

**SCHEME OF ARRANGEMENT  
BETWEEN  
COLOR CHIPS (INDIA) LIMITED  
AND ITS  
SHAREHOLDERS  
AND  
ITS UNSECURED CREDITORS**

**Preamble**

This Scheme of Arrangement is made under the provisions of Sections 391 to 394 read with Sections 100 to 103 and 78 of the Companies Act, 1956 and relevant rules made there under and provides for an Arrangement between the Company, M/s Color Chips (India) Limited, its Shareholders and Unsecured Creditors.

Whereas, this scheme is in the nature of composite arrangement involving reduction and restructuring of the capital and conversion of unsecured loans into equity and to set off the accumulated losses against the share premium, general reserves and the paid up capital of the Company leading to the restructuring of the Company.

Whereas M/s. Color Chips (India) Limited (hereinafter referred to as the Company / "CCIL") is a Company incorporated under the Companies Act, 1956 and engaged in the business of acquiring, providing, consultancy, knowhow for setting up of animation studios, simulation centers, entertainment parks, hi-tech museums, theme parks and to maintain them and such other activities related to cinematography of films etc., and is having its Registered Office at Plot No 91, Road No 7B, Jubilee Hills, Hyderabad – 500 033.

Whereas the Company, on account of losses over a considerable period of time has accumulated losses to the tune of Rs.22, 68,16,320/- (Rupees Twenty Two Crores Sixty Eight Lakhs Sixteen Thousand Three Hundred and Twenty Only) as per the Audited Balance Sheet as on 30<sup>th</sup> June, 2012

Whereas, the Company was inadequately equipped to meet the vibrant industry standards in the field of Animation and film industry and hence suffered huge losses from the year 1999-2000 and thereafter, there have been consistent losses with the factors like unprecedented rise in production and administration expenses financial costs, overheads, working capital constraints which ultimately affected the financial position of the Company.

develop its own Content Library and for production of Animation TV Series & Films and Live Action Feature Films., The raising of the Unsecured Loans has helped the Company to save interest cost, other expenses and to carry on its business operations. The following unsecured loans were raised from Promoters, Individuals and other Bodies Corporate (s) to keep the Company alive, and service the debt and equity:-

S.No.	Name of the Lender	Category	Amount (in Rs.)
1	M/s Color Chips Animation Park Limited	Promoter	10,44,56,856
2	M/s Ravikaanth Portfolio Services Private Limited	Promoter	1,01,00,545
3	M/s Millitoon Animations Private Limited	Body Corporate	1,26,41,062
4	M/s Cybertoons Entertainments Private Limited	Body Corporate	1,15,87,565
5	Mr. G.Srinivasulu	Individual	1,21,78,418
<b>TOTAL</b>			<b>15,09,64,446</b>

Whereas, with the above funds, the Company continued its operations and survived the severe competition in the Animation Industry. The Company's networth would have been eroded if, the promoters have not infused the above funds to meet the expenses and demands from the creditors.

The promoters have also advanced unsecured Loan amounts to the Company. In order to infuse further funds the Promoters have also raised unsecured loans from other individuals and Bodies Corporate.

To sustain its operations, the Company has to increase its net worth at the foremost and that will be possible only when the capital is reduced by way of an arrangement with the shareholders by writing of its accumulated losses and convert unsecured loans into equity capital by way of a scheme of arrangement.

Whereas, the improved net-worth will enable the Company to streamline its operations, raise finances, generate internal accruals which will eventually aid the Company in promoting and protecting the interest of the shareholders, creditors and employees.

able to realize the same unless and until there is an improvement in its performance and financial position. With the current position continuing and since the possibilities of realizing the calls in arrears are bleak and remote it is proposed to extinguish the unpaid capital of the Company in terms of section 100 (1) (a) of the Companies Act, 1956, thereby providing relief to the holders of the partly paid shares .

Whereas, apart from writing off the losses by reduction of the capital, the Company has to simultaneously ensure that the outflow of funds should be restricted without any extra cost to the Company. Any outflow of cash by way of repayment of unsecured loans would affect the revenues and therefore, it is proposed to convert the said unsecured loans into equity capital of the Company in a manner beneficial to the Company and its shareholders. By implementing this proposed arrangement, the Company will be saved from servicing the debt and convert the debt into equity capital . Net worth of the Company is almost negative and the book value of the equity share is 0.54 paise as on 30th June 2012. Despite which the Unsecured Creditors accepted to convert their loans into equity share capital of the Company at par i.e. Rs.10/- (Rupees Ten Only) each per share. By these contributory factors, the net-worth of the Company will turn positive and the Company will be in a position to continue its operations and service the shareholders effectively. In the event of reduction of capital not being affected and consequent issue of further shares and conversion of loans into capital not taking place, the loss will further mount up and the intrinsic value of the share will further go down and the Company's financial position would worsen further which may lead to the Company to the state of insolvency.

Whereas, the Company has apart from Unsecured Loans brought in by the Unsecured Creditors who reposed confidence in the management's relentless efforts to revive the Company, are willing to have their loans converted into equity capital of the Company with a bonafide intention that the turnaround in the financial position of the Company will help them get their investment liquidated with some returns.

Whereas, by conversion of Unsecured Loans into equity shares will save the outflow of funds from the Company, and, the servicing of loan and interest which is beneficial to the Company and its shareholders.

The Financial Statements of the Company would not represent its true financial position so long as its Capital is represented by unwritten off accumulated losses. In view of the above, it is proposed to write off the amount of accumulated losses to the extent of Rs. 21,58,21,564 /- ( Rupees Twenty One Crores Fifty Eight Lakhs

1. to the extent of Rs.15,70,500/- (Rupees Fifteen Lakhs Seventy Thousand Five Hundred Only) shall be set off against the General Reserve Account
2. to the extent of Rs.7,32,600 /- (Rupees Seven Lakhs Thirty Two Thousand Six Hundred Only) shall be set off against the Share Premium Account .
3. to the extent of Rs.21,35,18,464/- (Rupees Twenty One Crores Thirty Five Lakhs Eighteen Thousand Four Hundred and Sixty Four Only) shall be set off against the Paid up Share Capital of the Company upon its reduction.
4. The above set off, will result in reduction of the paid up share capital of the Company from Rs.23,72,42,738 /- (Rupees Twenty Three Crores Seventy Two Lakhs Forty Two Thousand Seven Hundred and Thirty Eight Only) to Rs.2,37,24,274/- (Rupees Two Crore Thirty Seven Lakhs Twenty Four Thousand Two Hundred and Seventy Four Only) with consequent reduction in the accumulated losses from Rs.22,68,16,320/- (Rupees Twenty Two Crores Sixty Eight Lakhs Sixteen Thousand Three Hundred and Twenty Only) to Rs. 1,09,94,756/- ( Rupees One Crore Nine Lakhs Ninety Four Thousand Seven Hundred and Fifty Six Only)
5. That the outstanding Unsecured Loans of Rs.11,45,57,401/- (Rupees Eleven Crores Forty Five Lakhs Fifty Seven Thousand Four Hundred and One Only) brought in by the Promoters namely by M/s. Color Chips Animation Park Limited a sum of Rs. 10,44,56,856/- and Ravikaanth Portfolio Services Limited a sum of Rs. 1,0100,545/- shall be converted into equity towards subscription and allotment of 1,14,55,740 ( One Crore Fourteen Lakhs Fifty Five Thousand Seven Hundred and Forty Only ) Equity shares of Rs.10/- (Rupees Ten Only) each at par.
6. That the outstanding Unsecured Loans of Rs.1,21,78,418/- (Rupees One Crore Twenty One Lakhs Seventy Eight Thousand Four Hundred and Eighteen Only) brought in by the Unsecured Lender, an individual named Mr. G.Srinivasulu, shall be converted into equity towards subscription and allotment of 12,17,842 (Twelve Lakhs Seventeen Thousand Eight Hundred and Forty Two Only ) Equity shares of Rs.10/- (Rupees Ten Only) each at par.
7. Further that the outstanding Unsecured Loans of Rs.2,42,28,627/- (Rupees Two Crores Forty Two lakhs Twenty eight Thousand Six Hundred and Twenty Seven Only) brought in by the Unsecured Lender namely by M/s. Millitoon Animations

Twenty Two Thousand Eight Hundred and Sixty Three Only) Equity shares of Rs.10/- (Rupees Ten Only) each at par.

8. Upon reduction of paid up capital and conversion of loans into equity shares, the paid up share capital of the Company shall be Rs 17,46,88,720/- (Rupees Seventen Crores Forty Six Lakhs Eighty Eight Thousand Seven Hundred and Twenty only) divided into 1,74,68, 872 (One Crore Seventy Four Lakhs Sixty Eight Thousand Eight Hundred and Seventy Two) equity shares of Rs 10/- (Rupees Ten Only) each.
9. Upon the scheme coming into effect, the unabsorbed loss remaining after reduction of capital will be 1,09,94,756/- ( Rupees One Crore Nine Lakhs Ninety Four Thousand Seven Hundred and Fifty Six Only)

Whereas on the basis of discussion, and interaction with the Unsecured Creditors it has been decided to convert their respective dues into equity share capital of the Company which will ultimately benefit the shareholders and employees and public at large.

**PART – I**  
**PRELIMINARY**

**DEFINITIONS**

In this Scheme, unless inconsistent with the subject or to the context, the following expressions shall have the following meaning(s):-

**1.1 "Act or the Act"** means the Companies Act, 1956 or any statutory modification(s) or amendment(s) thereof for the time being in force.

**1.2 "Appointed Date"** means **01.07.2012** or such other date as may be fixed by the Hon'ble High Court of Andhra Pradesh at Hyderabad.

**1.3 "Board"** or Board of Directors means the Board of Directors or any committee thereof of the Company as the context may mean or require.

**1.4 "Capital"** means the Equity Share capital of Color Chips (India) Limited.

**1.5 "Company"** means M/s. Color Chips (India) Limited / "CCIL" a Company incorporated under the Companies Act, 1956 and having its Registered Office at Plot No 91, Road No 7B, Jubilee Hills, Hyderabad – 500 033.

**1.6 "Court"** means the Hon'ble High Court of Andhra Pradesh at Hyderabad.

**1.7 " Effective Date"** means the date on which certified copies of the order of the Hon'ble High Court of Andhra Pradesh at Hyderabad sanctioning the scheme are filed with the Registrar of Companies, Andhra Pradesh at Hyderabad under Section 394 read with section 78, 100 and 102 of the Companies Act.

**1.8 "Existing Promoters"** means and includes persons appearing whether in the category of Promoters / Promoter group as disclosed in the Share Holding Pattern as on 30<sup>th</sup> June, 2012 filed with the Stock Exchange.

**1.9 "New Promoters / Persons acting in Concert (PAC)"** means and includes the Existing Promoters as on 30<sup>th</sup> June, 2012 which also includes M/s Millitoon Animations Private Limited.

**1.10 "Scheme"** means this Scheme of Arrangement between the Company and it's Shareholders and Unsecured Creditors in the present form or with such

**1.11. "Unsecured Creditors"** means and includes Mr. G.Srinivasulu, M/s Color Chips Animation Park Limited, M/s Ravikaanth Portfolio Services Private Limited, M/s Cybertoons Entertainments Private Limited and M/s Millitoon Animations Private Limited

References in this Scheme to 'upon the Scheme becoming effective' or 'effectiveness of the Scheme' shall mean the Effective date.

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

**PART – II**  
**INCORPORATION, OBJECTS AND CAPITAL STRUCTURE**

2.1 (i) CCIL was originally incorporated under the Companies Act, 1956 on 19<sup>th</sup> March 1990 under the name and style of "Rusoday Mutual Funds Limited" and obtained Certificate for Commencement of Business on 23<sup>rd</sup> March 1990. The name of the Company was changed to "Rusoday Finance Limited" and obtained fresh Certificate of Incorporation consequent on change of name on 4<sup>th</sup> June 1996 and again the Company changed its name to "Global Fiscals Limited" and obtained a fresh Certificate of Incorporation consequent on change of name from the Registrar of Companies, Andhra Pradesh, Hyderabad on 6<sup>th</sup> June 1996.

Again the name of the Company was changed to M/s. "Arham Fiscals Limited" and obtained a fresh certificate of incorporation consequent on change of name from the Registrar of Companies, Andhra Pradesh, Hyderabad on 28<sup>th</sup> April 1997. Again the Company changed its name to its present name "Color Chips (India) Limited" and a fresh certificate of incorporation consequent on change of name was obtained from Registrar of Companies, Andhra Pradesh, Hyderabad on 5<sup>th</sup> day of January 2000.

ii) The present authorized share capital of the Company is Rs 39,31,50,000 (Rupees Thirty Nine Crores Thirty One Lakh Fifty Thousand Only ) The present issued, subscribed capital of the company is Rs 23,96,20,500 (Twenty Three Crores Ninety Six Lakhs Twenty Thousand Five Hundred Only) divided into 2,39,62,050 (Two Crores Thirty Nine Lakhs Sixty Two Thousand and Fifty Only) equity shares of Rs.10/- each and paid up capital of the Company is Rs.23,72,42,738/- (Rupees Twenty Three Crores Seventy Two Lakhs Forty Two Thousand Seven Hundred and Thirty Eight Only) divided into 2,39,62,050 (Two Crores Thirty Nine Lakhs Sixty Two Thousand and Fifty Only) equity shares of Rs.10/- each out of which 3,17,035 (Three Lakhs Seventeen Thousand and Thirty Five) shares are partly paid on which an amount of Rs 2.50/- is paid up.

iii) CCIL,/ Company was incorporated mainly to carry out the following main objects:

1. To acquire, provide, consultancy, know-how for setting up of animation studios, simulation centers, entertainment parks, Hi-tech museums and theme parks and to maintain them.



3. To carry on the business syndication, publication, printing and distribution of multimedia, 3-D Characters, paintings, cartoons, caricatures, comics, stickers, greeting cards and such other special or general purpose publishing or printing activities.
4. To start, takeover, operate, run, maintain, export, import, terrestrial television channels, satellite television channels, cable television network, and to run operate and maintain studios, facilities for the production and relay of program's for own channels or for other television channels and to produce necessary software.
5. To carry on and undertake for the benefits of the members the business of portfolio investments and deal in equity shares, debentures (convertible and non-convertible), preference share, stocks, company deposits, Government Securities including Government Bonds, Loans, National Savings Certificates, Post office savings scheme, units of investments and to take over any or all kinds of organizations and to maintain, run, finance and to dispose them in a commercial manner.

## PART – III

## 3. REDUCTION OF CAPITAL AND SETTING OFF ACCUMULATED LOSSES

## 3.1 REDUCTION OF CAPITAL

3.1.1 The present paid up capital of the Company as on 30<sup>th</sup> June, 2012 is Rs.23,72,42,738/- (Rupees Twenty Three Crores Seventy Two Lakhs Forty Two Thousand Seven Hundred and Thirty Eight Only) divided into 2,39,62,050 (Two Crores Thirty Nine Lakhs Sixty Two Thousand and Fifty Only) equity shares of Rs.10/- each less call in arrears.

Upon the scheme becoming effective, the share capital of the Company shall stand **reduced from** the present Paid Up Capital of the Company of Rs.23,72,42,738/- (Rupees Twenty Three Crores Seventy Two Lakhs Forty Two Thousand Seven Hundred and Thirty Eight Only) Divided into:

- a. 2,36,45,015 (Two Crores Thirty Six Lakhs Forty Five Thousand and Fifteen Only) equity shares of Rs.10/- (Rupees Ten Only) to 2,36,45,015 (Two Crores Thirty Six Lakhs Forty Five Thousand and Fifteen Only) equity shares of Re.1/- (Rupee One Only) each with balance of Rs.9/- (Rupees Nine Only) being cancelled off against the paid up value of each share of Rs.10/- (Rupees Ten Only) each in the paid up share capital of the Company

. 3,17,035 (Three Lakhs Seventeen Thousand and Thirty Five only) shares partly paid of Rs 2.50/- (Rupees Two and Fifty Paise Only ) to 3,17,035 (Three Lakhs Seventeen Thousand and Thirty Five only) equity shares of Re. 0.25 /- (Twenty Five Paise Only) each with balance of Rs.2.25/- (Rupees Two and Twenty Five Paise Only) being cancelled off against the paid up value of Rs 2.50/- (Rupees Two and Fifty Paise Only )

3.1.2 Consequent to and upon reduction, the share capital of Rs.2,37,24,274 (Rupees Two Crore Thirty Seven Lakhs Twenty Four Thousand Two Hundred and Seventy Four Only) divided into :

- a. 2,36,45,015 (Two Crores Thirty Six Lakhs Forty Five Thousand and Fifteen Only) equity shares of Re.1/- (Rupee One Only) each shall be consolidated to 23,64,501 (Twenty Three Lakhs Sixty Four Thousand Five Hundred and One Only) equity shares of Re.10/- (Rupee Ten Only) each
- b. 3,17,035 (Three Lakhs Seventeen Thousand and Thirty Five only) equity shares of Re. 0.25 /- (Twenty Five Paise Only) each shall be consolidated to 40 (Forty) equity shares with reduced face value of Re.0.25/- (Rupee Twenty

The Aggregate share capital of the Company upon consolidation shall be 23,72,427 (Twenty Three Lakhs Seventy Two Thousand Four Hundred and Twenty Seven Only) equity shares of Re.10/- (Rupee Ten Only) each.

**3.1.3** On approval of the scheme under section 391 and 394 read with section 78 of the Act by the shareholders, it is deemed that the special resolution as contemplated under Article 7 of the Articles of Association of the Company and under Section 100 of the Companies Act 1956, has been passed and all the procedures required under Section 100 for reduction of share capital have been complied with by the Company and the Company shall not be required to add the words "and reduced" as suffix to its name.

### **3.2 SETTING OFF ACCUMULATED LOSSES**

This Scheme contemplates set off of accumulated losses on account of extinguishment of paid up capital by the Company.

- i) Out of the total Accumulated Losses amounting to Rs.22,68,16,320/- (Rupees Twenty Two Crores Sixty Eight Lakhs Sixteen Thousand Three Hundred and Twenty Only) as on 30th June, 2012, an amount of Rs. 21,58,21,564 /- ( Rupees Twenty One Crores Fifty Eight Lakhs Twenty One Thousand Five Hundred and Sixty Four Only) shall be wiped off, and set off against the:
  - a) General Reserve. to the extent of Rs.15,70,500/- (Rupees Fifteen Lakhs Seventy Thousand Five Hundred Only)
  - b) Share Premium to the extent of Rs. 7,32,600/- (Rupees Seven Lakhs Thirty Two Thousand and Six Hundred Only)
  - c) Corresponding amount arising on account of extinguishment of paid up capital as detailed at Para 3.1.1 supra to the extent of Rs.21,35,18,464/- (Rupees Twenty One Crores Thirty Five Thousand Eighteen Thousand Four Hundred and Sixty Four Only)
- ii) The residual Accumulated Losses, remaining not set off (subsequent to set off as laid in Para 3.2 (i) above) amounting to be Rs. 1,09,94,756/- ( Rupees One Crore Nine Lakhs Ninety Four Thousand Seven Hundred and Fifty Six Only) shall be carried forward as debit balance in the Profit & Loss Account.

**PART - IV**  
**RESTRUCTURING OF CAPITAL**

**4.CONVERSION OF EXISTING UNSECURED LOANS INTOEQUITY**

**4.1** Upon sanctioning of the scheme and upon the Scheme coming into effect, the Unsecured Loans comprising of Loans from Individual, Promoters and Bodies Corporate aggregating to Rs.15,09,64,446/- (Rupees Fifteen Crore Nine Lakhs Sixty Four Thousand Four Hundred and Forty Six only) as appearing in the Balance Sheet as on 30<sup>th</sup> June, 2012, the details of which are as under :

- a. Rs.1,21,78,418/- (Rupees One Crore Twenty One Lakhs Seventy Eight Thousand Four Hundred and Eighteen only) forms part of Unsecured Loans from G. Srinivasulu - an Individual,
- b. 11,45,57,401 (Rupees Eleven Crore Forty Five Lakhs Fifty Seven Thousand Four Hundred and One) from Promoters and
- c. the balance Rs. 2,42,28,627/-(Rupees Two Crore Forty Two Lakhs Twenty Eight Thousand Six Hundred and Twenty Seven Only) forms part of the Loans from Bodies Corporate,

The above amounts shall be converted into Equity Share Capital by way of issue and allotment of 1,50,96,445 (One Crore Fifty Lakhs Ninety Six Thousand Four Hundred and Forty Five only) Equity Shares of Rs.10/-(Rupees Ten Only) each at par. The approval of the scheme by the members in the meeting shall be deemed to be the resolution passed by the Company under section 81(1A) of the Companies Act, 1956.

The Unsecured creditors are an identified group consisting of the promoters M/s. Color Chips Animation Park Limited and M/s Ravikaanth Portfolio Services Private Limited, other Bodies Corporate M/s Millitoon Animations Private Limited and M/s Cybertoons Entertainments Private Limited and Other Identified Individual Mr. G.Srinivasulu who have expressed their willingness to Convert their Unsecured Loan amount into Equity. M/s Millitoon Animations Private Limited also consented to become part of Promoter Group on implementation of this scheme.

The shares issued pursuant to this scheme shall be locked in as per the issue of shares on preferential basis. SEBI (ICDR) Regulations, 2009. The shares shall be allotted within 60 days from the Effective Date of this Scheme.

The resolutions passed at the meeting of the shareholders under Section 391 of the

#### **4.2 ENTITLEMENT OF FRACTIONAL SHARES**

Upon sanctioning of the scheme, no fractional shares shall be issued by the Company to the allottees in respect of their entitlement. Such fractional shares shall be rounded off to nearest one share and the Board of Directors shall be entitled to finalise the allotment in the said regard.

## PART V

## 5.1 POST - RESTRUCTURING CAPITAL:

Upon sanctioning of the scheme and upon the Scheme coming into effect and subsequent to the reduction and issue and allotment of shares as contemplated above in this Scheme, the capital structure shall be as follows:

Particulars	(Amt in Rs.)	
	Pre-Restructuring	Post-Restructuring
	(upon sanctioning of the Scheme)	
Authorised Share Capital		
3,93,15,000 Equity shares of Rs.10 each	39,31,50,000	39,31,50,000
Issued, Subscribed and Paid up Share capital:		
2,36,42,015 Equity shares of Rs.10 each		
3,17,035 Equity shares of Rs. 2.50/- partly paid	23,72,42,738	
#23,72,427 Equity Shares Of Rs.10 each		2,37,24,270
Shares to be Allotted on Conversion of Loans (1,50,96,445 Equity Shares of Rs.10/- each )	----	15,09,64,450
Total Paid up share capital # (post reduction)	23,72,42,738	17,46,88,720

## 5.2 SHAREHOLDING PATTERN (POST RESTRUCTURING)

Upon sanctioning of the scheme and upon the Scheme coming into effect and subsequent to the issue and conversion of unsecured loans into equity shares as contemplated in Part IV of this Scheme, the Shareholding Pattern of the Company shall be as follows:

CATEGORY CODE	CATEGORY OF SHAREHOLDER	TOTAL NUMBER OF SHARES	AS a % of (A+B)
		<b>Post-Restructure</b>	
(I)	(II)	(III)	(IV)
<b>(A)</b>	<b>PROMOTER AND PROMOTER GROUP</b>		
(1)	INDIAN		
(a)	Individual /HUF	4	0.00
(b)	Bodies Corporate	13053057	74.72
	<b>Total - A</b>	<b>13053061</b>	<b>74.72</b>
<b>(B)</b>	<b>PUBLIC SHAREHOLDING</b>		
(1)	INSTITUTIONS		
(a)	Mutual Funds /UTI	0	0.00
(b)	Foreign Institutional Investors	200	0.00
	<b>Sub-Total B(1) :</b>	<b>200</b>	<b>0.00</b>
(2)	NON-INSTITUTIONS		
(a)	Bodies Corporate	1309188	7.49
(b)	Individuals	3016255	17.27
(c)	Others - Non-Resident Indians	90168	0.52
	<b>Sub-Total B(2) :</b>	<b>4415611</b>	<b>25.28</b>
	<b>Total B=B(1)+B(2) :</b>	<b>4415811</b>	<b>25.28</b>
	<b>GRAND TOTAL (A+B) :</b>	<b>17468872</b>	<b>100.00</b>

## 5.3 LISTING OF SECURITIES

The equity shares to be converted pursuant to clause 4.1 of this Scheme will be listed and/or admitted to trading on all the Stock Exchanges on which shares of the Company are listed / traded on the Effective Date. The scheme is merely an arrangement between its members and unsecured creditors under Section 391 to 394 read with 100 and other applicable provisions of the Companies Act, 1956 and does not envisage, transfer or vesting of any properties and/or liabilities to or in favour of the Company as contemplated under Section 394 of the Companies Act. The scheme does not involve any conveyance of any property under Section 391 to 394 of the Companies Act, 1956.

**PART VI**  
**OBJECTS AND BENEFITS OF THE SCHEME**

The objects and benefits of the scheme are envisaged under:

- a.** The Scheme of Arrangement if approved, facilitates wiping off the accumulated losses to the tune of Rs Rs. 21,58,21,564 /- ( Rupees Twenty One Crores Fifty Eight Lakhs Twenty one Thousand Five Hundred and Sixty Four only) /-
- b.** By converting Unsecured Loans into equity shares, it will save the Company from the outflow of cash towards repayment of the said loans especially at a time when the Company needs funds for its operations and growth and in addition, it will save the Company from servicing the debt.
- c.** By reducing the capital, the lost capital is written off and this will result in reflecting the actual value of the investment of the investors in the Company
- d.** The scheme envisages wiping off the 99% losses as on 30.06.2012 and thereby enabling the Company to enter into profit track record in a couple of years post restructuring.
- e.** Reduction of capital will enable the Company to disclose a true and fair valuation of its assets and liabilities in its financial statements.
- f.** The scheme, which envisages writing off of the losses & conversion of unsecured loans into Equity which will result in turning the Company's Net Worth positive .
- g.** The shares issued pursuant to the scheme and shares consolidated after reduction in their value will be listed on the Stock Exchange where the shares are listed / traded.
- h.** The scheme once approved will yield in better internal accruals to the Company and that such accruals will facilitate the Company to meet part of its working capital requirements.
- i.** The scheme as a whole is beneficial to the members, creditors and all the stake holders and will benefit the state and national exchequer.



## PART VII

### 7.1 IMPACT OF THE SCHEME ON EMPLOYEES/ WORKERS

If approved, the scheme of arrangement shall not have any impact on the employees/workers of the Company and the Company will be benefited by reflecting its true financial position.

### 7.2 IMPACT OF THE SCHEME ON CREDITORS

If approved, the scheme of arrangement shall not have any adverse impact on the other creditors including banks of the Company and the Company will be benefited by reflecting its true financial position. The scheme does not contemplate any compromise or arrangement with the creditors and shareholders except as provided in this scheme.

### 7.3 LEGAL PROCEEDINGS:

All legal or other proceedings by or against the Company pending and/arising on or before the "Effective Date" relating to the said Company including their property, rights, powers, liabilities, debts, obligations and duties of the Company shall be continued and be enforced by or against Company as the case may be.

### 7.4 ACCOUNTING TREATMENT:

- a. The Company will comply with all relevant accounting policies and accounting standards as regards accounting for the reduction of capital, writing off the losses, conversion of Rs. 15,09,64,446/- (Rupees Fifteen Crores Nine Lakhs Sixty Four Thousand Four Hundred and Forty Six only) unsecured loans into equity shares
- b. Share Premium amount of Rs.7,32,600 (Rupees Seven Lakhs Thirty Two Thousand Six Hundred Only)), General Reserve of Rs.15,70,500 (Rupees Fifteen Lakhs Seventy Thousand Five Hundred Only) and written-off Share Capital Amount to the extent of Rs. 21,35,18,464/- (Rupees Twenty One Crores Thirty Five Lakhs eighteen thousand Four Hundred and Sixty Four only) will be utilized to write off the losses .

**PART – VIII**  
**APPLICATIONS TO THE HON'BLE HIGH COURT OF ANDHRA PRADESH**

This scheme involves reduction of share capital as contemplated by Article 7 of the Articles of Association of the Company and issue of equity shares on preferential basis. The Company shall, with all reasonable efforts, make necessary Applications / Petitions to the Court under sections 391 and 394 read with Sections 100 to 103 and 78 of the Act and permission to hold a meeting of its Shareholders for sanctioning the scheme and for such further order or orders as deemed fit for carrying the scheme into effect.

**PART – IX**  
**MODIFICATIONS OR AMENDMENTS TO THE SCHEME**

**9.1** The Company by its Directors may effect or assent to any modification or amendment of the Scheme or agree to any terms and /or conditions which the Court and /or any other authorities under law may deem fit to direct or impose or which may otherwise be considered necessary or desirable by the Board of Directors of the Company for settling any question or doubt or difficulty that may arise for implementing and/or carrying out the Scheme or otherwise as may be considered to be in the best interests of the Company and its members and do all acts, deeds and things as may be necessary, desirable or expedient for giving effect to the scheme.

**9.2 SCHEME CONDITIONAL UPON APPROVALS / SANCTIONS**

The scheme is conditional upon and subject to;

- a) the approval of the scheme by the majority of shareholders as contemplated U/s.391 of the Act.;
- b) the sanction of the scheme by the Court under Sections 391 and 394 of the Companies Act ;
- c) certified copies of the Orders of Court sanctioning the Scheme being filed with the Registrar of Companies, Andhra Pradesh, Hyderabad.

**9.3 EFFECT OF NON RECEIPT OF APPROVAL / SANCTIONS**

**9.4 COSTS AND EXPENSES**

All costs, charges and expenses including stamp duty and registration charges of or in respect of any deed, document, instrument or orders of the Court in relation to or in connection with negotiations leading up to the scheme and of carrying out and implementing the terms and provisions of the scheme shall be borne and paid wholly by the Company.

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For COLOR CHIPS (INDIA) LIMITED

*P. V. M. Seetha*

Managing Director