

**COMPOSITE SCHEME OF ARRANGEMENT
(UNDER SECTIONS 100 TO 104 AND 391 TO 394 OF THE COMPANIES ACT, 1956)**

BETWEEN

GREENPLY INDUSTRIES LIMITED

AND

GREENLAM INDUSTRIES LIMITED

AND

THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

FOR

**DEMERGER OF DEMERGED UNDERTAKING OF GREENPLY INDUSTRIES
LIMITED (AS DEFINED HEREIN) TO GREENLAM INDUSTRIES LIMITED**

PARTS OF THE SCHEME:

This Composite Scheme of Arrangement is divided into the following parts:

PART-1: Preliminary – Definitions.

PART-2: Share Capital and Rationale.

PART-3: Transfer and vesting of Demerged Undertaking of Greenply to
Greenlam.

PART-4: Miscellaneous.

PART-1

(Preliminary- Definitions)

1. DEFINITIONS

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

- 1.1 “**Act**” means the Companies Act, 1956 or any statutory modification or re-enactment thereof read with the applicable provisions of the Companies Act, 2013.
- 1.2 “**Appointed Date**” means April 1, 2013 or such other date as the Hon’ble High Court may direct.
- 1.3 “**Board or Board of Directors**” means the respective board of directors of Greenply and Greenlam for the time being and includes a committee of directors constituted by the respective board.
- 1.4 “**Decorative Business**” shall mean the business of Greenply comprising of manufacturing and marketing of high pressure laminates, decorative veneers, compact laminates and allied product(s). Presently, Decorative Business consists of manufacturing units situated at Behror (Rajasthan) and Nalagarh (Himachal Pradesh),

marketing, branch and administrative office(s) located in India and subsidiaries/step-down subsidiaries viz. Greenlam Asia Pacific Pte. Limited (registered in Singapore), Greenlam America, Inc. (registered in USA), Greenlam Europe (UK) Limited (registered in UK), Greenlam Asia Pacific (Thailand) Co. Limited (registered in Thailand), Greenlam Holding Co. Limited (registered in Thailand), PT. Greenlam Asia Pacific (registered in Indonesia) and Greenlam VT Industries Private Limited (registered in India).

1.5 “**Demerged Undertaking**” means the whole business operations of Decorative Business of Greenply:

Without prejudice to the generality of the foregoing, the Demerged Undertaking shall mean and include all property, rights and powers and all debts, liabilities, duties and obligations of Greenply (*as defined hereinafter*) comprised in and/or pertaining to the Demerged Undertaking as on the Appointed Date, including:

- (a) All properties and assets, moveable and immovable, freehold and leasehold, real and personal, corporeal and incorporeal, in possession, or in reversion, present and contingent of whatsoever nature, wheresoever situated, as on the Appointed Date relating to the Demerged Undertaking, all other lands, buildings, commercial and residential flats and offices, plant and machinery, electrical installations, vehicles, equipment, furniture, computers, computer programmes, software, investments, sundry debtors, inventories, cash and bank balances, bills of exchange, deposits, loans and advances and other assets as appearing in the books of account of Greenply in relation to the Demerged Undertaking;
- (b) Leases, tenancies and agencies of Greenply pertaining to the Demerged Undertaking, and all other interests or rights in or arising out of or relating to the Demerged Undertaking together with all respective powers, interests, charges, privileges, benefits, entitlements, industrial and other licenses, registrations, quotas, information technology, patents, copyrights, trademarks, brand names, websites, other intellectual property rights, liberties, easements and advantages, subsidies, grants, taxes, share of advance tax and MAT credits (including but not limited to credits in respect of sales tax, value added tax, turnover tax, excise duty, service tax, and other indirect taxes), deferred tax benefits and other benefits appertaining to the Demerged Undertaking and/or to which Greenply is entitled to in respect of the Demerged Undertaking of whatsoever kind, nature or description held, applied for or as may be obtained thereafter;
- (c) Right to use and avail of telephones, telefaxes, facsimile connections and installations, utilities, electricity and other services, provisions, funds, benefit of all agreements, contracts and arrangements and all other interests in connection with or relating to the Demerged Undertaking;
- (d) All earnest money and/or security deposits paid by Greenply in connection with or relating to the Demerged Undertaking;
- (e) The benefit of all respective contracts and engagements and all respective books, papers, documents computer programs, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information and records relating to the Demerged Undertaking;

- (f) All debts, liabilities, duties and obligations of Greenply in relation to the Demerged Undertaking as appearing in the books of account of Greenply as on the Appointed Date, including liabilities on account of secured loans, unsecured loans, and sundry creditors and bonus, gratuity, and other employee benefits pertaining to the Demerged Undertaking;
 - (g) All contracts, deeds, bonds, agreements and other instruments, of whatsoever nature and pertaining to the Demerged Undertaking to which Greenply is a party, subsisting or having effect immediately on the Appointed Date;
 - (h) All legal proceedings of whatsoever nature by or against Greenply pending on the Appointed Date and relating to the Demerged Undertaking (including property, rights, powers, liabilities, obligations and duties); and
 - (i) All employees of Greenply engaged in or in relation to the Demerged Undertaking as on the Effective Date.
- 1.6 “**Effective Date**” means the date or last of the dates on which certified copies of the order of Hon’ble Gauhati High Court sanctioning this Scheme are filed with the Registrar of Companies, Shillong by Greenply and Greenlam.
- 1.7 “**Greenlam**” means Greenlam Industries Limited, a company incorporated under the provisions of the Act and having its registered office at Makum Road, Tinsukia, Assam – 786 125 which is a wholly-owned subsidiary of Greenply Industries Limited since its incorporation on August 12, 2013.
- 1.8 “**Greenlam Shareholder Group**” includes Mr. Shiv Prakash Mittal, Shiv Prakash Mittal (HUF), Ms. Santosh Mittal, Mr. Saurabh Mittal, Ms. Parul Mittal and Greenply Leasing & Finance Private Limited.
- 1.9 “**Greenply**” means Greenply Industries Limited, a company incorporated under the provisions of the Act and having its registered office at Makum Road, Tinsukia, Assam - 786 125.
- 1.10 “**Greenply Shareholder Group**” includes Mr. Shiv Prakash Mittal, Mr. Rajesh Mittal, Mr. Shobhan Mittal, Mr. Sanidhya Mittal, Ms. Santosh Mittal, Ms. Karuna Mittal, Shiv Prakash Mittal (HUF), Rajesh Mittal (HUF), Prime Holdings Private Limited, S. M. Management Private Limited, Vanashree Properties Private Limited and Trade Combines.
- 1.11 “**Parties**” shall mean Greenply and Greenlam.
- 1.12 “**Record Date**” means the date to be fixed by the Board of Directors of Greenply for the purpose of determining the members of Greenply to whom new shares in Greenlam shall be allotted pursuant to para 8 of this Scheme.
- 1.13 “**Retained Undertaking**” means all the undertakings, businesses, activities, duties, debts, liabilities, obligations and operations of the Greenply other than those comprised in the Demerged Undertaking.

- 1.14 “Scheme” means this composite scheme of arrangement under Sections 100 to 104 and Sections 391 to 394 of the Act in the present form or with such modifications as sanctioned by the Hon’ble Gauhati High Court.

Word(s) and expression(s) elsewhere defined in this Scheme will have the meaning(s) respectively ascribed thereto.

PART-2 **(Share Capital and Rationale)**

2. SHARE CAPITAL

The authorized, issued, subscribed and paid-up share capital of Greenply and Greenlam as on September 30, 2013 is as under:

(i) **Greenply**

<u>Authorized Share Capital:</u>	<u>Amount in INR</u>
3,20,00,000 equity shares of INR 5.00 each	16,00,00,000.00
50,00,000 Cumulative Redeemable Preference Shares of INR 10.00 each	5,00,00,000.00
<u>Issued, Subscribed and Paid-up Share Capital:</u>	12,06,81,870.00
2,41,36,374 equity shares of INR 5.00 each	

(ii) **Greenlam**

<u>Authorized Share Capital:</u>	<u>Amount in INR</u>
20,00,000 equity shares of INR 5.00 each	1,00,00,000.00
<u>Issued, Subscribed and Paid-up Share Capital:</u>	5,00,000.00
1,00,000 equity shares of INR 5.00 each	

Since the dates mentioned above, there has been no change in the authorized, issued, subscribed and paid up share capital of Greenply and Greenlam.

3. RATIONALE

- 3.1 Greenply is a company incorporated under the provisions of the Act, having its registered office at Makum Road, Tinsukia, Assam - 786 125 and is engaged in the business of manufacturing and marketing of a wide range of interior infrastructure and surface finish products including plywood, laminates, veneers, Medium Density Fibreboard (“MDF”) and their allied products.
- 3.2 The equity shares of Greenply are listed on BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE).
- 3.3 Greenlam is a new company incorporated under the provisions of the Act, having its registered office at Makum Road, Tinsukia, Assam - 786 125 and incorporated to undertake the business as manufacturers, traders, exporters, importers, dealers,

wholesalers, retailers, service providers, commission agents, of laminates of all sizes and descriptions, veneers, pre-laminated board, decorative laminates, decorative laminated sheets, high pressure laminates, post forming laminates, decorative veneers, ready to install doors, high-end doors, high-end veneered engineering flooring and pre-laminated particle board of all kinds and descriptions and other paper based, wood based and plastic based products of all kinds and descriptions and industrial laminated sheets, compact laminates of every descriptions, post formed panels, whether laminated or not, restroom cubicles, lockers and every type of partition systems and to act as decorators and manufacturers and deal in housing furniture and fittings, interior decorators, commercial and industrial furniture and fittings and implements and tools of all descriptions and provide consultancy in total interior and exterior decoration and furniture solution.

- 3.4 The nature of technology, risk, competition and capital intensity involved in each of the undertakings of Greenply is distinct from each other. Consequently, each undertaking of Greenply is capable of addressing independent business opportunities, deploying different technologies and attracting different sets of investors, strategic partners, lenders and other stakeholders. Hence, as part of an overall business reorganisation plan, it is considered desirable and expedient to reorganise and reconstruct Greenply by demerging the Demerged Undertaking to Greenlam in the manner and on the terms and conditions contained in this Scheme.
- 3.5 The demerger is likely to enable the business and activities comprised in the Demerged Undertaking and remaining business and activities of Greenply to be pursued and carried on with greater focus and attention through two separate companies each having its own administrative set up. Independent management of each of the undertakings of Greenply will ensure required depth and focus on each of the businesses and adoption of strategies necessary for the growth of respective businesses. The structure provides independence to the management in decisions regarding the use of their respective cash flows for dividends, capital expenditure or other reinvestment in their respective businesses.
- 3.6 The demerger seeks to create a new platform for independent growth of the Decorative Business, while allowing Greenply to concentrate its growth efforts in the plywood and MDF businesses in a more focused manner thereby strengthening Greenply's and Greenlam's market leadership.
- 3.7 Pursuant to the issue and allotment of shares in terms of this Scheme, the shareholders of Greenply shall hold shares in two companies, i.e. in Greenply and in Greenlam. It gives the shareholders the ability to continue to remain invested in both or either of the two companies giving them greater flexibility in managing and/or dealing with their investments.
- 3.8 The restructuring proposal is thus aimed at protecting and maximising value for the shareholders of the Greenply. This Scheme is in the interest of the shareholders, creditors and all other stakeholders of Greenply and shall not in any manner be prejudicial to the interests of shareholders and creditors or general public at large. The restructuring under this Scheme would enable focused business approach for the maximisation of benefits to all stakeholders and capitalize on the opportunity for growth.

PART –3

(Transfer and vesting of the Demerged Undertaking of Greenply to Greenlam)

4. TRANSFER OF UNDERTAKING

4.1 With effect from the Appointed Date, without any further act, deed, instrument, matter or thing, the Demerged Undertaking shall be demerged and transferred to or shall be deemed to have been transferred to and vested in Greenlam as a going concern for all the estate and interest of Greenply therein in accordance with and subject to the modalities for transfer and vesting stipulated herein.

4.2 Transfer of movable property:

In respect of such of the assets of the Demerged Undertaking including cash and bank balances relating to the day to day operations and specific to the working of the Demerged Undertaking, as are movable in nature or otherwise capable of transfer by manual delivery, by paying over or by endorsement and delivery, the same may be so transferred by Greenply, without requiring any deed or instrument of conveyance for the same and shall become the property of Greenlam accordingly and as an integral part of the Demerged Undertaking transferred to Greenlam.

4.3 Transfer of immovable property:

In respect of such of the assets belonging to the Demerged Undertaking other than those referred to in para 4.2 above, the same shall be transferred to and vested in and/or be deemed to be transferred to and vested in Greenlam pursuant to the provisions of section 394(2) of the Act. Greenlam shall under the provisions of this Scheme be deemed to be authorized to execute any such instruments, deeds and writings on behalf of Greenply to implement or carry out all such formalities or compliances on the part of Greenply and to be carried out or performed in order to give effect to the provisions of this para. With effect from the Appointed Date, Greenlam shall be entitled to exercise all rights and privileges and be liable to pay ground rent, municipal taxes and fulfill all obligations, in relation to or applicable to such immovable properties. The mutation of title/ assignment of leases in respect of the immovable properties in the name of Greenlam shall be made and duly recorded by the appropriate authorities pursuant to the sanction of this Scheme by the Hon'ble High Court and this Scheme becoming effective in accordance with the terms hereof without any further act or deed on part of Greenlam.

4.4 Transfer of liabilities:

(a) All debts, liabilities, duties and obligations of Greenply relating to the Demerged Undertaking as on the close of business on the day immediately preceding the Appointed Date and as appearing in the books of account of Greenply in relation to the Demerged Undertaking, including proportionate amount of general and multipurpose borrowings determined in accordance with section 2(19AA) of the Income Tax Act, 1961 shall also be transferred or shall be deemed to be transferred to Greenlam, without any further act or deed, pursuant to the provisions of section 394(2) of the Act, so as to become the debts, liabilities, duties and obligations of Greenlam.

- (b) The transfer and vesting of the Demerged Undertaking, as aforesaid, shall be subject to the existing charges, mortgages and encumbrances, if any, over the assets or any part thereof which are subsisting on transfer of such assets to Greenlam and relating to the liabilities of the Demerged Undertaking which are also transferred to Greenlam. The assets transferred shall stand free from all other charges, mortgages and encumbrances.

It is clarified and provided that such charges, mortgages and/or encumbrances shall not extend over or apply to any other asset(s) of Greenlam and any reference in any security documents or arrangements (to which Greenply is a party) to any assets of Greenply shall be so construed to the end and intent that such security shall not extend, nor be deemed to extend, to any of the other asset(s) of Greenlam. Greenlam shall also not be required to create any additional security over the assets of the Demerged Undertaking acquired by it under this Scheme for any loans, debentures, deposits or other financial assistance already availed/to be availed by Greenply up to the Effective Date, and the charges, mortgages, and/or encumbrances in respect of such indebtedness of Greenply shall not extend or be deemed to extend or apply to the assets of Demerged Undertaking so acquired by Greenlam.

It is further clarified and provided that the transfer of the Demerged Undertaking to Greenlam shall not affect the subsisting charges, mortgages and encumbrances over the Retained Undertaking or any part thereof and such charges, mortgages and encumbrances shall continue to be applicable in respect of such Retained Undertaking save and except that such Retained Undertaking shall stand freed from all charges, mortgages and encumbrances relating to liabilities relating to Demerged Undertaking and which are transferred to Greenlam. Further, Greenlam may 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, in favor of any of the creditors of Greenply pertaining to the Demerged Undertaking or to any other party to any contract or arrangement to which Greenply is a party to, or any writings as may be necessary to be executed in order to give formal effect to the aforesaid provisions.

4.5 Creditors' interest:

This Scheme shall be deemed to ensure that any amount owing by Greenply as on the Appointed Date, or at any time thereafter, is owned either by Greenply or Greenlam such that the liabilities and debts pertaining to the Demerged Undertaking are taken over by Greenlam and those pertaining to the Retained Undertaking continue to be the debts or liabilities of Greenply. Any charge, security interest, lien, statutory lien or statutory charge pertaining to any assets of the Demerged Undertaking shall continue to have effect only on the assets of the Demerged Undertaking and shall cease to have effect on the assets of the Retained Undertaking. Likewise, any charge, security interest, lien, statutory lien or statutory charge pertains to any assets of the Retained Undertaking shall continue to have effect only on the assets of the Retained Undertaking and shall cease to have effect on the assets of the Demerged Undertaking.

Subject to the para above, if any creditor has any charge, security interest, lien, statutory lien or statutory charge on any of the assets or properties of Demerged Undertaking of Greenply, such creditor shall continue to enjoy and hold such charge, lien or security interest upon the properties of Demerged Undertaking in Greenlam.

4.6 Transfer of intellectual property and availment of benefits:

Subject to other provisions of this Scheme, all entitlements, licenses, permissions, approvals, clearances, authorisations, consents, brands, trademarks, copyrights, patents, other intellectual property rights registrations and no-objection certificates obtained by Greenply for the operations of the Demerged Undertaking and/or to which Greenply is entitled to in relation to the Demerged Undertaking in terms of the various statutes/ schemes/ policies, etc. of the Overseas, Union and State Governments, local authorities, local bodies and other statutory authorities and bodies, shall be available to and vest in Greenlam, without any further act or deed and shall be mutated by the statutory authorities concerned therewith in favour of Greenlam. Since the Demerged Undertaking will be transferred to and vested in Greenlam as a going concern without any break or interruption in the operations thereof, Greenlam shall be entitled to enjoy the benefit of all such entitlements, licenses, permissions, approvals, clearances, authorizations, consents, intellectual property rights, registrations and no-objection certificates as enjoyed by Greenply and to carry on and continue the operations of the Demerged Undertaking on the basis of the same upon this Scheme becoming effective. Accordingly, all existing and future incentives, unavailed credits and exemptions and other statutory benefits, including in respect of Income Tax for the period commencing on and from the Appointed Date, Excise (including Modvat / Cenvat), Customs (including EPCG, DFIA, advance license, SHIS, FMS, FPS, Incremental Export Incentive Scheme, TED etc.), VAT, Sales Tax, Entry Tax, Octroi, Service Tax and other taxes, incentives and duties to which Greenply is entitled in relation to the Demerged Undertaking in terms of the various Statutes/ Schemes/ Policies, etc. of Overseas, Union and State Governments shall be available to and vest in Greenlam upon this Scheme becoming effective.

4.7 Treatment of tax:

- (a) It is clarified that all taxes and duties payable by Greenply, accruing and relating to the operations of the Demerged Undertaking from the Appointed Date onwards, including all advance tax payments, tax deducted at source, any refund and claims shall, for all purposes, be treated as advance tax payments, tax deducted at source or refunds and claims of Greenlam. Accordingly, upon this Scheme becoming effective, Greenply is expressly permitted to revise, and Greenlam is expressly permitted to file their respective income tax returns, including tax deducted at source certificates, sales tax/ value added tax returns, excise returns, service tax returns and other tax returns for the period commencing on and from the Appointed Date, and to claim refunds/ credits, pursuant to the provisions of this Scheme.
- (b) All the expenses incurred by Greenply and Greenlam in relation to the Scheme including stamp duty expenses shall be allowed as deduction to each of Greenply and Greenlam in accordance with Section 35DD of the Income Tax Act, 1961 over a period of 5 years beginning with the previous year in which the Scheme becomes effective.
- (c) All expenses paid by Greenply under Section 43B of the Income tax Act, 1961, in relation to the Demerged Undertaking, shall be claimed as a deduction by Greenlam and the transfer of Demerged Undertaking shall be considered as succession of business by Greenlam.

- (d) All tax benefits being claimed by Greenply in relation to its Demerged Undertaking under the Income Tax Act, 1961, including but not limited to Section 80-IC of the Income Tax Act 1961, shall be transferred to Greenlam pursuant to the Scheme.

4.8 Reimbursement of payments:

It is understood between the Parties that on and from the Effective Date, if there is a payment received or benefit or set-off availed by any Party (Receiving Party), which pertains to a property vested in the other party (Relevant Party), pertaining to a period after the Appointed Date, then the Receiving Party must immediately make such payment over to the Relevant Party, without any demand by the Relevant Party and in any case not later than 14 days from the date of receipt thereof. Likewise, if there is a payment to be made or cost to be incurred by any party (Paying Party) relating to a property vested in the other party (Relevant Party), pertaining to a period after the Appointed Date, then the Paying Party would be entitled to immediately recover such payment from the Relevant Party, immediately upon demand and in any case not later than 14 days from the date of demand thereof.

4.9 Treatment of contingent liabilities:

- (a) Subject to provisions of sub-para 4.9(b) below, any contingent liability showing in the books of Greenply as on the Appointed Date shall be assumed by Greenply and Greenlam such that Greenlam takes over all such liabilities, which, on the Appointed Date, pertain to the Demerged Undertaking, and accordingly, the contingent liabilities of Greenply, on any date after the Appointed Date shall be deemed to have been reduced to the extent of contingent liabilities taken over by Greenlam as aforesaid.
- (b) As regards any tax Liability arising in connection with Excise show cause notice received from the 'Office of the Director General of Central Excise Intelligence, Delhi Zonal Unit', dated February 15, 2011 and other connected notices issued by the relevant subordinate governmental authorities with respect to the subject matter of the above mentioned notice or any amendment, revision, further issuance or replacement thereof, or in or about the matter covered by the aforesaid show cause notices ("**Excise Notices**"), the Parties affirm that any Liability arising out of the Excise Notices for period up to March 31, 2017 and which is finally adjudicated and/or settled by March 31, 2020; 27% of the finally adjudicated/ settled Liability amount shall be reimbursed by Greenlam to Greenply.

It is hereby clarified that, for the purpose of this sub-para 4.9(b): (i) "Liability" shall include duty, penalty, interest or any amount paid on composition; (ii) "finally adjudicated/settled" shall mean such final adjudication/settlement where neither Party shall have a right to prefer any further appeal or have any further recourse against the demand arising out of the Excise Notices.

- 4.10** The Retained Undertaking shall be retained by Greenply and activities pertaining to the said Retained Undertaking shall be carried out in the same manner as were being carried out before coming into effect of the Scheme.

4.11 The assets and liabilities of the Demerged Undertaking shall be transferred to Greenlam from the Appointed Date in terms of this Scheme at their respective book values in compliance of section 2(19AA) of the Income Tax Act, 1961.

4.12 Transfer of legal proceedings:

All legal, or other proceedings by or against Greenply in connection with or pertaining to or relating to the Demerged Undertaking pending on the Effective Date, shall be continued and enforced by or against Greenlam instead of Greenply, as effectually and in the same manner and to the same extent as the same would or might have continued and enforced by or against Greenply, in the absence of this Scheme.

4.13 Transfer of contracts and deeds:

- (a) Subject to the other provisions contained in this Scheme all contracts, deeds, bonds, agreements schemes, tenancy rights, lease contracts, incentives, benefits, exemptions, waiver, entitlements, arrangements and other instruments of whatsoever nature relating to the Demerged Undertaking to which Greenply is a party subsisting or having effect immediately before the Effective Date shall remain in full force and effect against or in favour of Greenlam and may be enforced as fully and effectually as if instead of Greenply, Greenlam had been a party thereto.
- (b) Greenlam may, 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, confirmations or other writings or tripartite arrangements with any party to any contract or arrangement to which Greenply is a party or any writings as may be necessary to be executed in order to novate or give formal effect to the above provisions. Greenply will, if necessary, also be a party to the above as a confirming party with no obligation cast on or assumed upon Greenply. Greenlam shall, under the provisions of this Scheme, be deemed to be authorised to execute any such writings and to carry out or perform all such formalities or compliance referred to above as may be deemed proper and necessary for effectuating the transfer and vesting of the Demerged Undertaking to Greenlam.
- (c) Greenply shall not, directly or indirectly, compete with Greenlam's business of high pressure laminates and compact laminates for a period of 7 (seven) years from the Effective Date or such reduced period, as may be mutually agreed between the Parties.
- (d) Similarly, Greenlam shall not, directly or indirectly, compete with Greenply's business of plywood block boards, plain wood- based fibre boards and plain particle boards for a period of 7 (seven) years from the Effective Date or such reduced period, as may be mutually agreed between the Parties.

5. SAVING OF CONCLUDED TRANSACTIONS

The transfer and vesting of the properties and liabilities of the Demerged Undertaking and the continuance of the proceedings by or against Greenlam as per the provisions hereof shall not affect any transaction or proceeding relating to the Demerged Undertaking already completed by Greenply on or before the Effective Date to the end and intent that Greenlam accepts all acts, deeds and things relating to the Demerged

Undertaking done and executed by and/or on behalf of Greenply as acts deeds and things done and executed by and on behalf of Greenlam.

6. EMPLOYEES

- 6.1 Greenlam undertakes to engage, on and from the Effective Date, all the employees of Greenply engaged in the Demerged Undertaking on the same terms and conditions on which they are engaged by Greenply without any interruption of service as a result of the transfer of the Demerged Undertaking to Greenlam. Greenlam agrees that the services of all such employees with Greenply up to the Effective Date shall be taken into account for the purposes of all benefits to which the said employees may be eligible, including for the purpose of payment of any retrenchment compensation, gratuity and other terminal benefits.
- 6.2 Accordingly, the services of such employees for the purpose of provident fund or gratuity or superannuation or other statutory purposes and for all purposes, including for the purpose of payment of any retrenchment compensation and other terminal benefits, will be reckoned from the date of their respective appointments with Greenply.
- 6.3 The accumulated balances, if any, standing to the credit of the employees of the Demerged Undertaking in the existing provident fund, gratuity fund, superannuation fund and other funds, if any, of which they are members will be transferred to such provident fund, gratuity fund, superannuation fund and other funds nominated by Greenlam and/or such new provident fund, gratuity fund, superannuation fund and other funds to be established and caused to be recognised by the concerned authorities by Greenlam. Pending the transfer as aforesaid, the dues of the employees of the Demerged Undertaking relating to the said funds would be continued to be deposited by Greenlam in the existing provident fund, gratuity fund, superannuation fund and other funds respectively.

7. TRANSACTIONS BETWEEN THE APPOINTED DATE AND EFFECTIVE DATE

With effect from the Appointed Date and up to and including the Effective Date:

- 7.1 Greenply undertakes to carry on the business of the Demerged Undertaking in the ordinary course of business and Greenply shall be deemed to have carried on and to be carrying on all business and activities relating to the Demerged Undertaking for and on account of and in trust for Greenlam.
- 7.2 All the assets and liabilities resulting from the operations of the Demerged Undertaking from the Appointed Date onwards shall stand transferred to and vested in Greenlam on the Effective Date. Further, it is understood that, for the purpose of identification of any liabilities that arise subsequent to the Appointed Date, as to their annexation with Demerged Undertakings or Retained Undertaking, the following rules shall apply:
- (a) If a liability relates to or arises in relation to any specific asset or assets prior to the Appointed Date, such liability shall be attributed to the Demerged Undertaking or Retained Undertaking to which the relevant asset or assets belong;
 - (b) If a liability relates to or arises in relation to a place where the business was being carried on prior to the Appointed Date, such liability shall be attributed to the

Demerged Undertaking and Retained Undertaking to which the relevant place of business belongs.

- 7.3 All incomes and profits accruing to Greenply (including taxes paid thereon) or expenses and losses arising or incurred by it relating to the Demerged Undertaking for the period falling on and after the Appointed Date shall for all purposes, be treated as the incomes, profits (including taxes paid) or expenses and losses, as the case may be of Greenlam.
- 7.4 Greenply shall be deemed to have held and stood possessed of the Demerged Undertaking to be transferred to Greenlam for and on account of and in trust for Greenlam and, accordingly, Greenply shall not (without the prior written consent of Greenlam) alienate, charge or otherwise deal with or dispose of the Demerged Undertaking or any part thereof except in the usual course of business or pursuant to any pre-existing obligation undertaken by Greenply prior to the Appointed Date.
- 7.5 With effect from the Appointed Date, Greenply has carried on and hereafter undertakes to carry on its business with reasonable diligence and utmost business prudence. All accretions and depletions to the Demerged Undertaking shall be and for and on account of Greenlam.

8. ISSUE OF SHARES BY GREENLAM

- 8.1 Upon the Scheme becoming effective and in consideration of the demerger and transfer of the Demerged Undertaking, Greenlam shall, without further application, issue and allot to the shareholders of Greenply whose names appear in the register of members of Greenply as on the Record Date, 1 (One) equity share of INR 5.00 (Indian Rupees Five only) each in Greenlam, credited as fully paid up for every 1 (One) equity share of INR 5.00 (Indian Rupees Five only) each held by them in Greenply.
- 8.2 Upon issue of the new equity shares by Greenlam to the shareholders of Greenply in terms of this Scheme as mentioned in para 8.1 above, all existing equity shares held by the existing shareholders of Greenlam, shall stand cancelled, without any further act or deed. The reduction of capital of Greenlam pursuant to this Scheme shall be given effect as an integral part of the Scheme and the consent given to the Scheme by the shareholders and the creditors of Greenlam shall be deemed to be their consent under the provisions of Section 100 and all other applicable provisions of the Act to such reduction of capital of Greenlam and Greenlam shall not be required to convene any separate meeting for that purpose. The order of the Hon'ble Guahati High Court sanctioning the Scheme shall be deemed to be an Order under Section 102 of the Act. Notwithstanding the reduction of subscribed and paid-up equity share capital of Greenlam, Greenlam shall not be required to add "And Reduced" as suffix to its name.
- 8.3 Such new equity shares issued by Greenlam shall pursuant to circular issued by Securities Exchange Board of India on 4 February 2013 bearing no. CIR/CFD/DIL/05/2013 and in accordance with the compliance with requisite formalities under applicable laws, be listed and/or admitted to trading on the relevant stock exchange(s) where the existing equity shares of Greenply are listed and/or admitted to trading i.e. Greenply and Greenlam shall enter into such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with

the applicable laws or regulations for complying with the formalities of the said stock exchanges.

- 8.4 In respect of the shareholding of the members in Greenply held in dematerialized form, the equity shares in Greenlam shall, subject to applicable regulations, also be issued to them in the dematerialized form pursuant to para 8.1 above with such shares being credited to the existing depository accounts of the members of Greenply entitled thereto, as per records maintained by the National Securities Depository Limited and/or Central Depository Services (India) Limited on the Record Date, unless otherwise notified in writing by the members of Greenply.
- 8.5 In respect of shareholding of the members in Greenply held in the physical form, the equity shares in Greenlam shall be issued to such members in physical form. Members of Greenply desirous of receiving the new shares in Greenlam in dematerialized form should have their shareholding in Greenply dematerialised on or before the Record Date. However, nothing contained in this para shall prohibit or restrict the right of a member to apply for dematerialised shares of Greenlam after allotment of shares of Greenlam in terms of para 8.1 above.
- 8.6 Pursuant to and upon this Scheme becoming effective, Greenlam shall take necessary steps to increase and alter its authorized share capital suitably to enable Greenlam to issue and allot the equity shares in Greenlam to the shareholders of Greenply in terms of this Scheme.
- 8.7 The equity shares in Greenlam allotted pursuant to the Scheme shall remain frozen in the depositories system till listing/ trading permission is given by the designated stock exchange.
- 8.8 Till the listing of the equity shares of Greenlam to be issued pursuant to this Scheme, there shall be no change in the pre-arrangement capital structure and shareholding pattern or control in Greenlam which may affect the status of the approval of the stock exchanges to this Scheme.
- 8.9 Equity shares of Greenlam are allotted to the members of Greenply in terms of this Scheme by virtue of their interest in Greenply as a whole, including the Demerged Undertaking. The interest of the said members in the Demerged Undertaking shall in effect be continued through Greenlam after the demerger. For the purpose of availing exemption under Regulation 10 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011, the promoters of Greenply, shall be deemed to have been the promoters of Greenlam for the same duration they have been the promoters of Greenply and this recognition shall be available on the listing of the equity shares of Greenlam. Statutory exemptions for the transfer of shares of Greenlam amongst the Greenply Shareholder Group and the Greenlam Shareholder Group shall be deemed to be available to the Greenply Shareholder Group and Greenlam Shareholder Group under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011 (the “**Takeover Code**”) as detailed in para 17 below.
- 8.10 In the event of there being any pending share transfers, whether lodged or outstanding, of any member of Greenply, the Board of Directors or any committee thereof of Greenply shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in Greenply 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 Greenlam issued by Greenlam after the effectiveness of this Scheme.

- 8.11 For the purpose of issue of equity shares to the members of Greenply, Greenlam 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 Greenlam of such equity shares.
- 8.12 Unless otherwise determined by the Board of Directors of Greenply and the Board of Directors of Greenlam, allotment of shares in terms of this Scheme shall be done within 90 days from the Effective Date.
- 8.13 Upon coming into effect of this Scheme, Clause (V) of the Memorandum of Association of Greenlam shall, without any further act, deed or instrument, be substituted by the following clause:

“The Authorised Share Capital of the Company shall be Rs. 15,00,00,000/- (Rupees fifteen crores only) divided into 3,00,00,000 (three crores) Equity Shares of Rs. 5/- (Rupees five only) each with the right, privileges and conditions attached thereto as are provided by the Regulations of the Company for the time being, with the power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential rights, privileges or conditions as may be determined by or in accordance with the Regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Regulations of the Company”

subject to compliance of the requirement of relevant provisions of the Companies Act, 2013.

9. ACCOUNTING TREATMENT

9.1 Accounting treatment in the books of Greenply

- (a) The assets and liabilities of the Demerged Undertaking shall be recorded in the books and account of Greenlam at their values as appearing in the books of account of Greenply as on the Appointed Date. Accordingly, the book value of assets of the Demerged Undertaking shall be deducted, on line by line basis, from the book value of assets of Greenply, and book value of liabilities of Demerged Undertaking shall be deducted, on line by line basis, from the book value of liabilities of Greenply. The net impact, of the assets and liabilities transferred, by Greenply, shall be adjusted in the following sequence:
- (i) Capital reserves;
 - (ii) Capital redemption reserve;
 - (iii) Securities premium account;
 - (iv) General reserve;
 - (v) Surplus in Profit & Loss account.
- (b) The investment by Greenply in Greenlam (in the form of share capital) shall stand cancelled.
- (c) The reduction in the reserves of the Greenply shall be effected as an integral part of the Scheme in accordance with the provisions of Section 78 and Sections 100 to 104 of the Act and the Order of the High Court sanctioning the Scheme shall

be deemed to be also the Order under Section 102 of the Act for the purpose of confirming the reduction. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital, and the provisions of Section 101 of the Act will not be applicable.

- (d) Subject to the aforesaid, the Board of Directors of Greenply and Greenlam shall be entitled to make such corrections and adjustments as may in their opinion be required for ensuring consistent accounting policy or which may otherwise be deemed expedient by them in accounting for the demerger in the respective books of account of the said companies, while complying with generally accepted accounting standards as applicable.
- (e) Any amounts received by Greenply as reimbursement from Greenlam in terms of para 4.9(b) shall be treated as a 'capital receipt' received pursuant to the overall reorganisation of Greenply in terms of this Scheme.

9.2 **Accounting treatment in the books of Greenlam**

- (a) Upon the effectiveness of the Scheme and allotment of shares by Greenlam pursuant to the Scheme and pursuant to para 8, the pre scheme issued, paid up and subscribed share capital of Greenlam shall be cancelled and reduced under section 100 of the Act to the extent of the shares held by Greenply in Greenlam simultaneous with the issue of equity shares to the shareholders of Greenply.
- (b) The difference between (i) Net worth of the Demerged Undertaking, and (ii) the paid up share capital of Demerged Undertaking as issued in pursuance of this Scheme, netted by existing share capital cancelled in terms of this Scheme, shall be treated as Capital Reserve of Greenlam as on the Appointed Date.
- (c) On effectiveness of the Scheme and with effect from the Appointed Date:
 - (i) Greenlam shall record the assets and liabilities of the Demerged Undertaking of Greenply vested in it pursuant to this Scheme, at their respective book values as appearing in the books of Greenply, at the close of business of the day immediately preceding the Appointed Date;
 - (ii) Greenlam shall credit the aggregate face value of the new equity shares issued by it to the shareholders of Greenply pursuant to para 8 of this Scheme to the share capital account in its books of accounts;
 - (iii) the difference, between the amounts credited to the share capital account and the book value of net assets as per sub-para 9.2(c)(i) above shall, after making an adjustment on account of cancellation of share capital pursuant to sub-para 9.2(a) above, be debited by Greenlam to its goodwill or credited to its Capital Reserve account, as the case may be.

PART-4 (MISCELLANEOUS)

10. DECLARATION OF DIVIDENDS ETC.

Greenply shall be entitled to declare and pay dividends, whether interim or final, to its shareholders in respect of the accounting period prior to the Effective Date. It is

clarified that the aforesaid provisions in respect of declaration of dividends are enabling provisions only and shall not be deemed to confer any right on any member of Greenply and/or Greenlam to demand or claim any dividends which, subject to the provisions of the Act, shall be entirely at the discretion of the Boards of Directors of Greenply, and subject to the approval of the shareholders of Greenply.

11. APPLICATIONS

Greenply and Greenlam shall jointly, with all reasonable dispatch, make necessary applications to the Hon'ble Gauhati High Court for sanction and carrying out of this Scheme. Any such application shall, upon constitution of the National Company Law Tribunal, be made and/or pursued before the National Company Law Tribunal, if so required. In such event references in this Scheme to the Hon'ble Gauhati High Court shall be construed as references to the National Company Law Tribunal as the context may require. Greenply and Greenlam shall also take such other steps as may be necessary or expedient to give full and formal effect to the provisions of this Scheme.

It is hereby clarified that submissions of this Scheme to the Hon'ble Gauhati High Court and to any authorities for their respective approvals is without prejudice to all rights, interest, titles and defenses that Greenply and Greenlam have or may have under or pursuant to all applicable laws.

12. MODIFICATION AND IMPLEMENTATION

If any part of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of Greenply and Greenlam, affect the validity or implementation of the other parts and/or provisions of this Scheme. Greenply and Greenlam (by their respective Board of Directors or committee thereof or such other person or persons, as the respective board of directors may authorize) are empowered and authorised:

- (a) to assent from time to time to any modifications or amendments or substitutions to this Scheme or of any conditions or limitations which the Hon'ble Gauhati High Court and/or any authorities under law may deem fit to approve or direct or as may deemed expedient or necessary or which may otherwise be considered necessary or desirable or appropriate by the Board in the best interest of the members; and
- (b) to settle all doubts or difficulties that may arise in carrying out this Scheme and to do and execute all acts, deeds, matters and things necessary, desirable or proper for putting this Scheme into effect.

13. SCHEME CONDITIONAL UPON

13.1 This Scheme is conditional upon and subject to approval of the same by the requisite majorities of the members of Greenply and Greenlam pursuant to Section 391(1) of the Act and sanction of the same by the Hon'ble Gauhati High Court under Sections 391(2) and 394 and other applicable provisions of the Act.

13.2 This Scheme although operative from the Appointed Date shall become effective on the Effective Date, being the date or last of the dates on which certified copies of the order of the Hon'ble Gauhati High Court sanctioning this Scheme are filed with the Registrar of Companies, Shillong by Greenply and Greenlam.

13.3 In the event of this Scheme not being sanctioned by the Court and/or the order or orders not being passed as aforesaid, this Scheme shall become null and void and in that event, no rights and liabilities shall, inter se, accrue between the parties in terms of this Scheme, 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 this Scheme or as may otherwise arise in law. In the event this Scheme becoming null and void, each party shall bear and pay their respective costs, charges and expenses in connection with this Scheme.

14. REMAINING BUSINESS

Save and except the Demerged Undertaking and as expressly provided in this Scheme, nothing contained in this Scheme shall affect Retained Undertaking of Greenply which shall continue to belong to and be vested in and be managed by Greenply. It is expressly clarified and provided that the Retained Undertaking shall continue to be so vested in Greenply and all liabilities, present or contingent, under the Income Tax Act, 1961 of Greenply as a whole, for the period prior to the Appointed Date shall be borne by Greenply with Greenply also being entitled to any and all tax refunds and other credits under the said acts for such prior period.

15. COSTS

All costs, charges and expenses including stamp duties arising out of or incurred in carrying out and implementing this Scheme and matters incidental thereto, shall be borne by Greenply and Greenlam in the ratio of 2:1.

16. RESIDUAL PROVISIONS

16.1 Even after this Scheme becomes effective, Greenlam shall be entitled to operate all bank accounts relating to the Demerged Undertaking and realise all monies and complete and enforce all pending contracts and transactions in respect of the Demerged Undertaking in the name of Greenply in so far as may be necessary until the transfer of rights and obligations of Greenply to Greenlam under this Scheme is formally accepted by the parties concerned.

16.2 On the approval of this Scheme by the members of Greenply and Greenlam pursuant to Section 100 and 391 of the Act, it shall be deemed that the said members have also accorded all relevant consents under Section 81(1-A) or any other provisions of the Act to the extent the same may be considered applicable.

16.3 The demerger and transfer and vesting of the Demerged Undertaking under this Scheme has been proposed in compliance with the provisions of Section 2 (19AA) of the Income Tax Act 1961.

17. OTHERS

17.1 Within 12 (twelve) months of listing of the equity shares of Greenlam, there shall be a realignment of shareholding between the Greenply Shareholder Group and the Greenlam Shareholder Group such that: (a) the Greenlam Shareholder Group shall

transfer in one or more transactions, on the stock exchange or otherwise, such number of equity shares of Greenply as mutually agreed, to the Greenply Shareholder Group; and (b) the Greenply Shareholder Group shall transfer in one or more transactions, on the stock exchange or otherwise, such number of equity shares of Greenlam as mutually agreed to the Greenlam Shareholder Group.

- 17.2 The transfer of shares for realignment of shareholding and control in the respective companies in terms of para 17.1 above shall be deemed to have happened, in pursuance of this Scheme, in terms of mutual covenants contained herein.
- 17.3 Such transfer of equity shares between the Greenply Shareholder Group and the Greenlam Shareholder Group shall be effected as an integral part of this Scheme and shall enable them to concentrate their resources on, and focus management upon, the business of their respective areas of interest for future growth, namely Greenlam Shareholder Group on the Decorative Business and the Greenply Shareholder Group on the plyboard and MDF and allied products businesses.
- 17.4 The proposed transfer will neither change the total shareholding / voting rights of the promoter groups of Greenply nor will it affect or prejudice the interests of public shareholders in any way.
- 17.5 Upon consummation of transfer envisaged in para 17.1 above:
- (i) Mr. Saurabh Mittal, Ms. Parul Mittal and Greenply Leasing & Finance Private Limited shall cease to be a part of the promoter / promoter group of Greenply. Similarly, Mr. Shobhan Mittal, Mr. Rajesh Mittal, Mr. Sanidhya Mittal, Ms. Karuna Mittal, Rajesh Mittal (HUF), Prime Holdings Private Limited, S. M. Management Private Limited, Vanashree Properties Private Limited and Trade Combines shall not form part of the promoter / promoter group of Greenlam.
 - (ii) Greenply and Greenlam shall be managed and controlled by their respective shareholders i.e. Greenlam shall be under the exclusive management and control of the Greenlam Shareholder Group and Greenply shall be under the exclusive management and control of the Greenply Shareholder Group. The shareholders of Greenply and Greenlam may reconstitute their respective board of directors to reflect the change in shareholding.
- 17.6 It is clarified that the transfer of the equity shares of both Greenply and Greenlam and the consequent change in management and control of the respective companies made in terms of paras above shall be pursuant to and is an integral part of this Scheme. Such transfer and change in control, being exempt under Regulation 10 of the Takeover Code, shall not trigger the open offer requirements in Greenply and/or Greenlam under Regulation 3 or Regulation 4 of the Takeover Code.

GREENPLY INDUSTRIES LIMITED

Details of Assets & Liabilities as on 31.03.2013

(Rs. In Lacs)

NATURE OF ASSETS/LIABILITIES	WRITTEN DOWN VALUE (WDV)	AMOUNT OF ASSETS/ LIABILITIES TO BE TRANSFERRED TO THE RESULTING COMPANY	AMOUNT OF ASSETS/ LIABILITIES REMAINING WITH THE DEMERGED COMPANY	TRANSFER PRICE, IF TRANSFERRED OTHER THAN BOOK VALUE, THEN VALUATION REPORT THEREOF
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ASSETS

Non-Current Assets

Fixed Assets

Tangible Assets	64345.68	16910.21	47435.47	N.A
Intangible assets	833.16	345.94	487.22	N.A
Capital Work-in-progress	2337.08	619.14	1717.94	N.A
Investments	1752.50	1743.54	8.96	N.A
Long Term Loans & Advances	4338.51	1194.30	3144.21	N.A
Other Non-Current Assets	0.58	-	0.58	N.A

Current Assets

Inventories	32791.39	16055.42	16735.97	N.A
Trade Receivables	34320.70	12695.13	21625.57	N.A
Cash & bank Balances	1627.82	104.46	1523.36	N.A
Short Term Loans & Advances	10212.24	4819.73	5392.51	N.A
Other Current Assets	25.62	-	25.62	N.A
Total Assets	152585.28	54487.87	98097.41	

LIABILITIES

Non-Current Liabilities

Long-Term Borrowings	23534.36	4326.86	19207.50	N.A
Deferred Tax Liabilities (Net)	4033.45	630.46	3402.99	N.A
Other Long Term Liabilities	841.35	25.00	816.35	N.A
Long Term Provisions	1667.06	546.17	1120.89	N.A

Current Liabilities

Short-Term Borrowings	29765.67	16297.73	13467.94	N.A
Trade Payables	29332.26	11213.83	18118.43	N.A
Other Current Liabilities	14669.63	4894.00	9775.63	N.A
Short-Term Provisions	1028.45	18.52	1009.93	N.A
Total Liabilities	104872.23	37952.57	66919.66	

Net Assets	47713.05	16535.30	31177.75	
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