

**IN THE HIGH COURT OF GUJARAT AT AHMEDABAD
(ORIGINAL JURISDICTION)**

**COMPANY PETITION NO. 149 OF 2003
Connected with
COMPANY APPLICATION NO. 159 OF 2003**

In the matter of Section 391 and 394 of the
Companies Act, 1956

And

In the matter of
United Phosphorus Limited.

A Company registered under the Companies Act,
1956 and having its registered office at 11, GIDC,
Vapi, Dist. Valsad 396 195 in the state of
Gujarat.

And

In the matter of Scheme of Arrangement in the
nature of De-merger and Transfer of
Manufacturing Division of United Phosphorus
Limited to Search Chem Industries Limited and the
reduction and reorganization of its capital.

United Phosphorus Limited.

A Company registered under the Companies

Act, 1956 and having its registered office

At 11, GIDC, Vapi, Dist. Valsad 396 195

In the state of Gujarat.....Petitioner

BEFORE HONOURABLE Mr. JUSTICE C. K. Buch

Date : 28th August 2003

Order On Petition

The above petition coming on for hearing on 28th August 2003, upon reading the said petition, the order dated 29-3-2003 in the Company Application No. 159 of 2003 whereby the petitioner was directed to convene separate meetings of the Equity and Preference Shareholders, secured creditors and unsecured creditors of the company, for the purpose of considering, and if thought fit, approving, with or without modification the compromise or arrangement proposed to be made between the said Company and its members by the scheme of Arrangement and restructure in the nature of De-merger and transfer of the Manufacturing Division of United Phosphorus Limited, the Petitioner Company, to Search Chem Industries Limited, and annexed to the affidavit of Shri M. B. Trivedi, filed on 28th day of March 2003 and The Indian Express — the English daily Vadodara edition dated 8th of April 2003, and Gujarat Mitra—the Gujarati daily Surat edition dated 10.04.2003, each containing the advertisement of the said notice convening the said meetings directed to be held by the said order dated 29.03.2003, the affidavit of Mr. Arun Ashar filed on the 17th day of April 2003 showing the publication and dispatch of the notices convening the said meetings, the report of the Chairman of the said meetings dated 3.5.2003 as to the result of the said meetings, and upon hearing Smt. Swati Soparkar, Advocate for the Petitioner Company and upon hearing Mrs. P. J. Davawala, Add. Standing Counsel appearing for the Central Government and it appearing from the report that the proposed compromise or arrangement has been approved by a majority of not less than three-fourths in value of the equity as well as Preference shareholders and Secured and Unsecured creditors present and voting in person or by proxy at the respective meetings.

This court doth hereby sanction the compromise or arrangement set forth in para 15 of the petition herein and in the Schedule hereto and doth hereby declare the same to be binding on the shareholders of the abovenamed company and also on the abovenamed company.

This court further sanctions the reorganization of capital in terms of Clause 7 of the scheme and Special Resolution passed at the Extra Ordinary General Meeting, and hereby specifically confirms that the Paid-Up Equity Share Capital of the company be reduced from Rs. 25,47,46,700/- to Rs. 5,09,49,340/- divided into 2,54,74,670 Equity Shares of Rs. 2/- each fully paid up.

And this Court doth further order that parties to the compromise or arrangement or other persons interested shall be at liberty to apply to this Court for any direction that may be necessary in regard to the working of the compromise or arrangement, and

That the said company do file with the Registrar of the Companies a certified copy of this order within 30 days from the receipt of the same, and

This court doth further orders payment of Rs. 3,500/- in aggregate as the cost of this petition awardable to Smt. P. J. Davawala, Addl. Central Government Standing Counsel.

SCHEDULE

Scheme of Compromise or Arrangement as sanctioned by the court.

Dated this 28th day of August 2003.

SCHEME OF ARRANGEMENT

BETWEEN

UNITED PHOSPHORUS LTD

AND

SEARCH CHEM INDUSTRIES LTD.

AND

THEIR RESPECTIVE SHAREHOLDERS

under Sections 391 and 394 of the Companies Act, 1956

This Scheme of Arrangement is presented for vesting of the Manufacturing Division (as defined in Clause 1.6) of United Phosphorus Ltd. having its registered office at 11, GIDC, Vapi, Dist. Valsad, Gujarat – 396 195, as a going concern, to and in Search Chem Industries Ltd. having its registered office at A-2/1, GIDC, Vapi, Dist. Valsad, Gujarat – 396 195, pursuant to the relevant provisions of the Companies Act, 1956.

1. DEFINITION

- 1.1 "ACT" means the Companies Act, 1956.
- 1.2 "Appointed Date" means the 1st day of March, 2003 or such other date as may be approved by the High Court of Judicature at Gujarat.
- 1.3 "UPL" or "the Demerged Company" or "the Transfere Company" means United Phosphorus Ltd., a company, incorporated under the Companies Act, 1956 and having its registered office at 11, GIDC, Vapi, Dist. Valsad, Gujarat – 396 195.
- 1.4 "SCIL" or "the Resulting Company" or "the Transfere Company" means Search Chem Industries Ltd., a company incorporated under the Companies Act, 196 and having its registered office at A-2/1, GIDC, Vapi, Dist. Valsad, Gujarat – 396 195.
- 1.5 "Effective Date" means the dates on which certified copies of the Orders of the High Court of Judicature at Gujarat under Sections 391 and 394 of the Act sanctioning the Scheme are filed with the Registrar of Companies, Gujarat.
- 1.6 "Manufacturing Division" means the manufacturing business of UPL and includes:
 - 1.6.1 All assets and liabilities of UPL pertaining to the manufacturing business.
 - 1.6.2 Without prejudice to the generality of the provisions of sub-clause 1.6.1 above, the Manufacturing Division shall, include:

The whole of the undertaking of the Manufacturing Division of UPL, as a going concern, including, in particular:

 - (a) the plants located at Vapi, Ankleshwar and Halol at Gujarat.
 - (b) all debts, liabilities, contingent liabilities, duties and obligations and all other assets and properties, brands, trademarks, registrations, patents, copyrights and other intellectual property rights, whether movable or immovable, real or personal, in possession or reversion, corporeal or incorporeal, tangible or intangible, present or contingent and including but without being limited to vehicles, fixed assets, current assets, investments, provisions, funds, in respect of the Manufacturing Division, leases, licences, tenancy rights,

hire purchase and lease arrangements, computers, office equipment, telephones, telexes, facsimile connections, communication facilities, equipment and installations, benefits of agreements, contracts and arrangements, powers, authorities, permits, registrations (including status related to Super Star Trading House), allotments, approvals, consents, privileges, liberties, advantages, easements and all the right, title, interest, goodwill, benefit and advantage, deposits, advances, receivables, funds, cash, bank balances, accounts and all other rights, claims and powers of whatsoever nature and wheresoever situate belonging to or in the possession of or granted in favour of or enjoyed by UPL in connection with or pertaining or relating to the Manufacturing Division and all earnest money and/or deposits including security deposits paid by UPL in connection with or relating to the Manufacturing Division;

- (c) Investments related to the Manufacturing Division including investments in all subsidiaries of UPL, more specifically described in Annexure 1.

For the purpose of this Scheme, it is clarified that liabilities pertaining to the Manufacturing Division are:

- (a) The liabilities which arise out of the activities or operations of the Manufacturing Division.
- (b) Specific loans and borrowings (including debentures, if any) raised, incurred and utilised solely for the activities or operation of the Manufacturing Division.
- (c) Liabilities other than those referred to in Sub-Clauses (a) and (b) above, if any, being the amounts of general or multipurpose borrowings of UPL, allocated to the Manufacturing Division in the same proportion in which the value of the assets (ignoring the revalued amount) transferred under this Scheme bear to the total value of the assets of UPL immediately before giving effect to this Scheme.

1.6.3 All permanent employees of UPL employed in the Manufacturing Division, as identified by the Board of Directors of UPL, as on the Effective Date; and

1.6.4 Any question that may arise as to whether a specified asset or liability pertains or does not pertain to the Manufacturing Division or whether it arises out of the activities or operations of the Manufacturing Division shall be decided by mutual agreement between the Board of Directors of UPL and SCIL.

1.7 "Record Date" means the date to be fixed by the Board of Directors of UPL and SCIL for the purpose of issue of shares of SCIL to the shareholders of UPL.

1.8 "GDRs" means global depository receipts issued pursuant to the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 as modified upto date and other applicable laws, and where relevant shall include the underlying shares relating thereto;

1.9 "Remaining Business" means the business of the Trading Division of UPL, the Administrative Building at Khar, Mumbai and investments not related to the Manufacturing Division including the investments in the equity shares of SCIL.

1.10 "Scheme" means this Scheme of Arrangement in its present form or with any modification(s) made under Clause 21 of this Scheme.

2. DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the High Court of Judicature at Gujarat shall be effective from the Appointed Date but shall be operative from the Effective Date.

3. SHARE CAPITAL

3.1 The Share capital of UPL is as under:

(Amount in Rs. Lacs)
As on March 31, 2002

Authorised Capital	
3,00,00,000 Equity Shares of Rs. 10 each	3000.00
70,00,000 Preference Shares of Rs. 100 each	7000.00
	<u>10000.00</u>
Issued, Subscribed and Paid-up	
2,54,74,670 Equity Shares of Rs. 10 each	2547.47
3,00,000 10.75% Cumulative redeemable preference Shares of Rs. 100 each	300.00
4,00,000 11% Cumulative redeemable preference Shares of Rs. 100 each	400.00
11,00,000 12% Cumulative redeemable preference Shares of Rs. 100 each	1100.00
	<u>4347.47</u>

3.2 The share capital of SCIL is as under:

(Amount in Rs. Lacs)
As on September 30, 2002

Authorised Capital	
5,50,00,000 Equity Shares of Rs. 10 each	5500.00
1,45,00,000 Preference Shares of Rs. 100 each	14500.00
	<u>20000.00</u>
Issued, Subscribed and Paid up	
5,00,21,200 Equity Shares of Rs. 10 each	5002.12
Less: Calls in Arrears	(226.72)
1,27,00,000 Non-convertible redeemable Preference Shares of Rs. 100/- each	12700.00
	<u>17475.39</u>

Out of the above, 2,65,62,160 equity shares of Rs. 10/- each fully paid-up and 1,12,00,000 Preference Shares of Rs. 100/- each fully paid-up are held by UPL, the Demerged Company, making SCIL the subsidiary of UPL.

4. VESTING OF UNDERTAKING

The undertaking of the Manufacturing Division of UPL, as defined in Clause 1.6, shall be transferred to and vested in or be deemed to be transferred to and vested in SCIL in accordance with Section 2(19AA) of the Income Tax Act, 1961 and in the following manner:

- 4.1 With effect from the Appointed Date the whole of the undertaking and properties, as aforesaid, of the Manufacturing Division, shall, under the provisions of Sections 391 and 394 and all other applicable provisions, if any, of the Act, without any further act or deed, be transferred to and vested in and/or be deemed to be transferred to and vested in SCIL at their book values, ignoring revaluation, as at February 28, 2003 so as to vest in SCIL all the rights, title and interest of UPL therein.
- 4.2 With effect from the Appointed Date, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of UPL relating to the Manufacturing Division shall also, under the provisions of Sections 391 and 394 of the Act, without any further act or deed, be transferred to or be deemed to be transferred to SCIL so as to become as from the Appointed Date the debts, liabilities, contingent liabilities, duties and obligations of SCIL and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen in order to give effect to the provisions of this sub-clause.

- 4.3 The transfer and vesting of the undertaking of the Manufacturing Division of UPL as aforesaid, shall be subject to the existing securities, charges and mortgages, if any subsisting, over or in respect of the property and assets or any part thereof relating to the Manufacturing Division unless otherwise agreed by the relevant creditors of UPL.

Provided that any reference in any security, documents or arrangements (to which UPL is a party) to the assets of the UPL offered or agreed to be offered as security for any financial assistance or obligations, shall be construed as reference only to the extent the said assets are pertaining to the undertaking of the Manufacturing Division of UPL as are vested in SCIL by virtue of the aforesaid clause.

5. REORGANISATION OF THE SHARE CAPITAL OF SCIL

- 5.1 Upon the Scheme becoming operative, the shares of SCIL on which calls are in arrears, and which are already forfeited on the Effective date, would be cancelled without any further act or deed.

- 5.2 As far as the balance fully Paid up capital of SCIL is concerned, the same be reorganised from Rs. 45,61,83,500 divided into 4,56,18,350 equity shares of Rs. 10 each fully paid up to Rs. 3,80,00,090 divided into 38,00,009 shares of Rs. 10 each fully paid up as follows:

5.2.1 The reorganisation shall be effected in the first instance, by canceling Rs. 9,167 of every equity share of Rs. 10 fully paid up, i.e. subscribed and paid up capital of Rs. 45,61,83,500 divided into 4,56,18,350 equity shares of Rs. 10 each fully paid shall be reorganised to Rs. 3,80,00,090 divided into 4,56,18,350 equity shares of Re. 0.833 each fully paid up.

5.2.2 After the aforesaid reorganisation, the revised fully Paid-up Share Capital of SCIL of Rs. 3,80,00,090 divided into 4,56,18,350 equity shares of Re. 0.833 each fully paid up shall be consolidated into 38,00,009 equity shares of Rs. 10 each fully paid, subject to fractional entitlements discussed in Clause 5.4 below.

Accordingly, for example a shareholder of SCIL holding 100 shares would be entitled to 8.33 shares. He would receive 8 shares and in lieu of the balance entitlement of 0.33 shares, he would receive cash (described in detail in Clause 5.4 below).

5.2.3 Any partly paid shares on which calls have been subsequently paid and hence not forfeited would be added to the fully paid shares for the purposes of Clauses 5.2.1 and 5.2.2.

- 5.3 The share certificates of SCIL in relation to the shares held by its equity shareholders whose names appear in the Register to Members as on the Record date, shall, without any further application, act, instrument or deed, be deemed to have been automatically cancelled and new share certificates with the revised number of shares will be issued by SCIL, except in the case of partly paid shares forfeited. It is clarified that the number of shares held in dematerialised form will be reduced automatically and it will be deemed that on such reduction, the shares were reduced in accordance with Clause 5.2.1 above and then consolidated as per Clause 5.2.2 above.

- 5.4 The Board of Directors of the Transferee Company shall consolidate all fractional entitlements arising due to reduction of capital as per Clause 5.2 and thereupon issue and allot equity shares in lieu thereof to a director or an officer of the Transferee Company or such other person as the Board of Directors of the Transferee Company shall appoint in this behalf who shall hold the equity shares in trust on behalf of the Members entitled to fractional entitlements with the express understanding that such director(s) or officer(s) or person(s) shall sell the same in the market at such time or times and at such price or prices in the net sale proceeds thereof, whereupon the Transferee Company shall distribute such net sale proceeds to the Members in proportion to their respective fractional entitlements.

- 5.5 Preference Shares of the Transferee Company, if any, held by the Transferor Company on the Record Date shall be cancelled without any further act or deed, and no shares of the Transferee Company are required to be issued in lieu thereof.

- 5.6 The reduction as aforesaid in Clauses 5.1, 5.2 and 5.5, shall be effected as a part of the Scheme only and not in accordance with Section 101 of the Act as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital and the order of the Court sanctioning the scheme shall be deemed to be an order under Section 102 of the Companies Act confirming the reduction.
- 5.7 The Accounting entries in respect of the aforesaid reduction of capital have been included in Clause 8.

6. DISCHARGE OF CONSIDERATION

- 6.1 Upon this Scheme becoming operative and upon vesting of the undertaking of the Manufacturing Division of UPL in SCIL, in terms of this Scheme, in consideration of the demerger, SCIL shall issue and allot to every equity shareholder of UPL, holding fully paid-up equity shares in UPL and whose name appears in the Register of Members of UPL on the Record Date, his/her heirs, executors, administrators or the successors-in-title, as the case may be, in the manner provided in Paras 6.1.1 and 6.1.2 below.
- 6.1.1 In respect of 1 (one) Equity share of the face value of Rs. 10 each fully paid-up held by an equity shareholder in UPL, he/she/it has the option to receive either:

- ❖ 1 (one) Equity share of the face value of Rs. 10 each of SCIL (hereinafter referred to as 'New Equity Shares') with rights attached as under:

- (a) The New Equity Shares to be issued and allotted in terms hereof will be subject to the Memorandum and Articles of Association of SCIL and shall rank pari-passu with the existing equity shares in all respects including dividends, if any, that may be declared by the Transferee Company.
- (b) SCIL shall, if and to the extent required, apply for and obtain any approvals from concerned regulatory authority for the issue and allotment by SCIL of equity shares to the members of UPL under the Scheme.
- (c) The New Equity Shares of SCIL issued in terms of Clause 6.1 above shall, be listed on Bombay Stock Exchange, National Stock Exchange, Ahmedabad Stock Exchange, Vadodara Stock Exchange, Madras Stock Exchange and Calcutta Stock Exchange.
- (d) The New Equity shares shall not be subject to the reduction as contained in Clause 5 above.

or in the alternate and at the option of the shareholder;

- ❖ 14 Preference share(s) of the face value of Rs. 10 each of SCIL (hereinafter called the "New Preference shares I") credited as fully paid-up with terms and conditions fully described in Annexure 2.

- 6.1.2 The above option will have to be exercised in writing by the Equity shareholders of the Transferor Company on or before such date as may be determined by the Board of Directors of the Transferee Company or a committee of such Board of Directors. In the event that such notice has not been received by the Transferee Company in respect of any of the equity shareholders of the Transferor Company, they would be deemed to have exercised the option of receiving New Equity Shares.

- 6.1.3 Notwithstanding anything contained in Clause 6.1.1 above, the option of receiving preference shares in consideration for the demerger, will not be available to the GDR holders.

- 6.2 (i) Upon the coming into effect of this Scheme, and the issue of shares by the Transferee Company, the Transferee Company shall ensure that the depository (the "Depository") shall issue GDRs of the Transferee Company to the existing GDR holder of the Transferor Company in an appropriate manner.

The Transferee Company and the Depository shall enter into such further documents as may be necessary and appropriate in this behalf, which shall contain all the detailed terms and conditions of such issue.

- (ii) The Transferee Company shall take all such additional steps and do all such acts, deeds and things as may be necessary for the issue of GDRs pursuant to Sub-clause (i) above, for listing the GDRs on the Luxembourg Stock Exchange.
- (iii) The terms and conditions of GDRs of the Transferee Company issued to the existing GDR holders of the Transferor Company shall be similar in all material respects with the existing GDRs of the Transferor Company.

- 6.3 Upon this Scheme becoming operative and upon vesting of the undertaking of the Manufacturing Division of UPL in SCIL, in terms of this Scheme, SCIL shall, without any further application or deed, issue and allot to every Preference shareholder of UPL, holding fully paid-up preference shares in UPL and whose name appears in the Register of Members of UPL on such date (hereinafter called the "Preference shareholders Record Date") as the Board of Directors of SCIL will determine, his/her heirs, executors, administrators or the successors-in-title, as the case may be, in respect of every 1 Preference share of the face value of Rs. 100 each fully paid-up held by him/her/it UPL, 1 Preference share of the face value of Rs. 100 each of SCIL (hereinafter called the "New Preference Shares II") credited as fully paid-up with the existing terms and conditions relating to dividend, redemption and otherwise, being the same as applicable to the original Preference shares of UPL.

7. REORGANISATION OF THE SHARE CAPITAL OF UPL

- 7.1 The Subscribed and paid-up equity capital of UPL be reorganized from 25,47,46,700 divided into 2,54,74,670 equity shares of Rs. 10 each fully paid-up to Rs. 5,09,49,340 divided into 2,54,74,670 equity shares of Rs. 2 each fully paid.

The reduction as aforesaid shall be effected as a part of the Scheme only and not in accordance with Section 101 of the Act as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid-up share capital.

It is clarified that the paid-up value of the shares issued to the Depository in relation to the GDRs will also be reduced. UPL shall ensure that the Depository shall take all additional steps and do all such acts, deeds and things as may be necessary to reduce the paid-up value of GDRs proportionately in accordance with Clause 7.1.

- 7.2 Consequent to Clause 6.3, the Preference Share capital of UPL will be cancelled and the share certificates in respect of such Preference Shares shall be deemed to be cancelled without any further act, or deed. The reduction as aforesaid shall be effected as a part of the Scheme only and not in accordance with Section 101 of the Act as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid-up share capital.

8. ACCOUNTING TREATMENT IN THE BOOKS OF SCIL

- 8.1 SCIL shall, upon the arrangement becoming operative, record the assets and liabilities (difference between the assets and liabilities hereinafter referred to as "net assets") of the Manufacturing Division of UPL vested in it pursuant to this Scheme, at the respective book values thereof as appearing in the books of UPL, excluding revaluation, at the close of business of the day immediately preceding the Appointed Date.

- 8.2 SCIL shall credit to its Share Capital Account in its books of account the aggregate face value of the New Equity Shares, New Preference Shares I and New Preference Shares II issued by it to the members of UPL pursuant to this Scheme.

- 8.3 The excess of the net assets over the face value of shares issued as per Clause 8.2 above shall be credited to the Capital Restructuring Account.
- 8.4 The Capital Restructuring Account shall be further credited with by the difference arising on capital reduction as per Clause 5.1, Clause 5.5 and the Balance in the Share Premium Account.
- 8.5 The Capital Restructuring account would be debited with the following:
- (a) The balance in the Profit & Loss account; and
 - (b) The balance in the Miscellaneous Expenditure Account of SCIL.
- 8.6 The balance in the Capital Restructuring Account after recording the entries contained in Clauses 8.3, 8.4 and 8.5 shall be credited to the following accounts in the books of SCIL:
- (a) Debenture Redemption Reserve Account, to the extent of the Balance in the Debenture Redemption Reserve Account in the books of UPL as on the Appointed Date;
 - (b) Balance to the General Reserve Account.
- 8.7 The application and consequential reduction of the Share Premium shall be effected as a part of the Scheme only as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid-up share capital and the order of the Court sanctioning the Scheme shall be deemed to be an order under Section 102 of the Act confirming the reduction.

9. ACCOUNTING TREATMENT IN THE BOOKS OF UPL

- 9.1 The difference between the assets and liabilities transferred to SCIL would be debited to the Capital Restructuring account.
- 9.2 The difference arising on the capital reduction of UPL as contained in Clause 7 would be credited to the Capital Restructuring Account.
- 9.3 The cancellation of the Preference shares, held by UPL in SCIL, as provided in Clause 5.5, will be debited to Capital Restructuring Account.
- 9.4 The Capital Restructuring Account would be further credited with the following:
- (a) The Share Premium Account;
 - (b) The Capital Redemption Reserve Account;
 - (c) The Debenture Redemption Reserve Account.
- 9.5 The Capital restructuring Account would be further debited with the following:
- (a) The diminution in the value of investments in the equity shares of SCIL, if any, as may be determined by the Board of Directors of SCIL;
 - (b) The Miscellaneous Expenditure account.
- 9.6 The balance in the Capital Restructuring Account after recording the entries contained in Clauses 9.1 to 9.5 above will be credited or debited to the General Reserve Account as the case may be.
- 9.7 The application and consequential reduction of the Share Premium Account and the Capital Redemption Reserve Account shall be effected as a part of the Scheme only as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid-up share capital and the order of the Court sanctioning the Scheme shall be deemed to be an order under Section 102 of the Act confirming the reduction.

10. BUSINESS AND PROPERTY IN TRUST FOR SCIL

10.1 With effect from the Appointed Date and upon the Effective Date:

- (a) UPL shall carry on and be deemed to have carried on its business and activities in relation to the Manufacturing Division and shall stand possessed of all assets and properties of the Manufacturing Division as defined in Clause 1.6, and referred to in Clause 4 above, in trust for SCIL and shall account for the same to SCIL.
- (b) Any income or profit accruing or arising to UPL in relation to the Division and all costs, charges, expenses and losses incurred by UPL in relation to the Division shall for all purposes be treated as the income, profits, costs, charges, expenses and losses, as the case may be, of SCIL.
- (c) UPL shall not utilize the profits or income, if any, relating to the Division for the purpose of declaring or paying any dividend or for any other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of SCIL.

10.2 With effect from the Appointed Date, all debts, liabilities, duties and obligations of the Manufacturing Division of UPL as on the close of business on the date preceding the Appointed Date whether or not provided in the books of the Manufacturing Division of UPL and all other liabilities relating to the Manufacturing Division which arises or accrues on or after the Appointed Date but which relates to the period on or upto the Appointed Date shall be deemed to be the debt, liabilities, duties and obligations of SCIL.

11. CONDUCT OF BUSINESS

11.1 As and from the date of acceptance of this Scheme by the Board of Directors of UPL and the Board of Directors of SCIL and till the Effective Date:

- (a) UPL shall carry on the Manufacturing business with reasonable diligence and in the same manner as it had been doing hitherto, and UPL shall not alter or expand the Manufacturing business except with the concurrence of SCIL.
- (b) UPL shall not, without the written concurrence of Board of SCIL, alienate, charge or encumber any of its properties defined in clause 1.6 and referred to in Clause 4 above except in the ordinary course of business or pursuant to any pre-existing obligation undertaken prior to the date of acceptance of the Scheme by the respective Boards of Directors of UPL and SCIL.
- (c) UPL shall not vary or alter, except in the ordinary course of its business and as may be required for reorganization, the terms and conditions of employment of any of its employees in relation to the said manufacturing Division.

11.2 With the effect from the Effective Date, SCIL shall commence and carry on and shall be authorised to carry on the businesses carried on by the Manufacturing Division of UPL.

11.3 UPL shall be entitled, pending the sanction of the Scheme, to apply to the Central Government and all other agencies, departments and authorities concerned as are necessary under any law for such consents, approvals and sanctions which SCIL may require to own and carry on the business of the Manufacturing Division.

12. STAFF, WORKMEN & EMPLOYEES

12.1 On the Scheme becoming operative, all staff, workmen and employees of the Manufacturing Division of UPL in service on the Effective Date shall be deemed to have become staff, workmen and employees of SCIL with effect from the Appointed Date without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with SCIL shall not be less favourable than those applicable to them with reference to the Manufacturing Division of UPL on the Effective Date.

- 12.2 It is expressly provided that, on the Scheme becoming effective, the Provident Fund, Gratuity Fund, Superannuation Fund or any other Special Fund or Trusts created or existing for the benefit of the staff, workmen and employees of the Manufacturing Division of UPL shall be transferred to and form part of the corresponding funds of SCIL and SCIL shall stand substituted for UPL for all purposes whatsoever in relation to the administration or operation of such Fund or Funds or in relation to the obligation to make contributions to the said Fund or Funds in accordance with the provisions thereof as per the terms provided in the respective Trust Deeds, if any, to the end and intent that all rights, duties, powers and obligations of UPL in relation to such Fund or Funds shall become those of SCIL. It is clarified that the services of the staff, workmen and employees of the Manufacturing Division of UPL will be treated as having been continuous for the purpose of the said Fund or Funds. Until such time that SCIL creates/arranges for its own funds, SCIL may, subject to necessary approvals and permissions if any, continue to make contributions pertaining to the employees of the Manufacturing Division to the relevant fund of UPL. Such contributions and other balances pertaining to the employees of the Manufacturing Division shall be transferred to the funds created by SCIL on creation of relevant funds/arrangements by SCIL.

13. LEGAL PROCEEDINGS

- 13.1 All legal proceedings of whatsoever nature by or against UPL pending and/or arising at the Appointed Date and relating to the Manufacturing Division of UPL or its properties, assets, debts, liabilities, duties and obligations referred to in Clause 4 as and from the Effective Date shall be continued and enforced by or against SCIL in the manner and to the same extent as would or might have been continued and enforced by or against UPL. On and from the Effective Date, SCIL shall and may, if required, initiate any legal proceedings in relation to the Manufacturing Division in the name of UPL.
- 13.2 After the Appointed Date, if any proceedings are taken against UPL in respect of the matters referred to in the sub-clause 13.1 above, it shall defer the same at the cost of SCIL and SCIL shall reimburse and indemnify UPL against all liabilities and obligations incurred by UPL in respect thereof.
- 13.3 SCIL undertakes to have all legal or other proceedings initiated by or against UPL referred to in Clause 13.1 above transferred into its name and to have the same continued, prosecuted and enforced by or against SCIL to the exclusion of UPL.

14. CONTRACTS, DEEDS, ETC.

Subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments, if any, of whatsoever nature relating to the Manufacturing Division and to which UPL is party and subsisting or having effect on the Effective Date, shall be in full force and effect against or in favour of SCIL, as the case may be, and may be enforced by or against SCIL as fully and effectually as if, instead of UPL, SCIL had been a party thereto. SCIL shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations to which UPL will, if necessary, also be party in order to give formal effect to the provisions of this Scheme, if so required or becomes necessary. SCIL shall be deemed to be authorised to execute any such deeds, writings or confirmations on behalf of UPL and to implement or carry out all formalities required on the part of UPL to give effect to the provisions of this Scheme.

15. SAVING OF CONCLUDED TRANSACTIONS

The transfer of properties and liabilities under Clause 4 above and the continuance of proceedings by or against UPL under Clause 13 above shall not affect transaction or proceedings already concluded by UPL on or after the Appointed Date till the Effective Date, to the end and intent that SCIL accepts and adopts all acts, deeds and things done and executed by UPL in respect thereto as done and executed on behalf of itself.

16. CHANGE IN NAME

With effect from the Effective Date, the name of UPL shall be changed from "United Phosphorus Limited" to "Uniphos Enterprises Limited".

Immediately after the above change comes into effect, the name of SCIL shall be changed from "Search Chem Industries Limited" to "United Phosphorus Limited".

17. CHANGE IN OBJECTS CLAUSE OF SCIL

On and from the Appointed Date the Memorandum of Association of SCIL shall stand altered and amended as follows:

After the existing sub-clause 1 of Clause A of the Memorandum of Association of SCIL, the following sub-clauses 2, 3, 4, 5, 6 shall be added.

2. To carry on business to manufacture, formulate, process, refine, finish, recover, extract, import, export, buy, sell, distribute or otherwise deal in Red Phosphorus, Yellow or White Phosphorus, phosphates, phosphites, phosphides, insecticides, pesticides, fungicides, fumigants, rodenticides and their formulations and/or other agricultural chemicals and fertilizers of all types.
3. To manufacture, formulate, process, refine, finish, recover, extract, buy, sell, distribute and/or deal in all organic and/or inorganic chemicals, pharmaceutical, medicinal products, pharmaceuticals, cosmetics, dyes, intermediate paints, plastic resins and/or plastics.
4. To manufacture, buy, sell, distribute, import, or deal in metals, alloys and amalgams.
5. To carry on the business as manufacture, dealers, importers, or exporters of the formulation for the manufacture of matches, fire and/or other explosive and pyrotechnic chemicals.
6. To carry on the business of manufacturer, importers, exporters, and/or dealers of chemical plants, equipments and/or accessories.

18. INCREASE IN AUTHORISED SHARE CAPITAL OF SCIL

SCIL shall take necessary steps to increase or alter or re-classify, if necessary, its Authorised Share Capital suitably to enable it to issue and allot the shares required to be issued and allotted by it under this Scheme.

19. REMAINING BUSINESS

The Remaining Business and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be vested in and be managed by UPL.

20. APPLICATION TO HIGH COURT

UPL and SCIL shall with all reasonable dispatch make applications under Sections 391 and 394 of the Act and other applicable provisions of the Act to the High Court of Gujarat at Ahmedabad for seeking approval of the Scheme.

21. MODIFICATION OR AMENDMENTS TO THE SCHEME

UPL and SCIL by their respective Board of Directors may assent to any modifications/amendments to the Scheme or to any conditions or limitations that the Court and/or any other authority may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them (i.e. the Board of Directors). UPL and SCIL by their respective Board of Directors be and are hereby authorised to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whether by reason of any directive or orders of any other authorities or otherwise howsoever arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith.

22. CONDITIONALITY OF THE SCHEME

This scheme is and shall be conditional upon and subject to:

- 22.1 The requisite, consent, approval or permission of the Central Government or any other statutory or regulatory authority, which by law may be necessary for the implementation of this Scheme.

- 22.2 The approval by the requisite majorities of the classes of persons of UPL and SCIL as directed by High Court of Judicature at Gujarat under Section 391 of the Act.
- 22.3 The certified copies of the Court orders referred to in the Scheme being filed with the Registrar of Companies, Gujarat.
- 22.4 All other sanctions and orders as are legally necessary or required in respect of the Scheme being obtained.

23. EFFECT OF NON-RECEIPT OF APPROVALS

In case the Scheme is not sanctioned by the High Court of Judicature at Gujarat, or in the event any of consents, approvals, permissions, resolutions, agreements, sanctions or conditions enumerated in the Scheme not being obtained or complied or for any other reason, the Scheme cannot be implemented by December 31, 2003, or by such later date as may be agreed by the respective Board of Directors of UPL and SCIL, the Scheme shall become null and void, and in that event no rights and liabilities whatsoever shall accrue to or be incurred to or be incurred inter se by the parties or their shareholders or creditors or employees or any other person. In such a case, each Company shall bear its own cost, charges and expenses in connection with the Scheme unless otherwise mutually agreed.

24. COSTS, CHARGES & EXPENSES

All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) of UPL and SCIL arising out of or incurred in carrying out and implementing this Scheme and matters incidental thereto shall be borne by UPL.

Annexure 1

1. National Savings Certificate.
2. Indira Vikas Patra.
3. 86,000 Ordinary Shares of US \$100 each fully paid-up in Bio-Win Corporation.
4. 6,10,000 Equity Shares of Rs. 10 each fully paid-up in Enviro Technology Ltd.
5. 200 shares of US \$100 each fully paid-up in Inventa Corporation.
6. 650 Equity Shares of Tk 1,000 each fully paid-up in United Phosphorus (Bangladesh) Ltd.
7. 72,200 Equity Shares of Dena Bank.
8. 28,100 Equity Shares of Gujarat State Financial Corporation.
9. 1,500 Equity Shares of Keynote Corporate Services Ltd.
10. 20,000 Equity Shares of Shakthi Sugars Ltd.
11. 8,000 Equity Shares of Tata Power Co. Ltd.
12. 2,55,000 Equity Shares of Transpek Industry Ltd.
13. 3,37,000 Equity Shares in Bharuch Enviro Infrastructure Ltd.
14. 10,00,000 Equity Shares of Agrinet Solutions Ltd.
15. 5,00,000 Equity Shares of Uniphos Agro Industries Ltd.
16. 10,000 Equity Shares of Janakalyan Sahakari Bank Ltd.
17. 4,07,035 Equity Shares in Bharuch Eco Aqua Infrastructure Ltd.
18. 100 Bonds of State Bank of India.

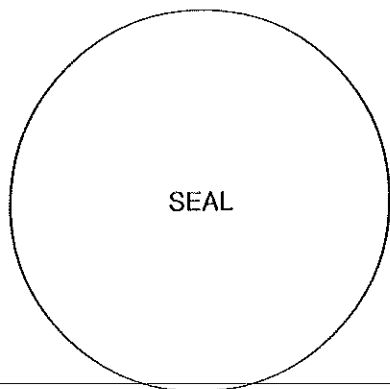
Annexure 2

Terms of Preference Shares to be issued by SCIL to the Equity Shareholders of UPL (New Preference Shares I)

- | | |
|----------------------|--|
| 1. Face Value | : Rs. 10/- |
| 2. Redemption Period | : 3 years |
| 3. Coupon Rate | : 7% p.a. |
| 4. Other Terms | : – Non-Cumulative
– Non-Convertible
– To be listed on major Stock Exchanges |

Dated this 28th day of August, 2003.

Witness Bhavani Singh Esquire,
the Chief Justice at Ahmedabad
aforesaid this 28th day of August Two Thousand Three.



By the order of the Court

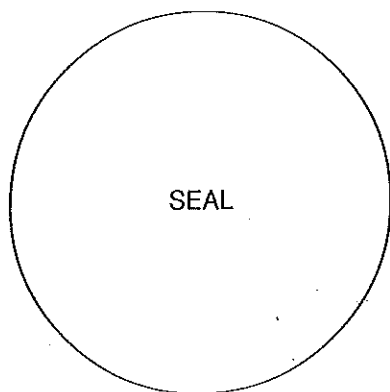
Joint Registrar

this 24th day of September 2003

Order drawn by :

(Swati Saurabh Soparkar)

Advocate
Code No. 870



Sealer

This 24th day of September 2003