  - Annual Report and Accounts of the Company for the financial year ended 31st March, 2002.
  - Copy of Board resolution approving the Scheme of Arrangement, passed by the Board of Directors at its meeting held on 31st May, 2002.
  - Order dated 10th July, 2002 passed by the Hon'ble High Court of Gujarat in Company application No. 177 of 2002.
  - Scheme of Arrangement.

This statement shall be treated as an Explanatory Statement under Section 173 as also under Section 393 of the Companies Act, 1956.

Dated this 11th day of July, 2002  
Place : Mumbai.

**Dr. N. D. Desai**  
Chairman appointed  
for the meeting

**Registered Office :**  
301, Panorama Complex,  
R.C. Dutt Road,  
Vadodara-390007 (Gujarat).

## Scheme of Arrangement

( Under Section 391 of the Companies Act,1956 )

between

**APAR INDUSTRIES LIMITED**

... **"THE COMPANY"**

And

**ITS EQUITY SHAREHOLDERS AND  
PREFERENCE SHAREHOLDERS  
(Series I & II)**

... **"THE MEMBERS"**

### 1. Definitions :

In this Scheme, unless repugnant to the subject or context, the following expression shall have the following meanings :

- 1.1 **"Act"** means the Companies Act, 1956 and shall include any statutory modifications and / or any statutory re-enactments thereof from time to time.
- 1.2 **"Scheme"** means this Scheme of Arrangement between Apar Industries Limited (the Company / Apar) and its Equity Shareholders and Preference Shareholders (Series I & II) in relation to restructure / conversion of 10% Redeemable Cumulative Preference Shares (Series II) into 10% Non-Convertible Redeemable Debentures of the Company.
- 1.3 **"Appointed Date"** means 1st April, 2002.
- 1.4 **"Effective Date"** means the date of coming into effect of the Scheme that shall occur on the last of the dates specified in clause 6.4 of this Scheme.
- 1.5 **"Apar"** or **"the Company"** means Apar Industries Limited, a Company incorporated under the Companies Act, 1956 and having its Registered Office at 301, Panorama Complex, R.C. Dutt Road, Vadodara 390007 in the State of Gujarat.
- 1.6 **"Members"** or **"the Shareholders"** means Equity Shareholders and Preference Shareholders ( Series I & II ) of the Company unless the context otherwise requires or specifically mentioned.
- 1.7 **"Series II Preference Share Capital"** means Preference Shares issued and allotted as specified in Clause 3.1 of this Scheme.

### 2. Share Capital :

The capital structure of Apar (the Company) as on 31st March, 2002 is as under :

Authorised Capital :	Rupees
26,000,000 Equity Shares of Rs.10/- each amounting to	260,000,000
49,000,000 Redeemable Preference Shares of Rs. 10/- each amounting to	490,000,000
<b>Total :</b>	<b><u>750,000,000</u></b>

### Issued, Subscribed and Paid up :

Rupees

(a)	20,806,045	Equity Shares of Rs.10/- each fully paid up amounting to	208,060,450
		Less : Calls unpaid	22,449
			<b><u>208,038,001</u></b>
(b)	7,838,785	10% Redeemable Cumulative Preference Shares of Rs. 10/- each (Series I) fully paid up amounting to	78,387,850
		Less : Calls unpaid	164,644
			<b><u>78,223,206</u></b>
(c)	25,000,000	10% Redeemable Cumulative Preference Shares of Rs. 10/-each (Series II) fully paid up amounting to	<b><u>250,000,000</u></b>

### 3. Series II Preference Share Capital :

- 3.1 In terms of the Scheme of Arrangement (Amalgamation) between Gujarat Apar Polymers Limited (GAPL), Apar Limited and their respective members, which was approved by the Hon'ble High Court of Gujarat under Section 391/394 of the Companies Act, 1956, the Company has issued and allotted 25,000,000 10% Redeemable Cumulative Preference Shares ( Series II ) of Rs. 10 /- each aggregating to Rs. 250,000,000/- (Rs. 25 crores) to eight members of Apar Limited. These shares have been issued effective from 19th April, 1999 in terms of Clause 3.15 of the aforesaid Scheme in consideration / extinguishment of loans and advances made by them for Industrial Business of Apar Limited.
- 3.2 As per the terms of issue, Series II Preference Share Capital is to be redeemed at par in three installments as under :-
  - 30% of face value (Rs. 3 per share) on 1.4.2003; (Rs. 7.5 crores)
  - 30% of face value (Rs. 3 per share) on 1.4.2004; (Rs. 7.5 crores)
  - 40% of face value (Rs. 4 per share) on 1.4.2005; (Rs. 10.0 crores).



The terms of issue of the above shares do not specifically provide for convertibility of the same into Equity Shares or Debentures or any other debt instrument before its due date of first installment for redemption or at any subsequent date.

- 3.3 Series II Preference Shares are not listed at any of the Stock Exchanges as they are held by members of the Promoter group only. The Equity Shares and Preference Shares (Series I) of the Company are listed with the Stock Exchanges in India.

#### 4. Conversion of Series II Preference Share Capital :

- 4.1 Upon the Scheme being effective but with retrospective effect from the Appointed Date, 25,000,000 10 % Redeemable Cumulative Preference Shares (Series II) of Rs. 10/- each aggregating to Rs. 250,000,000/- (Rs. 25 crores) shall, pursuant to the provisions contained in Section 391 read with the provisions of Sections 80, 81(1A), 100, 106 and 117 of the Act, without any further act, deed, matter or thing be and shall stand converted or be deemed to be converted into 250,000 - 10% Non-Convertible Redeemable Debentures (NCDs) of Rs. 1000/- each aggregating to Rs. 250,000,000/-.

- 4.2 With effect from the Appointed Date and upto and including the Effective date, the said Series II Preference Share Capital shall be deemed to be 10% Non-Convertible Redeemable Debentures in the books of the Company.

- 4.3 In consideration of the provisions of the Scheme, and upon it becoming effective, the existing Authorised Share Capital of Rs. 750,000,000 of the Company shall not change. However, the paid-up share capital of the Company shall be reorganised and the rights attached to the existing Preference Shares (Series II) of the Company shall be varied in pursuance of Section 106 of the Act in the manner and terms & conditions appearing hereinafter below. The provisions of this part shall operate, notwithstanding anything to the contrary in this Scheme or in any other instrument, deed or writing.

#### 4.4 Reorganisation of the Share Capital :

- (a) Notwithstanding anything to the contrary, and in view of projected profitability and with a view to minimize Company's cash outflow on account of simultaneous redemptions of Preference Shares of Series I & II, the paid up Preference Share Capital (Series II) of the Company as on 1-4-2002 shall be restructured by way of variation of rights attached to the existing Preference Shares (Series II) in pursuance of Section 106 read with the applicable provisions of Sections 80, 81(1A), 100 and 117 of the Act as under :

For every 100 (Hundred) fully paid Preference Shares (Series II) held by shareholders whose names appear in the Company's Register of

Members on a date to be fixed by the Board of Directors of the Company or any committee thereof (hereinafter referred to as the "Specified Date"), shall be issued and allotted, 1 (One) - 10% Non-convertible Redeemable Debenture of the face value of Rs.1000/- each of the Company, on which interest will accrue from the Appointed Date.

- (b) The reorganised / restructured, issued and paid up Share Capital of the Company would be:

	Rupees
(i) 20,806,045 - Equity Shares of Rs.10/- each fully paid up amounting to	208,060,450
Less : Calls unpaid	22,449
	<u>208,038,001</u>
(ii) 7,838,785 - 10% Redeemable Cumulative Preference Shares of Rs. 10/- each (Series I) fully paid up amounting to	78,387,850
Less : Calls unpaid	164,644
	<u>78,223,206</u>

- (c) Upon coming into effect of the Scheme, the Preference Shareholders of Series II of the Company, shall surrender their Preference Share certificates for cancellation thereof. Notwithstanding anything to the contrary, upon the coming into effect of the Scheme, the existing Preference Share certificates of Series II shall stand automatically cancelled and shall be replaced by the issue of aforesaid 250,000 - 10% Non-convertible Redeemable Debentures of the face value of Rs.1000/- each aggregating to Rs. 250,000,000/- in the Company.

#### 5. Terms & Conditions of Conversion / Issue of Debentures :

The gist of terms of conversion of 25,000,000 - 10 % Redeemable Cumulative Preference Shares (Series II) of Rs. 10/- each aggregating to Rs. 250,000,000/- into Non-convertible Redeemable Debentures (NCDs) are as under :

- 5.1 250,000 - 10 % NCDs of Rs. 1000/- each fully paid up, aggregating to Rs. 250,000,000/- shall be issued in the ratio of 1 NCD of Rs. 1000/- face value for every 100 Preference Shares (Series II) of Rs. 10/- each.
- 5.2 Since the above NCDs are to be issued on private placement basis and in accordance with the provisions of Section 391 of the Companies Act, 1956 under a Scheme of Arrangement to be approved by the Hon'ble High Court of Gujarat, no Prospectus or Offer Letter shall be issued for the issue of aforesaid NCDs. Accordingly, the relevant provisions of SEBI (Disclosures & Investors Protection) Guidelines, 2000 for the issue of Debentures, are not applicable to the Company.
- 5.3 Interest @ 10 % p.a. on face value of each NCD shall

be payable on annual basis i.e. on 31st March, every year. First payment of interest for the period 1st April, 2002 to 31st March, 2003 shall due on 31st March, 2003. The unpaid interest, if any shall be accumulated in the books of accounts as liability.

- 5.4 NCDs shall be secured by way of mortgage of specified properties ranking second or third in priority of charge, subject to consent of Financial Institutions and Bankers and / or such other charge as may be approved by the financial institutions / banks. The Board of Directors of the Company shall have power with the consent of Series II Preference Shareholders / Debentureholders to vary or create such other security as may be agreed to by the existing chargeholders.

For securing the NCDs, the Board of Directors of the Company shall appoint suitable person or body corporate or bank as Trustee for the debentureholders.

- 5.5 Each NCD shall be redeemable in five equal installments at par on face value of Rs. 1000/- in the following manner :

- 20% of face value (Rs. 200/- per NCD) on 31st March, 2007 (Rs. 5 crores),
- 20% of face value (Rs. 200/- per NCD) on 31st March, 2008 (Rs. 5 crores),
- 20% of face value (Rs. 200/- per NCD) on 31st March, 2009 (Rs. 5 crores),
- 20% of face value (Rs. 200/- per NCD) on 31st March, 2010 (Rs. 5 crores),
- 20% of face value (Rs. 200/- per NCD) on 31st March, 2011 (Rs. 5 crores) .

Further, considering the financial position of the Company,

- (a) The Board of Directors of the Company shall have option / discretion to redeem the above NCDs for such amount and in such manner and at any time prior to the above schedule of redemption as the Board may decide.
- (b) Similarly, with the consent of debentureholders, the Board of Directors of the Company may extend the aforesaid redemption period by roll over of NCDs for such amount and for such further period and on such terms and conditions as it may deem fit.

- 5.6 Upon payment of each installment fully or partially, the face value of each debenture shall stand reduced automatically to that extent and no interest shall accrue to the debentureholders on the amount paid towards full or part redemption of debenture.

- 5.7 Upon issue and allotment of aforesaid NCDs, the Preference Shares (Series II) shall stand automatically cancelled and of no value and would not be entitled

to receive any dividend for the financial year 2002-2003 and accordingly, the said Preference Shares shall be deemed to be redeemed / paid in full in accordance with the provisions of Section 80 of the Companies Act, 1956. The rights, privileges and obligations attached to the Preference Shares in pursuance of relevant provisions of the Companies Act, 1956 shall get extinguished. However dividend on (Series II) Preference Share Capital @ 10% p.a. for the financial year 2001-2002 (upto the Appointed date) has been recommended by the Board of Directors of the Company and the same will be paid by the Company to its holders as on 31st May, 2002, after the same is declared at the next Annual General Meeting of shareholders of the Company.

- 5.8 In terms of Section 117C read with clarification issued by the Deptt. of Company Affairs vide its General Circular No. 9/2002 dated 18/4/2002, a Debenture Redemption Reserve (DRR) of total amount of Rs. 62,500,000, which is equal to 25 % of the aggregate face value of NCDs, shall be created out of the Profits of the Company, beginning from the financial year 2002-2003 over a period until the debentures are fully redeemed, in such amounts as the Board of Directors shall determine from time to time, and the DRR amount shall be utilised for redemption of these NCDs only.

- 5.9 NCDs shall be transferrable in accordance with the applicable provisions of the Companies Act, 1956 but NCDs shall not be listed with any Stock Exchanges in India or abroad.

- 5.10 The holders of NCDs shall not have any right of voting at any of the meetings of shareholders nor they have priority in claiming their dues in the event of winding up of the Company.

#### 6. General Terms and Conditions of the Scheme :

- 6.1 On the Scheme being agreed to by the requisite majorities of the members and creditors, the Company (Apar) shall with reasonable dispatch apply to the High Court of judicature at Gujarat, for sanctioning this Scheme of Arrangement under Section 391 of the Act and, if required, for an order or orders under Section 394 of the Act for carrying this Scheme into effect.

- 6.2 The Company, (by their Directors) or by any committee thereof may, in their full and absolute discretion, assent to any alteration or modification of this Scheme, which the Court or any other Competent Authority may deem fit to approve or impose and may give such direction as they may consider necessary to settle any question or difficulty arising under this Scheme or in regard to its implementation or in any matter connected therewith.

- 6.3 This Scheme is conditional upon and subject to :

- (a) The Scheme being agreed to by the requisite majorities of the members and creditors of the