

**SCHEME OF ARRANGEMENT AND DEMERGER**

**BETWEEN**

**English Indian Clays Limited**

**AND**

**Bharat Starch Products Limited**

**AND**

**Their Respective Shareholders and Creditors**

**(Under Sections 391 and 394 of the Companies Act,  
1956)**

## **Part-A**

### **INTRODUCTION AND DEFINITIONS**

#### **1. Introduction**

- A. English Indian Clays Limited ("EICL"), a company incorporated under the Companies Act, 1956, and having its registered office at TC-79/4, Veli, Thiruvananthapuram 695 021 (Kerala) is engaged in the business of clay mining & refining and manufacturing of starch and allied products. EICL interalia also has an Investments Division.

(EICL is hereinafter also referred to as the "Transferor Company")

- B. Bharat Starch Products Limited ("BSPL") is an unlisted company incorporated under the Companies Act, 1956, having its registered office at N-75, Connaught Circus, New Delhi – 110 001

(BSPL is hereinafter also referred to as Transferee Company)

- C. This Scheme (as defined below) envisages restructuring of EICL by demerging the Investments Division into BSPL.

- D. The proposed demerger of the Investments Division, envisaged in this Scheme, is envisaged to achieve the following business and commercial objectives and will result in the following benefits for the transferor and the transferee companies :

- i) Demerger of the Investments Division would enable EICL to focus on and enhance its core manufacturing business operations by streamlining operations and cutting costs;
- ii) The Scheme will enable both EICL and BSPL to rationalize and streamline their management, businesses and finances and to eliminate duplication of work to their respective advantage.
- iii) The Scheme is beneficial to both the companies, their shareholders, creditors, employees and all stakeholders and will enable both companies to achieve and fulfill their objectives more efficiently and economically. The Scheme will contribute in furthering and fulfilling the objects of the both companies and in the growth and development of their business.

- E. 'EICL (Residual)' means EICL and its remaining businesses after giving effect to the demerger of the Investments Division as envisaged in the Scheme.

- F. The Scheme has been approved by the respective Boards of Directors of EICL and BSPL and it has been decided to make the requisite application/ petition before the Hon'ble High Court of Kerala and the Hon'ble High Court at Delhi

(together the "Hon'ble High Courts") for seeking the necessary directions and the sanction of this Scheme.

## **2. Definitions**

In this Scheme, unless repugnant to the subject or context or meaning thereof, the following expressions shall have the meanings as set out herein below:

- 2.1 "Act" means the Companies Act, 1956, and will include any statutory modifications, re-enactments or amendments thereof.
- 2.2 "Appointed Date" means 1 April 2007 or such other date as may be approved by the Hon'ble High Courts.
- 2.3 "Effective Date" means the date on which the Scheme shall become effective pursuant to Clause 8.2 (ii) of this Scheme.
- 2.4 "Demerged Undertaking" of EICL shall mean the Investments Division of EICL consisting of the following:
- (a) All the business, assets and properties, and liabilities and obligations of EICL as on the Appointed Date, belonging to, or forming part of, or relating or appertaining to, or attributable to the division identified as the Investments Division of EICL, and shall include without limitation:
    - i) Investments, shares and securities held;
    - ii) Land, building, plant and machinery, equipments, furniture and fixture, vehicles and any other fixed asset;
    - iii) All current assets, inventory, stock-in-trade, account receivables, loans and advances and other assets;
    - iv) Security deposits, earnest monies, advance lease rentals or other payments made to the lessors or suppliers;
    - v) Rights, powers, authorities, permits, quotas, allotments, approvals, consents, letters of intent, industrial and other licenses, registrations, contracts, leasehold rights, engagements, other rights, title and interests, powers, facilities, privileges, benefits including tax benefits, concessions and advantages of any nature whatsoever; and
    - vi) Any and all patents, trade marks, trade names, copy rights, designs, and other industrial or intellectual property owned or licensed,
    - vii) All permanent employees of EICL engaged in or in relation to the investments Division at their respective offices;
  - (b) All the liabilities, debts, reserves, duties and obligations (including moneys held in trust), whether disclosed or undisclosed, of EICL as at the Appointed Date hereof, belonging to, or forming part of, or

relating or appertaining to, or attributable to the division identified as the Investments Division, including without limitation, the obligations or burdens attached or relating to the Assets and Properties of the Investments Division.

2.5 "Record Date" shall have the meaning assigned to such term in Clause 7.1 of the Scheme.

2.6 "Scheme" means this Scheme of Arrangement and Demerger in its present form and with any modifications approved by the Hon'ble High Court of Kerala and the Hon'ble High Court at Delhi and accepted by the Board of Directors of the transferor and transferee Company.

The expressions which are used in this Scheme and not defined in this Scheme shall, unless repugnant or contrary to the context or meaning hereof, have the same meaning ascribed to them under the Act and other applicable laws, rules, regulations, bye-laws, as the case may be, or any statutory modification or re-enactment thereof from time to time.

**PART- B**

**Section-1**

**3. Capital Structure**

3.1 The capital structure of EICL and BSPL as on 31 March 2007 is as under:

**English Indian Clays Limited:**

<b>Authorized Share Capital</b>	<b>Amount in Rs.</b>
8,000,000 Equity Shares of Rs.10/- each	80,000,000
3,000,000 Preference Shares of Rs. 100/- each	<u>300,000,000</u>
<b>Total</b>	<b><u>380,000,000</u></b>
<b>Issued, Subscribed and Paid Up Share Capital</b>	
4,468,979 Equity Shares of Rs.10/- each fully paid up	44,689,790
3,000,000 Redeemable Preference Shares of Rs. 100/- Each fully paid up	<u>300,000,000</u>
<b>Total</b>	<b><u>344,689,790</u></b>

**Bharat Starch Products Limited:**

<b>Authorized Share Capital</b>	<b>Amount in Rs.</b>
10,00,000 Equity Shares of Rs.10/- each.	10,000,000
<b>Total</b>	<b><u>10,000,000</u></b>
<b>Issued, Subscribed and Paid Up Share Capital</b>	
50,000 Equity Shares of Rs.10/- each	<u>5,00,000</u>
<b>Total</b>	<b><u>5,00,000</u></b>

## **Section-2**

### **4. Reorganization of Share Capital of BSPL**

- 4.1 Conditional upon the Scheme becoming effective and with effect from the Appointed Date, the existing paid-up equity capital of BSPL shall be reorganized as detailed hereunder, so as to bring it in line with the value of the Demerged Undertaking.
- 4.2 The paid-up equity share capital of BSPL of Rs.5,00,000 divided into 50,000 equity shares of Rs. 10/- each shall stand reduced to Rs.5,000/- divided into 500 equity shares of Rs. 10/- each, without extinguishment or reduction of liability on the said shares and without any payment of the cancelled value of the said shares to the shareholders of BSPL. Conditional upon the Scheme becoming effective the existing shareholders of BSPL as on the Record Date shall, pursuant to such reorganization, receive such number of fully paid-up equity shares in the reorganized paid-up equity share capital of BSPL pro-rated accordingly as against their shareholding in BSPL as on the Record Date.
- 4.3 The equity shareholders of BSPL shall be issued fresh share certificates consequent upon such reorganization and consolidation, in lieu of or in the place of the certificates of equity shares of BSPL held by them. The original share certificates shall be deemed to be cancelled. The fresh share certificates of BSPL so issued shall be delivered to the equity shareholders, by registered post, irrespective of whether such equity shareholders surrender their old share certificates or not.
- 4.4 The amount of share capital of BSPL cancelled on reorganization thereof pursuant to Clause 4.2 above shall be recorded as and credited to the capital redemption reserve account of BSPL.
- 4.5 The reorganization of the share capital of BSPL mentioned hereinabove, resulting in reduction shall be conditional upon the Scheme becoming effective on the Effective Date. If this Scheme is for any reason whatsoever, not sanctioned by the Hon'ble High Courts, the reorganization resulting in reduction shall not become effective.
- 4.6 There being no extinguishment or reduction of liability or payment in the proposed reorganisation of share capital of BSPL, and the amount of reduction of capital proposed will continue to be with BSPL in the form of a reserve and the post-Scheme paid-up equity share capital and capital redemption reserves of BSPL shall be augmented substantially, BSPL shall not be required to use the words "and reduced" as part of its corporate name and such use is dispensed with.

### **Section-3**

#### **5. Vesting of Demerged Undertaking**

- 5.1 Subject to the provisions of the Scheme in relation to the modalities of demerger, on occurrence of the Effective Date, the whole of the business, personnel, property, assets and liabilities of EICL relating to the Demerged Undertaking shall stand transferred to and be vested in BSPL, without any further act or deed, and by virtue of the Orders passed by the Hon'ble High Court of Kerala and the Hon'ble High Court at Delhi in the following manner:
- a) With effect from the Appointed Date, the Demerged Undertaking shall stand transferred to and be vested in BSPL without any further deed or act, together with all the properties, assets, investments, rights, benefits, concessions and interest therein, subject to existing charges thereon in favour of banks and financial institutions, as the case may be, as follows:
  - b) With effect from the Appointed Date, all the assets of EICL relating to the Demerged Undertaking as are movable in nature or incorporeal property or are otherwise capable of transfer by manual delivery or by endorsement and delivery or by vesting and recordal pursuant to this Scheme, shall stand vested in BSPL, and shall become the property and an integral part of BSPL. The vesting pursuant to this sub-clause shall be deemed to have occurred by manual delivery or endorsement and delivery, as appropriate to the property being vested and title to the property shall be deemed to have been transferred accordingly.
  - c) With effect from the Appointed Date, all movable property of EICL relating to Demerged Undertaking other than those specified in sub-clause (b) above, including sundry debtors, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with Government, semi-Government, local and other authorities and bodies, customers and other persons shall without any act, instrument or deed become the property of BSPL.
  - d) With effect from the Appointed Date, all immovable property (including land, buildings and any other immovable property) of EICL, relating to the Demerged Undertaking whether freehold or leasehold and any documents of title, rights and easements in relation thereto shall stand transferred to and be vested in BSPL, without any act or deed done by EICL or BSPL. With effect from the Appointed Date, BSPL shall be entitled to exercise all rights and privileges and be liable to pay ground rent, taxes and fulfil obligations, in relation to or applicable to such immovable properties. The mutation/substitution of the title to the immovable properties shall be made and duly recorded in the name of BSPL by the appropriate authorities pursuant to the sanction of the Scheme by the Hon'ble High Court of Kerala

and the Hon'ble High Court at Delhi and the Scheme becoming effective in accordance with the terms hereof.

- e) With effect from the Appointed Date, all debts, liabilities, contingent liabilities, duties and obligations, secured or unsecured, whether provided for or not in the books of accounts or disclosed in the balance sheets of EICL relating to the Demerged Undertaking, shall be deemed to be the debts, liabilities, contingent liabilities, duties and obligations of BSPL.
- f) With effect from the Appointed Date, the borrowing limits of EICL relating to the Demerged Undertaking, shall be treated as the borrowing limits of BSPL and consequently, the borrowing limits of BSPL shall stand increased to that extent.
- g) Without prejudice to the generality of the provisions contained herein, all loans relating to Demerged Undertaking, raised after the Appointed Date but before the Effective Date and liabilities incurred by EICL relating to Demerged Undertaking after the Appointed Date but before the Effective Date for its operations shall be deemed to be those of BSPL.
- h) With effect from the Appointed Date, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to EICL relating to the Demerged Undertaking to which EICL is a party or to the benefit of which it may be eligible, and which are subsisting or having effect immediately before the Effective Date, shall be in full force and effect against or in favour of BSPL and may be enforced as fully and effectually as if, instead of EICL, BSPL had been a party or beneficiary or obligee thereto. Any contingent liabilities arising out of or in connection with the assignment of sales tax deferrals by EICL relating to the Demerged Undertaking to any third party between the Appointed Date and the Effective Date shall be deemed to be that of BSPL with effect from the Appointed Date.
- i) With effect from the Appointed Date, all permits, quotas, rights, entitlements, licenses including those relating to trademarks, tenancies, patents, copy rights, privileges, powers, facilities of every kind and description of whatsoever nature in relation to EICL relating to the Demerged Undertaking to which EICL is a party or to the benefit of which EICL may be eligible and which are subsisting or having effect immediately before the Effective Date, shall be enforceable as fully and effectually as if, instead of EICL, BSPL had been a party or beneficiary or obligee thereto.
- j) With effect from the Appointed Date, any statutory licenses, no-objection certificates, permissions or approvals or consents relating to the Demerged Undertaking, required to carry on operations of EICL or granted to EICL shall stand vested in or transferred to BSPL without further act or deed, and shall be appropriately transferred or assigned by the statutory authorities concerned therewith in favour of BSPL upon the demerger of the Demerged Undertaking of EICL pursuant to this Scheme. The benefit of all statutory

and regulatory permissions, including the statutory licenses, permissions or approvals or consents relating to the Demerged Undertaking, required to carry on the operations of EICL shall vest in and become available to BSPL pursuant to this Scheme. The relevant or concerned statutory authorities and licensors shall endorse and/or mutate or record the separation, upon the filing of the Scheme as sanctioned with such authorities and licensors after the same becomes effective, so as to facilitate the continuation of operations in BSPL without hindrance or let from the Appointed Date.

- k) BSPL shall, 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, execute deeds of confirmation or other writings or arrangements with any party to any contract or arrangement in relation to EICL to which EICL is a party, in order to give formal effect to the above provisions. BSPL shall, under the provisions of this Scheme, be deemed to be authorized to execute any such writings on behalf of EICL and to carry out or perform all such formalities or compliances referred to above on part of EICL.
- l) With effect from the Appointed Date, BSPL shall bear the burden and the benefits of any legal or other proceedings relating to the Demerged Undertaking, initiated by or against EICL.

Provided however, all legal, administrative and other proceedings relating to the Demerged Undertaking, of whatsoever nature by or against EICL pending in any court or before any authority, judicial, quasi judicial or administrative, any adjudicating authority and/or arising after the Appointed Date and relating to EICL, or its respective properties, assets, debts, liabilities, duties and obligations shall be continued and/or enforced until the Effective Date by or against EICL; and from the Effective Date, shall be continued and enforced by or against BSPL in the same manner and to the same extent as would or might have been continued and enforced by or against EICL, had the Scheme not been made. On and from the Effective Date, BSPL shall have the right to initiate or defend any legal proceedings relating to the Demerged Undertaking, in relation to EICL in the same manner and to the same extent as would or might have been initiated by EICL as the case may be, had the Scheme not be made.

If any suit, appeal or other proceedings relating to the Demerged Undertaking, of whatever nature by or against EICL be pending, the same shall not abate, be discontinued or in any way be prejudicially affected by reason of the demerger of the Demerged Undertaking of EICL or of anything contained in this Scheme but the proceedings may be continued, prosecuted and enforced by or against BSPL in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against EICL as if this Scheme had not been made.

- m) On occurrence of the Effective Date, all persons relating to the Demerged Undertaking that were employed by EICL immediately before such date, shall become employees of BSPL with the benefit of continuity of service on same terms and conditions as were applicable to such employees of EICL immediately prior to the demerger and without any break or interruption of service. It is clarified that the employees of EICL who become employees of BSPL by virtue of this Scheme, shall continue to be governed by the terms of employment as were applicable to them immediately before the demerger and shall not be entitled to be governed by employment policies, and shall not be entitled to avail of any benefits under any scheme or settlement or otherwise that are applicable and available to any other employees of BSPL, unless and otherwise so stated by BSPL in writing in respect of all employees, class of employees or any particular employee. BSPL undertake to continue to abide by any agreement/settlement, if any, entered into by EICL with any its respective union/employee thereof. With regard to Provident Fund, Gratuity Fund, Super-annuation fund or any other special fund or obligation created or existing for the benefit of such employees of EICL relating to the Demerged Undertaking, upon occurrence of the Effective Date, BSPL shall stand substituted for EICL, for all purposes whatsoever relating to the obligation to make contributions to the said funds in accordance with the provisions of such schemes or funds in the respective trust deeds or other documents. The existing Provident Fund, Gratuity Fund and Super-annuation Fund Trusts or any other special fund or obligations, if any, created by EICL for employees relating to Demerged Undertaking shall be continued for the benefit of such employees on the same terms and conditions. With effect from the Effective Date, BSPL shall make the necessary contributions for such transferred employees of EICL relating to Demerged Undertaking, and deposit the same in Provident Fund, Gratuity Fund or Super-annuation Fund or any other special fund or obligations, where applicable. It is the aim and intent of the Scheme that all the rights, duties, powers and obligations of EICL in relation to such schemes or funds shall become those of BSPL.
- n) Loans or other obligations, if any, due between the Demerged Undertaking of EICL and BSPL shall stand discharged and there shall be no liability in that behalf.
- o) EICL shall take all steps as may be necessary to ensure that vacant, lawful, peaceful and unencumbered possession, right, title, interest of its immovable property relating to Demerged Undertaking is given to BSPL.
- p) With effect from the Appointed Date, all motor vehicles of any description whatsoever of EICL relating to Demerged Undertaking shall stand transferred to and be vested in BSPL, and without further act or deed, the appropriate governmental and registration authorities shall substitute the name of BSPL in place of EICL, for statistical records and registration purposes, as the case may be. Insurance policies relating to motor vehicles and third party insurances shall be transferred accordingly.

- q) With effect from the Appointed Date, all taxes relating to Demerged Undertaking, payable by EICL including all or any refunds of claims shall be treated as the tax liability or refunds/claims as the case may be of BSPL.
- r) BSPL shall be entitled to file/ revise their statutory returns and related tax payment certificates and to claim refunds, advance tax credits etc. as may be required consequent to the implementation of the Scheme.
- s) From the Effective Date and till such time as the name of BSPL is entered as the account holder in respect of all the bank accounts of EICL relating to Demerged Undertaking in the relevant banks' books of record, BSPL shall be entitled to operate the bank accounts of EICL relating to Demerged Undertaking.

## **Section – 4**

### **6. Conduct of Business**

- 6.1 With effect from the Appointed Date and until occurrence of the Effective Date:
  - a) EICL shall be deemed to carry on the businesses and activities and stand possessed of the properties and assets of the Demerged Undertaking for and on account of and in trust for BSPL; and all the profits accruing to EICL and all taxes thereon or losses arising or incurred by it with respect to the Demerged Undertaking shall, for all purposes, be treated as and deemed to be the profits or losses, as the case may be, of BSPL;
  - b) EICL shall carry on the businesses of the Demerged Undertaking with reasonable diligence and in the same manner as it had been doing hitherto, and EICL shall not alter or substantially expand the business of any Demerged Undertaking except with the written concurrence of the BSPL;
  - c) EICL shall not, without the written concurrence of BSPL, alienate, charge or encumber any of the properties of the Demerged Undertaking, except in the ordinary course of business or pursuant to any pre-existing obligation undertaken prior to the date of acceptance of the Scheme, as the case may be;
  - d) EICL shall not vary or alter, except in the ordinary course of business or pursuant to any pre-existing obligation undertaken prior to the date of acceptance of the Scheme, the terms and conditions of employment of any of its employees, nor shall it conclude any settlement with any union or the employees of the Demerged Undertaking, except with the written concurrence of BSPL.

- 6.2 With effect from the Effective Date, BSPL shall commence and carry on and shall be authorized to carry on the businesses of the Demerged Undertaking, carried on by EICL. BSPL will obtain all necessary approvals of the concerned authorities in this regard, if required.
- 6.3 For the purpose of giving effect to the demerger order passed under Sections 391 and 394 of the Act in respect of this Scheme by the Hon'ble High Court of Kerala and the Hon'ble High Court at Delhi, BSPL shall, at any time pursuant to the orders on this Scheme, be entitled to get the recordal of the change in the legal right(s) upon the demerger of the Demerged Undertaking of EICL in accordance with the provisions of Sections 391 and 394 of the Act. BSPL shall be authorised to execute any pleadings, applications, forms etc as are required to remove any difficulties and carry out any formalities or compliance as are necessary for the implementation of this Scheme.
- 6.4 BSPL unconditionally and irrevocably agrees and undertakes to pay, discharge and satisfy all the liabilities and obligations of the Demerged Undertaking of EICL and shall, at any time after the Effective Date, if required under any law or otherwise, or if so required by EICL (Residual), execute deeds of confirmation, in favour of any creditor of EICL (Residual), or in favour of any other party to any contract or arrangement to which EICL (Residual) is a party, in order to give effect to the foregoing provisions.

## Section 5

### 7. Capital Structure and Accounting Treatment

#### 7.1 Entitlement of members of EICL to receive shares of BSPL

- i) In accordance with the terms of this Scheme, upon demerger of the Demerged Undertaking to BSPL pursuant to the Scheme, BSPL shall, in consideration of such demerger, issue and allot, without further application, to every member of EICL, 4 (Four) Equity Share of Rs.10/- each par value, credited as fully paid-up in BSPL, for every 19 (Nineteen) equity shares of Rs.10/- each par value, fully paid-up held by such member in EICL, as on a record date to be determined by the Board of Directors or a Committee of the Board of Directors of EICL ("Record Date").
- ii) Further, for the purposes of the allotment referred in 7.1.i above, fractional entitlements shall be rounded-off to the next higher whole number.

#### 7.2 Option to receive Cumulative Redeemable Preference Shares ("CRPS") in lieu of Equity Shares of BSPL:

- i) Every shareholder of EICL entitled to receive equity shares of BSPL as on the Record Date (in this Clause, referred to as "Eligible Member") shall have an option to receive CRPS of Rs. 10/- each in lieu of his right to receive fully paid-up equity shares in BSPL in terms of clause 7.1 above, on the terms, in the manner and subject to the conditions detailed hereunder.
- ii) For every entitlement of Rs.10/- each par value fully paid-up equity share of BSPL, the Eligible Members shall have the option to receive 100 (one hundred) fully paid up CRPS of Rs.10/- each par value, to be exercised in the manner set out hereunder.
- iii) Further, for the purposes of the allotment referred in 7.2.ii above, fractional entitlements shall be rounded-off to the next higher whole number.
- iv) Terms of issue of CRPS

**Coupon:** The CRPS shall, subject to the provisions of the Articles of Association of BSPL and subject to the provisions of the Act, confer on the holders thereof a right to a fixed cumulative preferential dividend of 8% per annum in priority to the equity shares subject to deduction of taxes at source if applicable.

**Redemption:** The CRPS are redeemable on the expiry of ten years from the date of allotment thereof. However, BSPL shall have the right exercisable at its sole discretion, to redeem part or whole of the CRPS, any time after the expiry of one year from the date of allotment, in one or more tranches, by giving notice of not less than thirty days, to the holders of

CRPS. Such redemption, if any, shall be at face value, without any premium or discount, but shall be with the dividend accrued till such date of redemption, which will be treated as premium for the purpose of the redemption if BSPL has not declared the dividend on CRPS for any reasons whatsoever.

**Winding-up:** In the event of winding up of BSPL, the holders of CRPS shall have a right to receive repayment of the capital paid-up and arrears of dividend, whether declared or not, up to the commencement of winding up, in priority to any payment of capital on the equity shares out of the surplus of BSPL but shall not have any further right to participate in the profits or assets of BSPL.

- 7.3 The shares issued and allotted in BSPL as mentioned above shall be unlisted, namely, shall not be listed in any stock exchange and shall not have the facility of trading as in the case of shares held in EICL. The scheme, hereafter, however, provides for reasonable and fair exit route for all eligible members and minority shareholders for sale and disposal of their shares in BSPL acquired pursuant to the scheme. Therefore the non-listing of shares of BSPL including the shares to be issued to the eligible members will not adversely affect their rights regarding sale and disposal of shares. The exit routes provided hereinafter in the scheme are financially fair and reasonable. The equity shares of EICL shall continue to be listed.
- 7.4 Subject to the relevant approvals, the following further steps shall be taken by BSPL and EICL (Residual) for the implementation of this Scheme:
- (i) EICL (Residual) shall be constituted as the Registrar and Transfer Agent for the issue of shares in BSPL as provided herein. EICL (Residual) may delegate the powers and duties conferred and imposed on it pursuant to this sub-clause to such other person or persons as are, in the opinion of its Board of Directors, fit and proper for this purpose. Should EICL (Residual) delegate any such power and/or duty, the provisions of Clause 7.4 of this Scheme shall, to that extent, be construed as including a reference to such person or persons to whom it is duly delegated. In order to facilitate every Eligible Member to exercise such option available to him, EICL (Residual) shall send notices to each Eligible Member stating that he can exercise the aforesaid option.
  - (ii) Such notice will be dispatched by EICL (Residual) under certificate of posting within fifteen (15) days from the Record Date of EICL advising each Eligible Member of his entitlement to receive fully paid-up equity shares of BSPL pursuant to this Scheme, or in the alternative to opt for CRPS in lieu of his entitlement to equity shares of BSPL.
  - (iii) EICL (Residual) shall also publish a general notice in two newspapers, one in English with wide circulation and one in local

vernacular, both circulating in district Thiruvananthapuram, Kerala (where the registered office of EICL is situated), publishing therein particulars of the notice dispatched to individual members concerning the above option.

- (iv) Each Eligible Member shall be required to exercise the aforesaid option of either taking equity shares or CRPS by intimating EICL (Residual) in writing within a period of thirty-five (35) days from the date of dispatch of such notice by EICL.
- (v) If any Eligible Member does not receive any such notice from EICL (Residual) within a period of twenty days from the Record Date, he may intimate EICL (Residual) his option as mentioned above by way of an ordinary informal application giving therein the details of his shareholding in EICL, i.e., folio number/DP-ID & Client-ID, total number of shares held and certificate number in case shares are held in physical form, and the option exercised for receiving CRPS in lieu of entitlement to equity shares of BSPL indicating the number of equity share entitlements in BSPL in lieu of which the Eligible Member has opted for CRPS of BSPL.
- (vi) Pursuant to receipt of such options from Eligible Members, BSPL shall allot upto and not more than 1,50,55,060 CRPS of Rs. 10/- each aggregating to Rs. 15,05,50,0600/-, which represents aggregate CRPS entitlements of all Eligible Members in terms of item 7.2 (ii) above, being a maximum of 16% of fair value of fully paid-up equity shares which could have been issued in BSPL to such Eligible Members pursuant to this Scheme in the absence of such option to receive CRPS of BSPL.

## **7.5 Option to Eligible Members to sell their shares**

- (i) In addition, to the CRPS option outlined above, the eligible members of EICL, shall have an option to sell their equity shares in BSPL to the persons/entities listed for the purpose in Schedule I hereto. The persons/entities listed in Schedule I hereto shall make payment to all such shareholders at the rate of Rs 1000/- per fully paid up BSPL share. The said option shall remain open for a period of 1 year from the Record Date.
- (ii) If no response is received by EICL (Residual) from any Eligible Member within the period prescribed in item 7.4(iv) above, then, in such case, these shareholders shall be deemed to have opted for equity shares. Since the equity shares of the Transferee Company will not be listed and in order to give the equity shareholders an opportunity to exit at the price of the said shares on the basis of valuation done by M/s Price Waterhouse Coopers, the equity shareholders will be sent a form from the persons/entities described in Schedule I hereto giving the said equity shareholders the option to

sell the shares to which they are entitled to the persons/entities listed in Schedule I any time during the next 1 year at the rate of Rs. 1000/- per fully paid equity share of BSPL. On exercising such an option the equity shareholders will be sent the consideration by bankers cheque/demand draft forthwith from the persons/entities described above. The stamp duty for the transfer shall be borne by the persons/entities listed in Schedule I hereto for the purpose, on a pro rata basis.

- (iii) The persons/ entities listed in Schedule I hereto shall be deemed to include their nominees or assigns who accept in totality the terms of the Scheme.
  - (iv) EICL (Residual) shall, if so required, be entitled to issue letters of allotment for shares pending issue of share certificates. BSPL shall issue and allot equity shares in BSPL to such Eligible Member in terms of clause 7.1.i above.
  - (v) Those EICL shareholders who have not opted to receive CRPS in BSPL, will be issued and allotted share certificates (or letters of allotment in respect thereof), in BSPL as provided herein.
  - (vi) The promoters of the Transferor Company shall opt only for the equity shares of Transferee Company consequent upon the Scheme becoming effective.
  - (vii) Upon allotment, the said equity/preference shares in the capital of BSPL, to be issued to the shareholders of EICL, shall rank pari passu in all respects, with the existing equity/preference shares in BSPL from the Effective Date.
- 7.6 BSPL shall, upon the Scheme coming into effect, record the assets and liabilities of the Demerged Undertaking vested in it pursuant to this Scheme, at the respective book values thereof as appearing as on the Appointed Date in the books of EICL.
- 7.7 The excess, if any, of the value of the assets over the value of the liabilities of the Demerged Undertaking pursuant to this Scheme shall, after adjusting the value of the new shares issued by BSPL to the members of EIC pursuant to this Scheme, be recorded in the general reserve account in the books of BSPL. Such general reserves shall be treated as free reserves for all intents and purposes.
- 7.8 The deficit, if any, in the value of the assets over the value of the liabilities of the Demerged Undertaking pursuant to this Scheme shall, after adjusting the value of the new shares issued by BSPL to the members of EICL pursuant to this Scheme, be recorded as goodwill in the books of BSPL.

7.9 EICL shall, upon the Scheme coming into effect set off the difference in the value of the assets over the value of the liabilities of the Demerged Undertaking pursuant to this Scheme, against the balance in its existing reserves in the following order

- i) Capital Reserve
- ii) Share Premium;
- iii) General Reserves

7.10 Subject to modifications to the Scheme as may be approved by the Hon'ble High Court of Kerala and the Hon'ble High Court at Delhi on occurrence of the Effective Date, and the demerger of the Demerged Undertaking from EICL, as envisaged in this Scheme, the opening reference balance sheets of the Demerged Undertaking as at the Appointed Date shall appear as set forth in Schedule II hereto, and the opening reference balance sheet of EICL (Residual), as at the Appointed Date, shall appear as set forth in Schedule III hereto.

#### **7.11 Increase in Authorised Share Capital of BSPL**

On the Scheme becoming effective, the authorised share capital of BSPL of Rs. 1,00,00,000/- divided into 10,00,000 equity shares of Rs. 10/- each shall stand increased to Rs. 17,00,00,000/- divided into 10,00,000 equity shares of Rs. 10/- each and 1,60,00,000 CRPS of Rs. 10/- each. Accordingly, the capital clause of BSPL in its Memorandum and Articles of Association shall be substituted and shall read as follows:

"The Authorised Share Capital of the Company is Rs.17,00,00,000/- divided into 10,00,000 equity shares of Rs. 10/- each and 1,60,00,000 cumulative redeemable preference shares of Rs. 10/- each and the Company shall have power to issue shares at par or at a premium and to increase or reduce its capital and to divide the capital for the time being into several classes and attach thereto respectively such preferential, qualified, deferred, non-voting or special rights, privileges, conditions or restrictions attached thereto and as may be permissible by law and as may be determined by or in accordance with the Articles of Association of the Company for the time being in force, and to vary, modify or abrogate such rights, privileges or conditions in such manner as may be permitted by law and as may be provided by the Articles of Association of the Company, for the time being in force."

Between the date of the last of the Hon'ble High Courts sanctioning this Scheme and the Effective Date, BSPL shall make payment to the Registrar of Companies, Delhi, of the additional fees as may be required on the increase of Rs.16,00,00,000/- in the authorised share capital of BSPL under the Scheme.

## PART C

### **8. General Provisions**

#### **8.1 Applications to the Hon'ble High Courts**

On the Scheme being agreed to by the requisite majorities of the classes of the members and/or creditors of EICL and BSPL as may be directed by the Hon'ble High Court of Kerala and the Hon'ble High Court at Delhi, EICL and BSPL shall, with all reasonable dispatch, apply to the Hon'ble High Court of Kerala and the Hon'ble Delhi High Court of Kerala for sanctioning the Scheme under Sections 391, 394 and other applicable provisions of the Act, and for such other order or orders, as the said High Courts may deem fit for carrying this Scheme into effect.

8.1.1 In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of the EICL (Residual), the Board of Directors or any committee thereof of the EICL (Residual) shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in the EICL (Residual) as if such changes in the registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor or transferee of equity shares in the Transferee Company issued by the Transferee Company after the effectiveness of this Scheme.

8.1.2 For the purpose of issue of equity shares to the shareholders of the EICL (Residual), the Transferee Company shall, if and to the extent required, apply for and obtain the required statutory approvals including approval of Reserve Bank of India and other concerned regulatory authorities for the issue and allotment by the Transferee Company of such equity shares.

#### **8.2 Conditionality of Scheme**

(i) The Scheme is conditional upon and subject to:

- a. The Scheme being agreed to by the respective requisite majority of members and creditors of each of EICL and BSPL;
  - b. The Scheme being approved by the Hon'ble High Court of Kerala and the Hon'ble High Court at Delhi ; and
  - c. The certified copy of the order of the Hon'ble High Court of Kerala and the Hon'ble High Court at Delhi sanctioning this Scheme being filed with the Registrar of Companies at Kerala and Delhi;
  - d. Upon sanction of the Scheme by the Hon'ble High Court of Kerala and the Hon'ble High Court at Delhi, BSPL making payment of requisite amounts of registration fees and stamp duty, as may be applicable for increase in its authorized capital.
- (ii) This Scheme shall come into operation from the Appointed Date but shall not become effective until the last of the following dates, namely:
- a. the date on which the last of the aforesaid consents, approvals, permissions, resolutions and orders shall be obtained or passed; or
  - b. the date on which all necessary certified copies of orders under Sections 391 to 394 of the Act shall be duly filed with the Registrar of Companies, Kerala and Delhi.

### **8.3 Modification or Amendment**

- (iii) Each of EICL and BSPL (acting through their Board of Directors or committee thereof) may assent to any modifications or amendments to this Scheme which the Hon'ble High Court of Kerala and the Hon'ble High Court at Delhi and/or any other authorities may deem fit to direct or impose or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for implementing and/or carrying out the Scheme. Each of EICL and BSPL (acting through their Board of Directors or committee thereof) shall be and is hereby authorized to take such steps and do all acts, deeds and things as may be necessary, desirable or proper to give effect to this Scheme and to resolve any doubts, difficulties or questions whether by reason of any orders of the Hon'ble High Court of Kerala and the Hon'ble High Court at Delhi or of any directive or orders of any other authorities or otherwise howsoever arising out of, under or by virtue of this Scheme and/or any matters concerning or connected therewith.
- (iv) EICL and BSPL shall be at liberty to withdraw from this Scheme in case any condition or alteration imposed by the Hon'ble High Court

of Kerala and the Hon'ble High Court at Delhi or any other authority is not on terms acceptable to them.

#### **8.4 General Terms and Conditions**

- (i) All costs, charges, fees, taxes including duties (including the stamp duty, if any, applicable in relation to this Scheme), levies and all other expenses, if any (save as expressly otherwise agreed) arising out of or incurred in carrying out and implementing the terms and conditions or provisions of this Scheme and matters incidental thereto shall be borne and paid by EICL (Residual).
- (ii) In the event of non-occurrence of Effective Date before [] or within such further time as may be agreed to by the Boards of Directors of each of EICL and BSPL, this Scheme shall become null and void and in that case no rights and liabilities whatsoever shall accrue to or be incurred inter-se by the parties or their shareholders or creditors or employees or any other person. In such an event the aforesaid charges shall be borne by EICL.
- (iii) If any doubt or difference or issue arises between the parties hereto or any of their shareholders, creditors, employees and/or any person entitled to or claiming any right to any shares in EICL, as to the construction hereof, the same shall be referred to arbitration by a sole arbitrator appointed by EICL in accordance with the Arbitration and Conciliation Act, 1996, whose decision shall be final and binding on all concerned.

## **SCHEDULE – I**

Persons/entities for the purpose of acquiring equity shares in terms of Clause 7.5(i) of the Scheme of Arrangement and Demerger :-

1. Karun Carpets Pvt. Ltd.
2. DBH International Pvt. Ltd.

**SCHEDULE – II**

**BHARAT STARCH PRODUCTS LIMITED  
OPENING REFERENCE BALANCE SHEET AS AT 1.04.2007**

	SCHEDULE	AS AT 1.04.2007 Rs	AS AT 31.03.2007 Rs
<b>I. SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
SHARE CAPITAL	1	5,000	500,000
SHARE CAPITAL SUSPENSE ACCOUNT		490,642,630	-
RESERVES & SURPLUS	2	<u>536,582</u>	<u>41,582</u>
		<u><b>491,184,212</b></u>	<u><b>541,582</b></u>
<b>II. APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>	3		
NET BLOCK		<b>35,131,556</b>	-
<b>INVESTMENTS</b>	4	<b>455,480,453</b>	-
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
CASH & BANK BALANCES	5	523,331	492,159
LOANS & ADVANCES	6	29,613	29,613
		<b>552,944</b>	<b>521,772</b>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
CURRENT LIABILITIES	7	6,586	6,035
PROVISIONS	8	27,000	27,000
		<b>33,586</b>	<b>33,035</b>
<b>NET CURRENT ASSETS</b>		<b>519,358</b>	<b>488,737</b>
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)		<b>52,845</b>	<b>52,845</b>
		<u><b>491,184,212</b></u>	<u><b>541,582</b></u>

**SCHEDULE 1: SHARE CAPITAL**

<b>AUTHORISED CAPITAL</b>	<u>10,000,000</u>	<u>10,000,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
500 (March 31,2007 : 50,000 Equity Shares) of Rs 10/- each fully paid up	5,000	500,000

5,000 500,000

**SCHEDULE 2 : RESERVES AND SURPLUS**

<b>CAPITAL REDEMPTION RESERVE</b>	495,000	-
<b>PROFIT &amp; LOSS ACCOUNT</b>	41,582	41,582
	<u>536,582</u>	<u>41,582</u>

**SCHEDULE 3 : FIXED ASSETS**

<b>TANGIBLE ASSETS</b>		
LAND & SITE DEVELOPMENT	21,022,000	-
BUILDING	9,899,884	-
FURNITURE FIXTURE & OFFICE EQUIPMENT	4,209,672	-
<b>TOTAL</b>	<u>35,131,556</u>	<u>-</u>

**SCHEDULE 4: INVESTMENTS**

<b>OTHER THAN TRADE INVESTMENTS</b>			
<b>LONG TERM INVESTMENTS</b>			
<b>SHARES &amp; DEBENTURES</b>			
<b>- QUOTED</b>			
Greaves Cotton Limited	2955173	455470403	-
<b>- UNQUOTED</b>			
Thapar Consultants & Services Ltd	1000	10000	-
Ronak Dying Limited	50	50	-
		<u>455,480,453</u>	<u>-</u>

**SCHEDULE 5 : CASH AND BANK BALANCES**

CASH, CHEQUES & DRAFTS (IN HAND)	1,000	-
WITH SCHEDULED BANKS IN:		
CURRENT ACCOUNTS	43,672	13,500
DEPOSIT ACCOUNTS*	478,659	478,659
	<u>523,331</u>	<u>492,159</u>

**SCHEDULE 6 : LOANS & ADVANCES**

UNSECURED - CONSIDERED GOOD UNLESS OTHERWISE STATED

ADVANCES RECOVERABLE IN CASH OR IN KIND  
OR FOR VALUE TO BE RECEIVED\*

5,309 5309

ADVANCE TAX PAID INCLUDING TAX DEDUCTED AT SOURCE

24304 24304

29613

29613

**SCHEDULE 7 : CURRENT LIABILITIES**

SUNDRY CREDITORS

- TOTAL OUTSTANDING DUES TO UNITS OTHER THAN SMALL  
SCALE INDUSTRIAL UNDERTAKINGS

6,586 6035

6,586

6,035

**SCHEDULE 8 : PROVISIONS**

PROVISION FOR TAXATION

27,000 27,000

27,000

27,000

**ENGLISH INDIAN CLAYS LIMITED (INVESTMENT DIVISION)**  
**OPENING REFERENCE BALANCE SHEET AS AT 1.04.2007**

		<b>SCHEDULE</b>	<b>AS AT</b>
			<b>1.04.2007</b>
			<b>Rs</b>
<b>I. SOURCES OF FUNDS</b>			
RESERVES			490,642,63 0
			490,642,63
			0
<b>II. APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
NET BLOCK	<b>1</b>		35,131,55 6
<b>INVESTMENTS</b>	<b>2</b>		455,480,45 3
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
CASH & BANK BALANCES	<b>3</b>		31,17 2
			31,17 2
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
CURRENT LIABILITIES	<b>4</b>		55 1
			55 1
<b>NET CURRENT ASSETS</b>			30,62 1
			490,642,63
			0

**SCHEDULE 1 : FIXED ASSETS**

**TANGIBLE ASSETS**

LAND & SITE DEVELOPMENT	21,022,00 0
BUILDING	9,899,88 4
FURNITURE FIXTURE & OFFICE EQUIPMENT	4,209,67 2
	35,131,55
	6

## SCHEDULE 2: INVESTMENTS

### OTHER THAN TRADE INVESTMENTS

#### LONG TERM INVESTMENTS

##### SHARES & DEBENTURES

###### - QUOTED

Greaves Cotton Limited	2955173	455,470,40 3
------------------------	---------	-----------------

###### - UNQUOTED

Thapar Consultants & Services Ltd	1000	10,00 0
Ronak Dying Limited	50	5 0

---

**455,480,45**  
**3**

---

## SCHEDULE 3 : CASH AND BANK BALANCES

CASH, CHEQUES & DRAFTS (IN HAND)	1,00 0
----------------------------------	-----------

##### WITH SCHEDULED BANKS IN:

CURRENT ACCOUNTS	30,17 2
------------------	------------

---

**31,17**  
**2**

---

## SCHEDULE 4 : CURRENT LIABILITIES

### SUNDRY CREDITORS

- TOTAL OUTSTANDING DUES TO UNITS OTHER THAN  
SMALL

55  
1

SCALE INDUSTRIAL UNDERTAKINGS

---

**55**  
**1**

---

# **BHARAT STARCH PRODUCTS LTD.**

## **SCHEDULE :**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

#### **A. SIGNIFICANT ACCOUNTING POLICIES**

##### **1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

- a) The financial statements have been prepared under the historical cost convention and on the concept of an ongoing concern in accordance with the provisions of the Companies Act, 1956 as adopted consistently by the Company.
- b) Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles.

##### **2. BASIS OF ACCOUNTING**

The accounts of the company are prepared under the mercantile system of accounting.

##### **3. AMORTISATIONS**

Preliminary Expenditure under the head Miscellaneous Expenditure shall be written off over a period of five years from the year in which the operations of the company commences.

#### **B. NOTES TO ACCOUNTS**

1. (A) These accounts have been prepared taking into account the effect of the proposed Scheme of Arrangement and Demerger between the following companies:
  - (i) English Indian Clays Limited (EICL) and its shareholders and creditors;
  - (ii) Bharat Starch Products Limited (BSPL) and its shareholders and creditors and the and accounts will be effective only after necessary approvals have been received from the Honourable Kerala High Court and Honourable Delhi High Court and after all formalities required to effect the Schemes have been complied with.
- (B) Pursuant to the aforesaid proposed Scheme of Arrangement and Demerger referred to above, EICL will demerge its investments business to BSPL w.e.f from the Appointed Date of 1st April, 2007 in accordance with the terms of the aforesaid Scheme of Arrangement and Demerger.
- (C) Pursuant to the aforesaid proposed Scheme of Arrangement and Demerger, the business of BSPL will be restructured as follows:

1. The paid-up equity share capital of BSPL of Rs.5,00,000 divided into 50,000 equity shares of Rs. 10/- each shall stand reduced to Rs.5,000/- divided into 500 equity shares of Rs. 10/- each, without extinguishment or reduction of liability on the said shares and without any payment of the cancelled value of the said shares to the shareholders of BSPL.
2. Every shareholder of EICL entitled to receive equity shares of BSPL as on the Record Date shall have an option to receive 100 8% Cumulative Redeemable Preference Shares ("CRPS") of Rs. 10/- each in lieu of his right to receive 1 fully paid-up equity shares in BSPL. Pursuant to receipt of such options from shareholders, BSPL will allot upto and not more than 1,50,55,060 CRPS of Rs. 10/- each aggregating to Rs. 15,05,50,0600/- to such shareholders, which represents aggregate CRPS entitlements, being a maximum of 16% of fair value of fully paid-up equity shares which could have been issued in BSPL to such shareholders pursuant to this Scheme in the absence of such option to receive CRPS of BSPL.
3. BSPL will issue and allot at par to the equity shareholders of EICL, 4 equity shares of Rs. 10/- each for every 19 equity shares of Rs. 10/- each held by them in EICL.

(D) The demerger of investments business of EICL has been accounted for at the book values of respective assets and liabilities. The effect of the aforesaid proposed Scheme of Arrangement and Demerger on these accounts is as follows:

<b>Rs</b>	
<b>Increase in:</b>	
Fixed Assets	35,131,556
Investments	455,480,453
Cash and Bank Balances	31,172
Current Liabilities and Provisions	(551)
	<b>490,642,630</b>
<b>Settled as follows:</b>	
Reduction in Share Capital	(495,000)
Increase in capital redemption reserve	495,000
Increase in Share Capital Suspense Account	490,642,630
	<b>490,642,630</b>

## **2. Deferred Tax (AS-22)**

In accordance with the said Accounting Standard, the Provision for deferred tax assets/ liabilities on account of timing difference has not been made as the company has no such timing difference.

3. Preliminary expenses are not written off as the company has not commenced business operations.

**SCHEDULE - III**

**ENGLISH INDIAN CLAYS LIMITED  
OPENING REFERENCE BALANCE SHEET AS AT 1.04.2007**

	SCHEDULE	AS AT 1.04.2007 Rs	AS AT 31.3.2007 Rs
<b>I. SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
SHARE CAPITAL	1	344,68 9,790	344,68 9,790
RESERVES & SURPLUS	2	440,50 5,644	931,14 8,274
		<b>785,195,434</b>	<b>1,275,838,064</b>
<b>DEFERRED GOVERNMENT GRANTS</b>		<b>643,833</b>	<b>643,833</b>
<b>LOAN FUNDS</b>			
SECURED LOANS	3	833,28 1,138	833,28 1,138
UNSECURED LOANS	4	106,15 5,264	106,15 5,264
		<b>939,436,402</b>	<b>939,436,402</b>
<b>DEFERRED TAX LIABILITY (NET)</b>		<b>135,218,077</b>	<b>135,218,077</b>
		<b>1,860,493,746</b>	<b>2,351,136,376</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>	5		
NET BLOCK		<b>1,481,302,598</b>	<b>1,516,434,154</b>
CAPITAL WORK IN PROGRESS		<b>56,167,968</b>	<b>56,167,968</b>
<b>INVESTMENTS</b>	6	-	<b>455,480,453</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
INVENTORIES	7	350,29 0,670	350,29 0,670
SUNDRY DEBTORS	8	271,08 7,409	271,08 7,409
CASH & BANK BALANCES	9	57,88 7,845	57,91 9,017
OTHER CURRENT ASSETS	10	9 21,711	92 1,711
LOANS & ADVANCES	11	113,82 1,050	113,82 1,050
		<b>794,008,685</b>	<b>794,039,857</b>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
CURRENT LIABILITIES	12	314,02 0,618	314,02 1,169
PROVISIONS	13	156,96 4,887	156,96 4,887
		<b>470,985,505</b>	<b>470,986,056</b>
<b>NET CURRENT ASSETS</b>		<b>323,023,180</b>	<b>323,053,801</b>
		<b>1,860,493,746</b>	<b>2,351,136,376</b>

**SCHEDULE 1: SHARE CAPITAL**

**AUTHORISED CAPITAL**

8,000,000 Equity shares of Rs 10/- each	80,00 0,000 300,00 0,000	80,00 0,000 300,00 0,000
3,000,000 Preference shares of Rs 100/- each		
	<b>380,000,000</b>	<b>380,000,000</b>

**ISSUED, SUBSCRIBED & PAID UP**

4,468,979 Equity Shares of Rs 10/- each fully paid up	44,68 9,790	44,68 9,790
1,000,000 10% Redeemable Preference shares of Rs 100/- each fully paid up	100,00 0,000	100,00 0,000
2,000,000 11% Redeemable Preference shares of Rs 100/- each fully paid up	200,00 0,000	200,00 0,000
	<b>344,689,790</b>	<b>344,689,790</b>

**Notes :**

**Of the above :**

- 150,000 Equity shares of Rs.10 /- each were allotted as fully paid up shares pursuant to a contract without payments being received in cash.
- 1,510,450 Equity shares of Rs.10/- each were allotted as fully paid up by way of Bonus Shares by utilising Share Premium Account.
- 800,000 Equity shares of Rs.10/- each were allotted on conversion of partly convertible Debentures.
- 528,079 Equity shares of Rs 10/- each were allotted at par as fully paid up to the shareholders of erstwhile Bharat Starch Industries Limited and 120,000 Equity shares allotted to a creditor as fully paid up at a premium of Rs 40/- per shares pursuant to the scheme of re-organisation by way of arrangement, amalgamation and reconstruction.
- 10% Redeemable Preference shares shall be redeemed at par at the option of the Company not earlier than 3 years but not later than 5 years from the date of allotment i.e. 25.03.2004.
- 11% Redeemable Preference shares shall be redeemed at par at the option of the Company not earlier than 18 months but not later than 5 years from the date of allotment i.e. 04.09.2006.

**SCHEDULE 2 : RESERVES AND SURPLUS**

<b>CAPITAL RESERVE</b>	-	75 4,423
<b>SHARE PREMIUM ACCOUNT</b>	-	91,95 6,750
<b>GENERAL RESERVE</b>		
Balance as per last year	765,17 9,671	765,17 9,671
Adjustment for demerger	(397,93 1,457)	-
Balance at the end of the year	367,24 8,214	765,17 9,671

<b>PROFIT &amp; LOSS ACCOUNT</b>	73,25	73,25
	7,430	7,430
	<b>440,505,644</b>	<b>931,148,274</b>

### SCHEDULE 3 : SECURED LOANS

<b>LOANS FROM BANKS/FINANCIAL INSTITUTIONS</b>		
- CASH CREDIT ACCOUNT WITH SCHEDULED BANKS	83,19	83,19
	3,491	3,491
	125,00	125,00
- WORKING CAPITAL DEMAND LOANS	0,000	0,000
	579,17	579,17
- RUPEE TERM LOANS**	6,767	6,767
	45,32	45,32
- FOREIGN CURRENCY TERM LOANS	6,875	6,875
	5	58
INTEREST ACCRUED & DUE*	84,005	4,005
	<b>833,281,138</b>	<b>833,281,138</b>

\* Amount realised by bank by April 10, 2007.

\*\* Includes Rs 60,000,000 due to a financial institution.

- Cash Credit and Working Capital Demand Loans alongwith guarantees and letters of credit facilities given by the Banks are secured by Hypothecation of Finished Goods, Semi-Finished Goods, Consumable Stores and spares, Raw Material, investments and Book Debts at Yamunanagar, Pondicherry & Thiruvananthapuram factories and second pari passu charge on block of assets of the Company.
- Term Loans from banks / Financial Institutions (other than those mentioned in note 3 below) are secured by an equitable mortgage of all immovable properties of the Company, both present and future and are also secured by way of hypothecation of the Company's movable properties including movable Plant and Machinery, Machinery Spares, Tools and Accessories and other movables both present and future (save and except bookdebts) subject to prior charges created in favour of the Company's bankers on stocks of raw materials, consumable stores, finished goods etc. for working capital facilities.  
  
The above charges rank pari-passu with charges created / to be created by the Company in favour of other term lending banks.
- The amount falling due for repayment within a year (excluding cash credit and working capital demand loans) is Rs 232,695,542.

### SCHEDULE 4 : UNSECURED LOANS

FIXED DEPOSITS	100,45	100,45
	1,000	1,000
INTEREST ACCRUED AND DUE	1	10
	08,583	8,583
OTHER LOANS & ADVANCES		
- FROM OTHERS	5,3	5,32
	28,164	8,164
INTEREST ACCRUED AND DUE	2	26
	67,517	7,517
	<b>106,155,264</b>	<b>106,155,264</b>

Note  
:

Fixed deposits held by Directors	5,1 15,000	5,11 5,000
----------------------------------	---------------	---------------

#### SCHEDULE 5 : FIXED ASSETS

##### TANGIBLE ASSETS

LAND & SITE DEVELOPMENT	494,03 0,258	515,05 2,258
FACTORY & OTHER BUILDING	176,14 2,544	186,04 2,428
PLANT & MACHINERY	736,08 2,418	736,08 2,418
FURNITURE FIXTURE & OFFICE EQUIPMENT	19,15 0,562	23,36 0,234
VEHICLES & CYCLES	14,43 9,973	14,43 9,973

##### INTANGIBLE ASSETS

TECHNICAL KNOW-HOW / BRAND VALUATION	26,84 7,391	26,84 7,391
COMPUTER SOFTWARE	14,60 9,452	14,60 9,452
<b>TOTAL</b>	<u>1,481,30</u> <u>2,598</u>	<u>1,516,434</u> <u>,154</u>

#### SCHEDULE 6: INVESTMENTS

##### OTHER THAN TRADE INVESTMENTS

##### LONG TERM INVESTMENTS

##### SHARES & DEBENTURES

##### - QUOTED

Greaves Cotton Limited*	-	-	2955173	455,470,403
-------------------------	---	---	---------	-------------

##### - UNQUOTED

Thapar Consultants & Services Ltd	-	-	1000	10,000
Ronak Dying Limited**	-	-	50	50
			<u>-</u>	<u>455,480,453</u>

\* Represents Companies under the same management.

\*\* Pending transfer in the name of the Company.

#### SCHEDULE 7 : INVENTORIES

<b>RAW MATERIALS</b>	201,51 1,253	201,51 1,253
INCLUDES RAW MATERIALS IN TRANSIT Rs NIL		
<b>STORES AND SPARES</b>	54,14 0,613	54,14 0,613
INCLUDES STORES & SPARES IN TRANSIT Rs 5,015,034		

<b>STOCK - IN - PROCESS</b>		
CLAY, STARCH & ALLIED PRODUCTS	29,39	29,39
RAW MATERIAL IN PROCESS	6,610	6,610
	2,9	2,97
	77,558	7,558
<b>FINISHED GOODS</b>		
CLAY, STARCH & ALLIED PRODUCTS	61,35	61,35
BY PRODUCTS & OTHERS	9,473	9,473
	9	90
	05,163	5,163
	<b>350,290,670</b>	<b>350,290,670</b>

#### SCHEDULE 8 : SUNDRY DEBTORS

##### DEBTS OUTSTANDING FOR OVER SIX MONTHS

CONSIDERED GOOD, UNLESS OTHERWISE STATED

	1	19
- SECURED	95,853	5,853
	6,9	6,90
- UNSECURED	01,798	1,798
	5,5	5,56
CONSIDERED DOUBTFUL	64,924	4,924
	(5,56)	(5,56)
<b>LESS : PROVISIONS FOR BAD &amp; DOUBTFUL DEBTS*</b>	<b>4,924</b>	<b>4,924</b>

##### OTHER DEBTS

CONSIDERED GOOD

	1,8	1,89
- SECURED	91,305	1,305
	262,09	262,09
- UNSECURED	8,453	8,453
	<b>271,087,409</b>	<b>271,087,409</b>

\* Net of Rs 1,597,749 written off against provisions during the year.

#### SCHEDULE 9 : CASH AND BANK BALANCES

CASH, CHEQUES & DRAFTS (IN HAND)	9	93
	38,948	9,948
SAVINGS ACCOUNT WITH POST OFFICE (PLEGDED AS SECURITY)	272	272
WITH SCHEDULED BANKS IN:		
CURRENT ACCOUNTS	38,70	38,73
	4,950	5,122
	1,5	1,59
DIVIDEND ACCOUNT	96,693	6,693
	16,64	16,64
DEPOSIT ACCOUNTS*	6,982	6,982
	<b>57,887,845</b>	<b>57,919,017</b>

\* Represents monies held against public deposits and includes Rs 9,658,471 pledged with banks and Government Authorities.

**SCHEDULE 10 : OTHER CURRENT ASSETS**

UNSECURED-CONSIDERED GOOD

INTEREST RECOVERABLE

- ON DEPOSITS AND LOANS

	9	92
	21,711	1,711
	<b>921,711</b>	<b>921,711</b>

**SCHEDULE 11 : LOANS & ADVANCES**

UNSECURED - CONSIDERED GOOD UNLESS OTHERWISE STATED

ADVANCES RECOVERABLE IN CASH OR IN KIND

OR FOR VALUE TO BE RECEIVED\*

	84,06	84,06
	7,993	7,993

CONSIDERED DOUBTFUL

LESS: PROVISION FOR DOUBTFUL ADVANCES\*\*

	15,24	15,24
	8,687	8,687
	(15,24)	(15,248
	8,687)	,687)

DEPOSIT WITH THE EXCISE AUTHORITIES ON  
CURRENT ACCOUNT

	4,5	4,55
	53,057	3,057

ADVANCE TAX PAID INCLUDING TAX DEDUCTED AT SOURCE (net)  
(NET OF PROVISION FOR FRINGE BENEFIT TAX Rs 2,200,000)

	25,20	25,20
	0,000	0,000

**113,821,050****113,821,050**

- \* Includes Rs 500,000 paid to Kerala Enviro Infrastructures Limited towards 50,000 shares of Rs 10/- each fully paid up.
- \*\* Net of Rs 3,978,000 written off against provisions during the year.

**SCHEDULE 12 : CURRENT LIABILITIES**

(Refer note 10 on Schedule 25A)

SUNDRY CREDITORS\*

- TOTAL OUTSTANDING DUES TO SMALL SCALE INDUSTRIAL  
UNDERTAKINGS\*\*

	4,7	4,72
	23,567	3,567

- TOTAL OUTSTANDING DUES TO UNITS OTHER THAN SMALL  
SCALE INDUSTRIAL UNDERTAKINGS

	280,81	280,81
	7,278	7,829

ADVANCE FROM CUSTOMERS

	9	97
	70,179	0,179

OTHER LIABILITIES

	11,89	11,89
	0,270	0,270

UNCLAIMED DIVIDEND

	1,5	1,56
	67,171	7,171

UNCLAIMED MATURED PUBLIC DEPOSITS

	1,2	1,27
	74,000	4,000

INTEREST ACCRUED &amp; DUE ON UNPAID MATURED PUBLIC

	2	27
--	---	----

DEPOSITS	78,367	8,367
BOOK OVERDRAFT	56,519	6,519
INTEREST ACCRUED BUT NOT DUE ON LOANS	11,64	11,64
	3,267	3,267
	<b>314,020,618</b>	<b>314,021,169</b>

\* Includes Rs 6,077,252 on capital account.

\*\* As certified by the management

#### SCHEDULE 13 : PROVISIONS

PROVISION FOR TAXATION (Net)	25,30	25,30
	5,915	5,915
PROPOSED DIVIDEND	49,81	49,81
	8,206	8,206
PROVISION FOR GRATUITY & LEAVE ENCASHMENT	81,84	81,84
	0,766	0,766
	<b>156,964,887</b>	<b>156,964,887</b>

## **SCHEDULE**

### **STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES**

#### **1. Accounting Convention**

These financial statements are prepared under the historical cost convention on accrual basis except so far as they relate to revaluation of land, buildings, certain plant and machinery and are prepared in accordance with accounting standards issued by the Institute of Chartered Accountants of India, and the provisions of the Indian Companies Act, 1956.

#### **2. Fixed Assets**

Fixed Assets (other than those which have been revalued), including capital spares, research and development assets and leasehold improvements are stated at cost including technical know-how cost and other pre-operative/incidental expenses related to acquisition and installation. The revalued fixed assets are restated at their estimated current replacement values as on the date of revaluation as determined by the approved valuers.

#### **3. Investments**

Long term Investments are valued at their acquisition cost. Decline, other than temporary, in the value of long term investments is accounted for. Current Investments are valued at their cost of acquisition or market value, whichever is lower.

#### **4. Inventories**

Stores and spare parts (including materials in transit), raw materials (including clay matrix-mined and purchased), work in process and finished goods are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis. Total mining expenses except depreciation on Fixed Assets at mines are taken as raw material cost for Clay Matrix – mined. In respect of finished goods and work in progress, appropriate overheads are considered.

#### **5. Employees Benefits**

##### **(a) Short Term Employee Benefits**

Short term employee benefits are recognized in the period during which the services have been rendered.

##### **(b) Long Term Employee Benefits**

##### **(i) Defined Contribution Plan**

##### **Provident Fund and employees state insurance schemes**

All employees of the Company are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and

the employer make monthly contributions to the plan at a predetermined rate (presently 12.0%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India and an approved Trust for this purpose. In addition, some employees of the Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Company's contributions to both these schemes are expensed in the Profit and Loss Account. The Company has no further obligations under these plans beyond its monthly contributions.

**Superannuation Plan** - Some employees of the Company are entitled to superannuation, a defined contribution plan which is administered through Life Insurance Corporation of India ("LIC"). Superannuation benefits are recorded as an expense as incurred.

**(ii) Defined Benefit Plan**

**Leave Encashment** – The Company has provided for the liability at year end on account of unavailed earned leave and compensated absences as per the actuarial valuation as per the Projected Unit Credit Method.

**Gratuity** – The Company provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employees salary and years of employment with the Company. The Company provides for the Gratuity Plan based on actuarial valuations in accordance with accounting Standard 15 (revised).

**(iii) Others** – The Company has provided for the liability at year end for other long term employee benefits as per the actuarial valuation as per the Projected Unit Credit Method.

Actuarial gains and losses are recognized as and when incurred.

Provision for gratuity and leave encashment is provided for in the books, in respect of eligible employees based on actuarial valuation carried out at the end of each year. The Company makes defined contributions for Provident Fund & Superannuation Fund to the Provident Fund Authorities/Trusts established for this purpose. Such contributions are charged to the profit and loss account on an accrual basis.

## **6. Foreign Currency Transactions**

Liabilities covered by forward exchange contracts are translated at contracted rates of exchange and the difference between the contracted rate and the exchange rate at the date of the transaction is recognised as income or expense over the life of the contract, further

exchange difference on such contracts i.e. difference between the exchange rate at the reporting/settlement date and the exchange rate on the date of inception of contract/the last reporting date, is recognised as income/expense for the period except in respect of liabilities incurred for acquiring fixed assets, in which case, such difference is adjusted in the carrying amount of the respective fixed assets. Other Foreign Exchange transactions are accounted for at rates prevailing on the date of transaction and at the year end all monetary assets/liabilities are restated at the closing exchange rates and the resultant exchange fluctuation is recognised in the profit and loss account except for liabilities relating to acquisition of fixed assets the exchange fluctuation of which is adjusted in the carrying cost of the related asset.

## **10. Government Grant**

Government grants relating to depreciable fixed assets are treated as deferred income and recognised in the Profit and Loss Account over the remaining useful life of the related assets.

## **11. Taxation**

Tax expense for the year, comprising current tax and deferred tax is included in determining the net profit for the year. Provision for the current tax is made based on liability computed in accordance with the relevant tax rates and tax laws. Provision for deferred tax is made for all temporary timing differences arising between the taxable income and accounting income at currently enacted tax rates. Deferred tax assets are recognised only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

## **12. Provisions & Contingencies**

A provision is recognized when there is a present obligation has a result of past event; it is probable that outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

## SCHEDULE

### NOTES TO THE ACCOUNTS

1. (A) These accounts have been prepared taking into account the effect of the proposed Scheme of Arrangement and Demerger between the following companies:
- (i) English Indian Clays Limited (EICL) and its shareholders and creditors;
  - (ii) Bharat Starch Products Limited (BSPL) and its shareholders and creditors and the and accounts will be effective only after necessary approvals have been received from the Honourable Kerala High Court and Honourable Delhi High Court and after all formalities required to effect the Schemes have been complied with.
- (B) Pursuant to the aforesaid proposed Scheme of Arrangement and Demerger referred to above, EICL will demerge its investments business to BSPL w.e.f from the Appointed Date of 1st April, 2007 in accordance with the terms of the aforesaid Scheme of Arrangement and Demerger.
- (C) Pursuant to the aforesaid proposed Scheme of Arrangement and Demerger, BSPL will issue and allot at par to the equity shareholders of EICL, 4 equity shares of Rs. 10/- each for every 19 equity shares of Rs. 10/- each held by them in EICL.
- (D) The demerger of investments business of EICL has been accounted for at the book values of respective assets and liabilities. The effect of the aforesaid proposed Scheme of Arrangement and Demerger on these accounts is as follows:

	<b>Rs</b>
<b>Decrease in:</b>	
Fixed Assets	35,131,556
Investments	455,480,453
Cash and Bank Balances	31,172
Current Liabilities and Provisions	(551)
	<u><b>490,642,630</b></u>
 <b>Settled as follows:</b>	
Decrease in Securities Premium	91,956,750
Decrease in Capital Reserve	754,423
Decrease in General Reserve	397,931,457
	<u><b>490,642,630</b></u>

## 2. Contingent Liabilities

	As at April 1, 2007 Rs.	As at March 31, 2007 Rs.
a) Outstanding bank guarantees	16,719,382	16,719,382
b) Outstanding letter of credits	2,757,682	2,757,682
c) Bills and cheques discounted	39,150,912	39,150,912
d) Indemnity bond countersigned	24,984,972	24,984,972
e) Excise & Sales-tax matters (including penalty of Rs 108,130,215)	223,523,684	223,523,684
f) Entry Tax on Special Kerosene Oil (SKO)	15,133,588	15,133,588
g) Income-tax matters (Also refer Note 3 below)	49,315,060	49,315,060
h) Fulfillment of export obligations under advance licenses	2,500,000	2,500,000
i) Claims against the Company not acknowledged as debts amount to the extent ascertainable amounts to :		
i) Rs. 4,963,311 in respect of lease rent on lands acquired on lease for which the case is pending before the Hon'ble High Court of Kerala.		
ii) Rs. 837,400 net of provision made on account of rent.		

3. Estimated amounts of contracts remaining to be executed on Capital Account (Net of advances) Rs. 185,202,609.
4. Subsequent to the Miscellaneous petition filed by the Company, the Income Tax Appellate Tribunal (ITAT) has reserved its order thus retaining the reduction in brought forward losses to the extent of Rs 139,842,989 in case of erstwhile Bharat Starch Industries Limited, (since merged with the Company with effect from 1.04.2001) for the Assessment Year 2001-02. The Company is in the process of filing its petition before the relevant Authorities.
5. To enable the Company to focus on and enhance its core manufacturing business operations, the Directors have approved a scheme of de-merger of investment division which will be subject to statutory and regulatory approvals.
6. The Company has adopted Accounting Standard 15 (revised 2005) 'Employee Benefits'. Pursuant to adoption of the revised standard and has adjusted the liability in the books of accounts.

7. Based on the information available and as represented by the Company, the amounts due to Small Scale Industrial Undertakings are as disclosed in Schedule 12 and the names of Small Scale Industrial Undertakings to whom the Company owes any sum outstanding for more than 30 days are Fast Clays & Mineral, Sree Sakthi Clays, Transmission Engineers, Venkateswara Engineers, Cauvery Chemicals, Clay India, Lakshmi M S, A P Polyplast Pvt Ltd, Lamina Associates, MSN Packers Pvt. Ltd., Ahuja Barrel Supply Co., and Time Technoplast Limited.