

DRAFT SCHEME OF REDUCTION OF CAPITAL
BETWEEN
EVEREST ORGANICS LIMITED
AND
ITS SHAREHOLDERS

PREAMBLE

- A. EVEREST ORGANICS LIMITED (hereinafter referred to as EVEREST ORGANICS LIMITED or Company), a listed public limited company having registered office at Aroor Village Sadashivpet Mandal, Medak District Andhra Pradesh and is engaged inter alia in the business of manufacturing of bulk drugs viz. Omeprazole, Esomeprazole, Pantoprazole, Pregabalin, Benzimidazole, etc and related activities,

The Company's Factory has a total area of 32 acres with 23 acres of green belt and 9 acres covered under buildings and roads. A massive plantation has been done in & around the process plants. These trees and plants include different varieties like Subabul, Neem, Gulmohar etc., Beautiful lawns between the buildings give a pleasant view for the unit that relieves the stress of the workers.

As on March 31, 2013, the Company has a paid up capital of Rs 9.27 crores and a negative reserves and surplus of Rs 5.98 Crores leaving a net worth of Rs 3.29 crores.



B. Rationale for the Scheme of Arrangement

- (a) In view of the accumulated carry forward losses that the company's balance sheet is reflecting and with the future prospect of growth and value addition to the shareholders, the company has proposed to clean its books there by enabling the company to raise future resources considering the expansion programs and various API that has been considered for development would need huge amount of investment both in terms of equity as well as debt.
- (b) This has given rise to the need to re-adjust the relation between capital and assets and to accurately and fairly reflect the liabilities and assets of the Company in its books of accounts. The Company has evaluated the effect of this upon the Company's functioning and has carefully examined different options available to the Company. After detailed deliberations, the Board of Directors of the Company is of the view that reduction of share capital in accordance with Section 100 of the Companies Act, 1956 is the only practical and economically efficient legal option available to the Company. In order to reflect its assets and liabilities at their real value and maximize its business value, the Company proposes to reduce the equity share capital of the Company, in accordance with Section 100 of the Companies Act, 1956.



C. Purpose of the Scheme

The purpose of the Scheme is to reorganize the Capital Structure of the Company so as to represent the realistic value for the Shares of the Company. This scheme of arrangement is between EVEREST ORGANICS LIMITED, and its SHAREHOLDERS.

D. The Scheme is divided into the following parts:

Part I, which deals with definitions;

Part II, which deals with Reduction of Capital and reorganization of capital;

Part III which deals with the general terms & conditions applicable to the Scheme.

Whereas, This Scheme is in the nature of reduction of equity shares to set off the against the residual carry forward losses of prior years leading to the reconstruction of the capital of company.



PART I
DEFINITIONS

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

- A. "ACT" means the Companies Act, 1956 and includes any statutory re-enactment or modification thereof from time to time;
- B. "APPOINTED DATE" means April 01, 2013 or such other date as may be approved by the Hon'ble High Court of Judicature at Hyderabad;
- C. "CAPITAL LOSS" means the accumulated losses available to Everest Organics Limited to be set off against its future profits;
- D. "COURT" OR "HIGH COURT" means the High Court of Judicature at Hyderabad, and shall include the National Company Law Tribunal as applicable;
- E. "EFFECTIVE DATE" means last date on which the certified copy(ies) of the Order(s) of the Hon'ble High Court of Judicature at Hyderabad sanctioning this Scheme of Arrangement is/are filed with the Registrar of Companies, Hyderabad, Andhra Pradesh, by EVEREST ORGANICS LIMITED. References in this Scheme to 'upon the Scheme becoming effective' or 'effectiveness of the Scheme' shall mean the 'Effective Date'.
- F. "ENCUMBRANCE" means any options, pledge, mortgage, lien, security, interest, claim, charge, easement, limitation, attachment, restraint or any other encumbrance of any kind or nature whatsoever.
- G. "STOCK EXCHANGE" means the stock exchanges on which the shares of EVEREST ORGANICS LIMITED are listed (BSE Limited)



- H. "GOVERNMENTAL AUTHORITY" means any applicable central, state or local government, legislative body, regulatory or administrative authority, agency or commission or any court, tribunal, board, bureau, instrumentality, judicial or arbitral body having jurisdiction over the territory of India.
- I. "EVEREST ORGANICS LIMITED" means EVEREST ORGANICS LIMITED, an existing company under the act and having its registered office at Aroor Village Sadashivpet Mandal, Medak District Andhra Pradesh.
- J. "RECORD DATE" means the date(s) to be decided by the Board of Directors of the Company for the purpose of giving effect to the orders of the Honorable High Court sanctioning the Scheme.
- K. "THIS SCHEME" or "THE SCHEME" Or "SCHEME" means this Scheme of Arrangement for reconstruction / restructuring of capital as provided herein in its present form or with any modification(s) approved or imposed or directed by the any of the Regulatory Authorities and may be approved by the Hon'ble High Court of Judicature at Hyderabad or National Company Law Tribunal as applicable.
- L. "SHAREHOLDER" "The Shareholder" and "Member" are used to denote the same meaning and are used interchangeably;

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 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.



INCORPORATION, OBJECTS AND CAPITAL STRUCTURE

1. INCORPORATION

Everest Organics Limited was incorporated on February 19, 1993.

2. MAIN OBJECTS

1. To carry on the business of manufacture, buy, sell, import, export and generally deal in all type of bulk drugs, chemicals, pharmaceuticals, drugs, intermediaries of bulk drugs and drugs and formulations of all types.
2. To carry on business of manufacture, buy, sell, import, export and generally deal in all types surgical, Medical, pharmaceutical, Scientific equipment, appliances and accessories.
3. To carry on the business of manufacture and deal in all types of dyestuffs including Azocil, like acid orange, vatdyes and reactive dyes used in textiles, paper, food drugs, pigments, organic and in organic like pathalocyanine Blue, Hansa yellow and intermediate compounds.
4. To carry on the business of manufacture and deal in all types of spice oleoresin, like ginger olyoresin, essential oils including cardamanoil.



3. PRESENT SHARE CAPITAL STRUCTURE

The present share capital structure of the Company as on 31.03.2013 is as follows:

Authorised	Rs
1,00,00,000 Equity Shares of Rs. 10 each	10,00,00,000
Issued	
92,73,000 Equity Shares of Rs. 10 each fully paid-up	9,27,30,000
<u>Subscribed and Paid-up</u>	
92,73,000 Equity Shares of Rs. 10 each fully paid-up	9,27,30,000
Securities Premium and Reserves	
Securities Premium Account	NIL
Other Reserves	NIL
Profit & Loss Account	(5,98,56,102)



PART II:

REDUCTION AND REORGANISATION OF CAPITAL AND SECURITIES PREMIUM
ACCOUNT OF EVEREST ORGANICS LIMITED

1. Notwithstanding anything contained in Section 78, 100 to 104 of the Companies Act 1956:
 - (a) Upon the Scheme coming into effect from the Appointed Date;
 - i. On the effective date and after securing necessary approvals and permissions, the Accumulated losses of Rs5, 93, 47,200/- (Rupees Five Crore Ninty Three lakh Forty Seven Thousand and Two Hundred only) of the Company is sought to be set off against the paid up capital of the Company with effect from the appointed date.
 - ii. As an integral part of this Scheme and upon coming into effect of the Scheme the issued, subscribed and paid up share capital of the Company shall be reduced by canceling a sum of Rs. 6.40/- from every paid up share of Rs. 10/- and thereafter consolidating 1 Equity Shares of Rs.10/- each as fully paid up capital in the Company i.e. after reduction the capital of the company will be of 33,38,280 (Thirty Three Lacs Thirty Eight Thousand Two hundred and Eighty) fully paid equity shares of Rs.10/- each aggregating to Rs. 3,33,82,800/- (Rupees Three Crores thirty three lacs eighty two thousand and eight hundred Only).
 - iii. Upon the coming into effect of the scheme, the share capital of the Company will be reduced and reorganized by reducing the paid up equity shares of EVEREST ORGANICS LIMITED from Rs.10/- per equity share



to Rs. 3.60/- per equity share and further consolidating the same in to fully paid up shares of Rs10/- per equity share and the share capital, securities premium and other reserves and surplus account of company shall stand as follows.

1. Capital Account -- Rs. 3,33,82,800
2. Securities Premium Account — Rs. Nil
3. Reserves and Surplus — Rs.(5,08,902)

- iv In case any equity shareholders' holding in EVEREST ORGANICS LIMITED is such that the equity shareholders become entitled to a fraction of an equity share, the Board of Directors of EVEREST ORGANICS LIMITED shall be empowered to consolidate all such fractional balances into full shares and the resultant share(s) shall be issued and allotted to a director or officer of Everest Organics Limited to be held in trust on behalf of all such members who held such fractional balances. Such director or officer of EVEREST ORGANICS LIMITED, who is allotted such consolidated shares, shall be bound by the express understanding to cause the sale of such shares, by a Committee of Directors, acting in trust on behalf of the members entitled to the fractional balances. Such sale of shares in the market shall be by the Committee of Directors at such time(s), at such price(s) and to such person or persons, as the Committee of Directors may deem fit and the net sale proceeds deposited with EVEREST ORGANICS LIMITED shall be distributed by EVEREST ORGANICS LIMITED to the members (as on the Record Date) in proportion to their respective fractional balances, after deduction there from the expenses incurred in connection with the sale.



EVEREST ORGANICS LIMITED, acting through the Committee of Directors shall be empowered to advise the depository participants of the equity shareholders in dematerialized form, on the Record Date, the information of shareholding arising out of reorganization of capital pursuant to this Scheme; for substitution thereof or in lieu of the certificates of the Equity Shares held by them before such reorganization of capital.

Those Equity shareholders of EVEREST ORGANICS LIMITED who continue to hold their Equity Shares in physical form as on the Record Date shall be issued fresh share certificates consequent upon the reorganization, of the Capital. Their original share certificates shall be deemed to be cancelled and non-useable and not tradable on any stock exchange or otherwise from and after the Record Date. The new Share Certificates of EVEREST ORGANICS LIMITED issued pursuant to this Scheme shall be delivered to such equity shareholders who hold their Equity Shares in physical form by Registered Post, irrespective of whether such equity shareholders surrender their old share certificates or not. The Stock Exchanges shall also be intimated, on the Record Date of the non-tradability of the original share certificates so that they can intimate EVEREST ORGANICS LIMITED members by public notice displayed on the Notice Board and through electronic means.



v) a. Upon the scheme coming into effect, with the above reduction of share capital of the EVEREST ORGANICS LIMITED in accordance with above clauses, 92,73,000 equity shares having a face value of Rs.10/- each shall be reorganized into 33,38,280 equity shares of Re.10/- each fully paid-up. Consequently, every shareholder of EVEREST ORGANICS LIMITED whose name appears on the Register of Members on the Record Date shall be issued, 36 equity share of the face value of Re.10/- fully paid-up for every 100 equity share of the face value of Rs.10/- each fully paid-up held by them in the Company, prior to scheme.

b. The reduction in the share capital account of the company shall be effected as an integral part of the Scheme upon the order of the Honorable High Court sanctioning the scheme coming into effect notwithstanding anything contained in the provisions of sections 78 and sections 100 to 104 of the Companies Act 1956 and such an order shall be deemed to be also the order under section 102 of the Act for the purpose of confirming the reduction.

c. The provisions of this Section shall operate notwithstanding anything to the contrary in this Scheme.



PART III

GENERAL TERMS AND CONDITIONS APPLICABLE TO THE ENTIRE SCHEME

The scheme conforms to all rules, regulations, guidelines etc. framed and issued by Securities Exchange Board of India pursuant to Securities and Exchange Board of India Act, 1992 and Securities Contracts Regulation Act, 1956.

1. EFFECT OF THE SCHEME

- It is clarified that the approval of the members of the Company to the Scheme shall be deemed to be their consent / approval also to the alteration of the Memorandum and Articles of Association of the Company as may be required under the Act.
- The proposed reconstruction / restructuring of capital by reduction of paid up capital against accumulated losses shall be reflected in the books of Accounts of the Company, on the effective date, in the following manner



Particulars	Prior Capital to the Scheme of Arrangement as on 31" March 2013 (Audited)	Reduction of capital against "accumulated loss" as per Scheme
Number of Equity Shares	92,73,000	33,38,280
Value of each share	10	10
Total paid up share Capital	9,27,30,000	3,33,82,800
Reserve & Surplus	(5,98,56,102)	(5,08,902)

- The share holding pattern of the Company, upon the approval of Scheme shall be in the following manner:

Particulars	Prior Holding before reduction of share capital		Holding after reduction of share capital	
	No. of Shares of	% of Total Share	No. of Shares of	% of Total
Promoter	30,80,700	33.22	11,09,052	33.22
Public	61,92,300	66.78	22,29,228	66.78
Total	92,73,000	100	33,38,280	100

The Scheme, which 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.



- The Scheme does not involve any conveyance of transfer of any property and consequently, the order of the Hon'ble High Court of Andhra Pradesh approving the Scheme will not attract any stamp duty, under the Hyderabad Stamp Act, in this regard. The Company shall make all applications / petitions as may be required under Sections 100 to 103 read with Section 94 and other applicable provisions of the Act to the High Court of Judicature of Andhra Pradesh at Hyderabad, for obtaining the sanction of the Court of this Scheme of Reduction of capital, under Sections 100 to 103 and other Applicable Sections of the Act and for such orders for carrying this Scheme into effect.

2. JUSTIFICATION OF THE SCHEME

- The accumulated losses of the Company as on 31st March 2013 which amounted to Rs5,98,56,102/- , as on 31.03.2013 has wiped off almost the net worth of the Company. Even though the company has been making profits in some prior year still the carry forward losses on balance sheet is making difficult for the company to either raise new resources for expansion and modernization nor it can share the profits of the company with its shareholders. The company is therefore unable to raise any finance either from the capital markets or financial institutions whether in the form of equity or debt, to undertake business activities on a larger scale. The proposed Scheme would enable the company to show the actual financial position in its balance sheet to depict the representing Assets value which in turn will enable it to approach for financial assistances in order to develop its business and thereby increase its net worth to enhance the stakeholders' value
- In view of the above, the Company is seeking to reconstruct / restructure its capital by way of writing off its accumulated Capital loss against the reduction of its paid up capital which is not-represented by available assets.



3. OBJECTS / BENEFITS ARISING OUT OF THE SCHEME:

- The Company has incurred heavy losses in past and has an eroded Net Worth. The Scheme, after full implementation, will result in making its Net Worth positive;
- The Scheme will enable the Company to overcome its financial difficulties and improve its working in the -future;
- Once the Scheme is sanctioned it would enable the company to share its future profits with its shareholders.
- The True financial statement of the Company would ensure company to attract new source of avenue and in turn enhancement of its shareholders' value;
- The Scheme will help the Growth of the Company, which will be in the interests of its employees, shareholders, the National and State Exchequer and the Society in general; and
- The Scheme will facilitate the company to expand & smoothen the business activities. The experience and expertise of the promoters will bring efficiency and professionalism in the management of the company.



4. CONDITIONALITY OF SCHEME

The Scheme is conditional upon and subject to:

- (a) the Scheme being agreed to by the respective requisite majorities of members of the Company as required under the Act and the requisite sanction and orders of the High Court of Judicature at Hyderabad or of such other authority having jurisdiction under law, being obtained;
- (b) the requisite sanctions and approvals including but not limited to in principle approvals, sanctions of any Governmental Authority, as may be required by law in respect of this scheme being obtained; and
- (c) the certified copy of the above order of the High Court of Judicature at, Hyderabad sanctioning this scheme being filed with the Registrar of Companies, Hyderabad.

5. 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.

6. IMPACT OF THE SCHEME ON EMPLOYEES/WORKERS

The scheme shall not have any adverse impact on the employees and workers of the company and they would in fact be generally benefitted as the infusion of fresh funds into the company would help it to deploy the same in its business and thereby improve its financial position.



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

The scheme of reduction of capital will not affect any of the company's creditors/Banks/Financial Institutions. The scheme does not provide any compromise or arrangement with the creditors and shareholders' except as provided in the scheme, The Scheme will help the revival of the Company which will be in the interest of the employees, shareholders, national and state exchequer.

8. LEGAL PROCEEDINGS

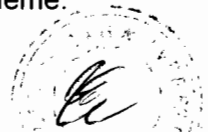
The Scheme would not affect any legal or other proceedings by or against the Company.

9. APPLICATION TO THE HIGH COURT OF ANDHRA PRADESH:

This Scheme involves reduction of share capital as contemplated by Cl. 46 of Table- A to the Companies Act. 1956 and of the Company's Articles of Association. Approvals of the shareholders and of the Hon'ble High Court , Hyderabad, pursuant to this Scheme under Sections 391 and 394 of the Act are being sought as a measure of legal compliance, transparency and prudence.

10. MODIFICATIONS / AMENDMENTS OF THE SCHEME

The Company, by its Directors (including a Committee of Directors constituted for this purpose), may affect or assent to any modification or amendment of the Scheme which the Court 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 of Directors of the Company for settling any question or doubt or difficulty that may arise for -implementing and/or carrying out the Scheme or otherwise as may be considered by the Board to be in the best interest of the Company and its members and do all acts, deeds and things as may be necessary, desirable or expedient for giving effect to the Scheme.



11. THIS SCHEME IS SPECIFICALLY CONDITIONAL UPON AND SUBJECT TO:

- 11.1 The approval of and agreement to the Scheme by the requisite majorities of such classes of persons of the Company as may be directed by the Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad on the applications made or directions under Section 391 of the said Act for calling meetings and necessary resolutions being passed under the said Act for the purpose;
- 11.2 The sanction of the Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad being obtained under Sections 391 and 394 read with section 100 to 103 and 78 of the Companies Act 1956 and any other applicable provisions, if any, by the Company.

12. EFFECT OF NON-RECEIPT OF APPROVALS / SANCTIONS

- 12.1 In the event of any of the aforesaid sanctions and approvals not being obtained and/or the Scheme not being sanctioned by the High Court at Hyderabad and/or the order or orders not being passed as aforesaid, the Scheme shall become null and void and Company shall bear and pay the costs, charges and expenses for/or in connection with the Scheme.
- 12.2 If, in the opinion of the Board of Directors of the Company, 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.

13. EXPENSES CONNECTED WITH THE SCHEME

All Costs, charges, expenses, taxes, duties levies and fees, if any, arising out of or incurred in carrying out and implementing the provisions of and giving effect to this Scheme, shall be borne and paid by the Company.



14. PARTLY PAID up SHARES

As on date there were no partly paid up shares.

15. CROSS HOLDING

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

16 DESIGNATED STOCK EXCHANGE

The designated stock exchange for interaction shall be the Bombay Stock Exchange (BSE Ltd).

17. CANCELLATION OFSHARES

Upon this Scheme becoming finally effective, all the shareholders, if so required by the Company, shall surrender their share certificates for cancellation thereof Notwithstanding anything to the contrary, upon the issue of the new share certificates in the Company to the Shareholders whose names shall appear in the Register of Members of the Company on such Record Date fixed as aforesaid, the old share certificates held by them in the Company shall be deemed to have been automatically cancelled and cease to be negotiable and be of no commercial or legal value, on and from the Record Date. The Company may instead of requiring the surrender of the old share certificates, as above, directly issue and dispatch the new share certificates of the Company in lieu thereof. In the case of shares held in dematerialized and electronic form, the required procedure for reflecting the change in the holdings of the members of the Company, as a consequence of the sanctioning of this Scheme, shall be adopted for making the necessary alterations in the Depository Accounts of the shareholders.



18. LISTING OF SHARES:

Notwithstanding the reduction of Capital of the Company in pursuance of this Scheme, the listing benefit of the Company, for the existing shares being issued in pursuance of this Scheme. on all or any of the Stock Exchanges where the existing Equity Shares of the Company are listed may continue and the company will comply the applicable provisions of the Listing Agreement with the Stock Exchange.

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.

