

DRAFT SCHEME
OF
REDUCTION OF SHARE CAPITAL
BETWEEN
PRATIK PANELS LIMITED
AND
ITS SHAREHOLDERS



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**THIS SCHEME PROVIDES FOR REDUCTION OF CAPITAL OF PRATIK
PANELS LIMITED**

PART-I

1. GENERAL

The Scheme of Reduction of Capital (herein after referred to as "Scheme") is made pursuant to the provisions of section 66 and other relevant provisions of the Companies Act, 2013.

2. DEFINITIONS

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

- (a) **'Act'** means the Companies Act, 2013, the rules and regulations made thereunder and will include any statutory modifications, re-enactments and/or amendments thereof from time to time;
- (b) **'Appointed Date'** means the Effective date or such other date as may be approved by the Tribunal or such other appropriate authority;
- (c) **'Board'** or **'Board of Directors'** means Board of Directors of the Company;
- (d) **'BSE'** shall mean BSE Limited;
- (e) **'Company'** means Pratik Panels Limited, a company incorporated under the provisions of the Companies Act, 1956 and a Public Company within the meaning of the Companies Act, 2013 and having its registered office at H.No. 1824, Gala 1,2,3,4,5, Swagat Complex, Nr. Bidi Kamgar Soc. Rahnal, Thane – 421302, Maharashtra;
- (f) **'DSE'** or **'Designated Stock Exchange'** means a Stock Exchange which is chosen by the Company in accordance with SEBI Circular (CFD/DIL3/CIR/2017/21) dated March 10, 2017 issued by the SEBI read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, and for the purpose of the Scheme, BSE Limited is the DSE;
- (g) **'Listing Regulation'** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;
- (h) **'Listing Agreement'** shall mean an agreement that is entered into between a recognised stock exchange and an entity, on the application of that entity to the recognised stock exchange, undertaking to comply with conditions for listing of

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designated securities as per the provisions of the Listing Regulations;

- (i) **'Accumulated Losses'** means the losses that have been carried forward from previous years and the amount shown in the audited balance sheet of the Company;
- (j) **'SEBI'** shall mean the Securities and Exchange Board of India;
- (k) **'Stock Exchange'** shall mean BSE;
- (l) **'The Effective Date'** for the Scheme shall mean the date on which certified copies of the order of the Tribunal under Sections 66 of the Companies Act, 2013 and other applicable provisions of the Act, if any, are filed with the Registrar of Companies, Maharashtra and if the certified copies are filed on different dates, the last of such dates;
- (m) **'This Scheme or The Scheme or Scheme'** means this scheme of reduction of capital between the Company & its shareholders in its present form or with such alterations/modifications as may be approved by the Tribunal or any regulatory authority under the applicable law;
- (n) The words **"shareholder"** and **"member"** are used to denote the same meaning and are used interchangeably.
- (o) **'Tribunal'** means the Mumbai bench of National Company Law Tribunal (NCLT) or such tribunal or any other appropriate forum or authority having jurisdiction to approve the Scheme as per the law for the time being in force;

All terms and words not defined in the Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, Securities Contract Regulation Act, 1956, Securities and Exchange Board of India Act, 1992, Depositories Act, 1996, Listing Regulations, Listing Agreement and other applicable laws, rules, regulations, bye laws, as the case may be or any statutory modifications or re-enactment thereof from time to time.

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3. DETAILS OF THE COMPANY**(a) Incorporation of the Company**

The Company was incorporated as a private limited company under the name and style "Raipur Panels Private Limited" on 27th February, 1989 with the Registrar of Companies, Madhya Pradesh, Gwalior. Subsequently, name of the Company was changed to "Pratik Panels Private Limited" in compliance with the provisions of the Companies Act, 1956 and a fresh certificate of incorporation consequent upon change of name was obtained. Further the Company was converted into a public limited company in compliance with the provisions of the Companies Act, 1956 and the name of the Company was changed to its present name "PRATIK PANELS LIMITED" and a fresh certificate of incorporation consequent upon change of name was obtained on 26th June, 1992. The Company is a public limited company listed with BSE.

(b) Main Objects of the Company

1. To manufacture wooden articles, furniture, accessories & Furnitures.
2. To market wooden articles, furniture, plywood and allied item.
3. To manufacture plywood, Block board, decorative plywood.
4. To manufacture decorative and comm. Veneers.
5. To manufacture furniture, knock down furniture and allied items.


(c) Capital Structure of the Company as on 31 March 2018

| Sl no. | Share Capital Description | Amount (Rs.) |
|----------|---|---------------|
| 1 | Authorised Share Capital | |
| | 45,00,000 Equity Shares of Rs. 10/-each | 4,50,00,000/- |
| 2 | Issued Share Capital | |
| | 41,20,000 Equity Shares of Rs. 10/-each | 4,12,00,000/- |
| 3 | Subscribed Share Capital | |
| | 39,70,900 Equity Shares of Rs. 10/-each | 3,97,09,000/- |
| 4 | Paid up Share Capital | |
| | 38,98,500 Equity Shares of Rs. 10/-each | 3,89,85,000/- |

(d) Compliance with Tax Laws

This Scheme has been drawn up to comply also with the provisions of the Income-tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions at a later date including resulting from a retrospective amendment of law or for any other reason whatsoever, till the time the Scheme becomes effective, the provisions of the said section of the Income-tax Act, 1961 shall prevail and the Scheme shall stand modified to the extent determined necessary to comply with the provision of the Income-tax Act, 1961.

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PART - III

4. SCHEME FOR REDUCTION OF SHARE CAPITAL

- (a) The Scheme seeks to reduce or otherwise alter the issued, subscribed and paid up capital of the Company and the same will therefore remain altered as a result of the scheme.
- (b) Upon the Scheme becoming effective after securing necessary approvals and permissions, the paid up value of each equity share of the Company will be reduced from Rs. 10/- per equity share to Re. 1 per equity share and the total paid up equity share capital of the company shall be reduced from Rs. 3,89,85,000 divided into 38,98,500 Equity Shares of Rs. 10/- each, fully paid up to Rs. 38,98,500/- divided into 38,98,500 Equity Shares of Re. 1 each, fully paid up.
- (c) The Board, vide resolution dated January 30, 2019, has considered and approved the proposal to reduce the paid up equity share capital of the Company amounting to Rs. 3,50,86,500/- and that such reduction be effected by writing off the Accumulated Losses amounting to Rs. 3,50,86,500/- to give true and fair view of books of accounts of the Company, subject to the consent of the shareholders and the approval from the Tribunal and other statutory authorities as and where applicable.

5. JUSTIFICATION OF THE SCHEME

- (a) The Company has Accumulated Losses reflecting in the books of the Company, from the previous years, primarily, due to operating losses. As on March 31, 2018, as per the audited financial results of the Company, the Accumulated Losses amounts to Rs. 3,67,93,832/- represented as 'Deficit in Statement of Profit & Loss' in the Reserves & Surplus Account.
- (b) Mere infusion of further funds into the Company will not benefit any existing shareholder even if the Company registers profit in coming years since no dividend can be paid out of the profits unless accumulated losses are wiped out. Under the scheme the accumulated losses are to be reduced to the extent of reduction of capital.
- (c) The Board of Directors of the Company, in accordance with the provision of Section 66 of the Companies Act, 2013 and other applicable provisions, if any, read with the applicable rules therein, and subject to the consent of the shareholders and the approval from the Tribunal and other statutory authorities as and where applicable, proposes to write-off the Accumulated Losses amounting to Rs. 3,50,86,500/- reflecting in the book of the Company, by reducing the face value of Equity Shares from Rs. 10/- each to Re. 1 each.
- (d) Further the Articles of Association of the Company authorizes the Company to reduce its share capital in any manner and in accordance with the provision of the Act.

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(e) Under Section 66 (1) (b) (i) of the Companies Act, 2013, the Company may reduce the share capital by reducing liability on any of its shares by cancelling the paid-up share capital which is lost or is unrepresented by available assets.

(f) Hence, the Board of Directors believe that in order to present fair financial position of the Company and after an analysis of the various options available to the Company, the Board of Directors felt that it would be prudent to reduce the face value of Equity Shares from Rs. 10/- each to Re. 1 each to the extent of writing off the Accumulated Losses of the Company which is the most practical and economically efficient option available to the Company in the present scenario.

6. OBJECTS/ BENEFITS ARISING OUT OF THE SCHEME

(a) Under this Scheme, if approved, the Company will represent true financial position which would benefit both shareholders as their holding will yield better results and value and also enable the Company to explore opportunities to benefit of the shareholders of the Company.

(b) The reduction in the face value of shares would not have any impact on the shareholding pattern of the Company. The issued, subscribed and paid up capital would reduce proportionately to the extent of reduction in the face value of each share. The Authorised share capital would remain same constant at Rs. 4,50,00,000/-, however, the number of shares would increase from 45,00,000 Equity Shares of Rs. 10/- each to 4,50,00,000 Equity Shares of Re. 1 each.

(c) The Scheme does not involve any financial outlay / outgo and therefore, would not affect the ability or liquidity of the Company to meet its obligations/ commitments in the normal course of business. Further, this Scheme would also not in any way adversely affect the ordinary operations of the Company.

(d) The Scheme, if approved, may enable the Company to foresee business opportunities which it is presently unable to take advantage due to Accumulated Losses.

(e) The true financial statement of the Company would ensure the Company to expand & smoothen the business activity and to attract new source of avenue and in turn enhancement of its shareholders' value.

7. Upon the Scheme becoming effective, the paid up value of each equity share of the Company will be reduced from Rs. 10/- per equity share to Re. 1 per equity share and the total paid up equity share capital of the company shall be reduced from Rs. 3,89,85,000 divided into 38,98,500 Equity Shares of Rs. 10/- each, fully paid up to Rs. 38,98,500/- divided into 38,98,500 Equity Shares of Re. 1 each, fully paid up. The reduction of the capital shall be on a proportionate basis and all the pre-scheme shareholders will remain shareholders of the Company after the Scheme in the same proportion.

8. Upon the Scheme becoming effective, the accumulated losses to the extent of Rs. 3,50,86,500/- would be written off against the aforesaid capital reduction.

9. The reduction of the share capital of the Company by way of writing off the Accumulated Losses by reducing the face value of the equity shares of the Company will also involve reduction in the face value of issued, subscribed and paid-up share capital.

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10. The Scheme is merely a reduction in face value of Equity Shares from Rs. 10/- each to Re. 1 each of the Company prepared in terms of Section 66 of the Companies Act, 2013 and does not envisage transfer or vesting of any of the properties and/or liabilities of the Company to any person or entity. The Scheme also does not involve any conveyance or transfer of any property of the Company and consequently the order of the NCLT approving the scheme will not attract any stamp duty in this regard under the applicable provisions of the Bombay Stamp Act, 1958.
 11. The consent of the members of the Company to this Scheme of reduction of capital of the Company shall be taken through a resolution under the provisions of Section 66 of the Companies Act, 2013 and any other applicable provisions.
 12. The share certificates in relation to the shares held by Equity Shareholders whose name appear in the register of members as on Record Date, shall without any further application, act, instrument, or deed, be deemed to have been automatically cancelled and new share certificate with the revised number of shares will be issued by the Company. It is clarified that number of shares held in dematerialized form will be reduced automatically and it will be deemed that on such reduction the shares were reduced in accordance with the Scheme.

13. EFFECT OF THE SCHEME

- (a) The proposed reduction of capital by reducing the face value of Equity Shares from Rs. 10/- each to Re. 1 each against Accumulated Losses pursuant to the Scheme shall be reflected in the books of accounts of the Company, on the Effective Date, in the following manner:

| Sr. No | Particulars | Prior to the Scheme as on 31 March 2018 (Audited) | After the Scheme as on the Effective Date |
|--------|--------------------------|---|---|
| 1. | Authorised Share Capital | | |
| | No. of shares | 45,00,000 Equity Shares of Rs. 10/-each | 45,00,000 Equity Shares of Rs. 10/-each |
| | Amount | Rs. 4,50,00,000/- | Rs. 4,50,00,000/- |
| 2. | Issued Share Capital | | |
| | No. of shares | 41,20,000 Equity Shares of Rs. 10/-each | 41,20,000 Equity Shares of Re. 1/-each |
| | Amount | Rs. 4,12,00,000/- | Rs. 41,20,000/- |
| 3. | Subscribed Share Capital | | |
| | No. of shares | 39,70,900 Equity Shares of Rs. 10/-each | 39,70,900 Equity Shares of Re. 1/-each |
| | Amount | Rs. 3,97,09,000/- | Rs. 39,70,900/- |
| 4. | Paid up Share Capital | | |
| | No. of shares | 38,98,500 Equity Shares of Rs. 10/-each | 38,98,500 Equity Shares of Re. 1/-each |

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| | | | |
|----|--|-------------------|-----------------|
| | Amount | Rs. 3,89,85,000/- | Rs. 38,98,500/- |
| 5. | Profit and Loss Account (Debit balance) | Rs. 3,67,93,832/- | Rs. 17,07,332/- |

- (b) The Scheme is only reduction of capital of the Company and it does not envisage transfer or vesting of any properties and/ or liabilities to or in favor of the Company.
- (c) The reduction of the paid-up share capital of the Company by way of writing off the Accumulated Losses against the paid up share capital of the Company does not involve any outflow of/ payout of funds from the Company and hence the interests of the creditors are not adversely affected. The reasons for reduction of capital of the Company under Section 66 of the Companies Act, 2013 are intended for the benefit of all the stakeholders including creditors.
- (d) The shareholding pattern of the Company and the number of shares shall remain unchanged as there is no reduction in the number of paid-up share capital of the Company contemplated in the Scheme. The pre and post reduction shareholding pattern of the Company will be as follows:

| Particulars | Prior to the Scheme as on March 31 2018 | | After the implementation of the Scheme | |
|--------------------------------|--|-------------|--|---------------|
| | Number of Shares (Rs. 10/- each) | % of total | Number of Shares (Re. 1/- each) | % of total |
| Promoter and Promoter Group | 1529713 | 39.24% | 1529713 | 39.24% |
| Public | 2368787 | 60.76% | 2368787 | 60.76% |
| Total | 3898500 | 100% | 3898500 | 100% |

- (e) The Company shall make all applications/ petitions as may be required under the applicable laws including but not limited to Section 66 of the Companies Act, 2013 and other applicable provisions of the Act to the Tribunal, for obtaining the sanction of the Tribunal of this Scheme of Reduction of Capital, under Section 66 of the Companies Act, 2013 and other applicable provisions of the Act and for such orders for carrying this Scheme into effect.

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GENERAL TERMS AND CONDITIONS APPLICABLE TO THE ENTIRE SCHEME

14. CONDITIONALITY OF SCHEME

The Scheme is conditional upon and subject to:

- (a) the Scheme being agreed to by the requisite majorities of members of the Company as required under the Act and the requisite sanction and orders of the Tribunal or of such other authority having jurisdiction under applicable law, being obtained;
- (b) the requisite sanctions and approvals under the applicable law including but not limited to approvals, sanctions required under the SEBI Circular (CFD/DIL3/CIR/2017/21) dated March 10, 2017 issued by the SEBI read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and as may be required by law in respect of this Scheme being obtained;
- (c) the Scheme being approved by the Tribunal under Section 66 of the Companies Act, 2013 read and all other applicable provisions if any, of the Act; and
- (d) the certified copy of the above order of the Tribunal sanctioning this Scheme being filed with the Registrar of Companies, Mumbai.

15. COSTS, CHARGES AND EXPENSES

All past, present and future costs, charges, levies, duties, and expenses in relation to or in connection with or incidental to the Scheme or the implementation thereof shall be borne by the Company and all of the above costs (including stamp duty, if any) shall be treated as costs relating to the Scheme.

16. IMPACT OF THE SCHEME ON EMPLOYEES/ WORKERS

The Scheme shall not have any adverse impact on the employees and workers of the Company.

17. IMPACT OF THE SCHEME ON CREDITORS/ BANKS/ FINANCIAL INSTITUTIONS

The Scheme will not have any adverse impact on any of the Company's creditors or banks. They would in fact be generally benefitted as the Scheme would help improving the financial position of the Company. The Scheme will help the revival of the Company which will be in the interest of the Company's creditors or banks. There are no secured loans or liability to any Bank or Financial Institutions as on the date.

G.M. Singh



The Scheme would not affect any legal or other proceedings by or against the Company.

19. APPLICATION TO THE TRIBUNAL

This Scheme involves reduction of share capital as contemplated by Article 6 of the Company's Article of Association. The Company shall make all applications/petitions under Section 66 of the Companies Act, 2013 read with National Company Law Tribunal (Procedure for Reduction of Share Capital of the Company) Rules, 2016 and other applicable provisions of the Act to the Tribunal for sanctioning of this Scheme and obtain all approvals as may be required under law.

20. MODIFICATIONS / AMENDMENTS OF THE SCHEME

The Company, by its Board or such other person or persons, as the Board may authorize, may make, or affect or assent to any modification or amendment of the Scheme which the Tribunal and/or any other authorities under law may deem fit to direct or impose or which may otherwise be considered necessary or desirable by the Board for settling any question or doubt or difficulty that may arise for –implementing and/or carrying out the Scheme or otherwise howsoever arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith, as may be considered by the Board to be in the best interest of the Company and its members including the withdrawal of the Scheme, and do all such acts, deeds and things as may be necessary, desirable or expedient for giving effect to the Scheme.

21. EFFECT OF NON-RECEIPT OF APPROVALS/ SANCTIONS

In the event of any of the aforesaid sanctions and approvals not being obtained and/ or the Scheme not being sanctioned by the Tribunal and/ or the order or orders not being passed as aforesaid, the Scheme shall become null and void, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law and the Company shall bear and pay the costs, charges and expenses for/ or in connection with the Scheme.

22. SEVERABILITY

If, in the opinion of the Board, any part of the Scheme is found to be unworkable for any reason whatsoever, the same shall not affect the validity or implementation of other parts or provisions of the Scheme. If any part of this Scheme is hereof is invalid, ruled illegal by any appropriate authority of competent jurisdiction, or unenforceable under present or future laws, then it is the intention of the Board that such part shall be severable from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become material adverse, in which case the Board shall attempt to bring a suitable modification to the Scheme. The Board shall be entitled to revoke, cancel and declare the Scheme of no effect, if the Board is of the view that the coming into effect of the Scheme would have adverse implications on the Company.

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23. PARTLY PAID- UP SHARES

As on date the Company does not have any partly-paid up shares.

24. CROSS HOLDING

Since it is not a matter concerning to merge or de-merge, the concept of cross holding does not apply.

25. DESIGNATED STOCK EXCHANGE:

The Designated Stock Exchange for interaction with SEBI shall be the BSE Limited.

26. ACCOUNTING TREATMENT

The paid up share capital of the Company amounting to Rs. 3,89,85,000/- shall be reduced in part and shall be utilized for writing off the Accumulated Losses to the extent of Rs. Rs. 3,50,86,500/-. The Company shall pass appropriate entries as per the applicable accounting policies and accounting standards as regards accounting for the reduction of capital and writing off the Accumulated Losses.

27. LISTING OF SHARES

Notwithstanding the reduction of capital of the Company in pursuance of this Scheme, the listing benefit of the Company on the Stock Exchanges where the existing Equity Shares of the Company are listed shall continue and the Company will comply with the applicable provisions of the Listing Agreement with the Stock Exchanges.

Notwithstanding the reduction of capital of the Company in pursuance of this Scheme, the Company shall not be required to add the words "And Reduced" to its name as the last words thereof.

28. FORM OF MINUTE UNDER SECTION 66(5) OF THE COMPANIES ACT, 2013

The form of minutes proposed to be registered under Section 66(5) of the Companies Act, 2013 is as follows:

"The paid up equity capital of PRATIK PANELS LIMITED is henceforth Rs. 38,98,500/- divided into 38,98,500 Equity Shares of Re. 1/- each. The debit balance in the Profit and Loss account of the Company is henceforth Rs. 17,07,332/- reduced from Rs. 3,67,93,832/."

G. M. Singh

