

EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956

I. The accompanying notice has been sent for convening a meeting of the Equity Shareholders of Akzo Nobel India Limited, (hereinafter referred to as the “Applicant” or “Transferee Company” or “AN India”) for the purpose of considering and if thought fit, approving, with or without modification, the proposed Scheme of Amalgamation of Akzo Nobel Car Refinishes India Private Limited (hereinafter referred to as “AN Car”), Akzo Nobel Chemicals (India) Limited (hereinafter referred to as “AN Chemicals”), Akzo Nobel Coatings India Private Limited (hereinafter referred to as “AN Coatings”) with AN India and their respective shareholders. The detailed terms of the amalgamation will appear from the enclosed draft of the Scheme.

II. SALIENT FEATURES OF THE SCHEME

The salient features of the Scheme are summarised for your convenience as follows:-

- (A) “Appointed Date” means the 1st day of April, 2011 or such other date as the High Court(s) or such other authorities may direct / fix.
- (B) “High Courts” means the Hon’ble High Court of Calcutta having jurisdiction in relation to AN India and/ or Hon’ble High Court of Judicature at Bombay having jurisdiction in relation to AN Chemicals and/ or Hon’ble High Court of Karnataka at Bangalore having jurisdiction in relation to AN Car and AN Coatings, as the context may require and shall include National Company Law Tribunal, if applicable.
- (C) “Effective Date” means the last of the dates on which the certified true copies of the order of the High Courts sanctioning the Scheme are filed with the respective Registrar of Companies, by all the companies who are a party to this Scheme.
- (D) “Record Date” means the date to be fixed by the Board of Directors of the Transferee Company for determining names of the members of AN Car, AN Chemicals and AN Coatings, who shall be entitled to receive shares of the Transferee Company upon coming into effect of this Scheme as specified under clause 9.1, clause 9.2 and clause 9.3 of the Scheme respectively.
- (E) “Transferor Companies” means collectively AN Chemicals, AN Coatings and AN Car.
- (F) Subject to the provisions of this Scheme as specified hereinafter and with effect from the Appointed Date, the entire business and undertakings of the Transferor Companies including all the debts, liabilities, duties and obligations, including those arising on account of taxation laws and other allied laws, of the Transferor Companies of every description and also including, without limitation, all the movable and immovable properties and other assets (whether tangible or intangible) of the Transferor Companies comprising, amongst others, all freehold land, leasehold land, allotment through grants, buildings, plants, motor vehicles, receivables, actionable claims, furniture and fixtures, computers, office equipment, electrical installations, generators, containers, ETP installations, telephones, telex, facsimile and other communication facilities and business licenses, Factories Act licenses, manufacturing licenses, permits, deposits, authorisations, approvals, insurance cover of every description, lease, tenancy rights, permissions, incentives, if any, and all other rights, patents, know-how, trademarks, copy rights, service marks, trade secrets, brands, registrations, product licenses, marketing authorisations and other intellectual property rights, proprietary rights, title, interest, contracts, consents, approvals and rights and powers of every kind, nature and description whatsoever, privileges, liberties, easements, advantages, benefits and approvals, shall, under the provisions of Sections 391 to 394 of the Act, and pursuant to the order of the High Courts sanctioning this Scheme and without further act, instrument or deed, but subject to the charges affecting the same as on the Effective Date, be transferred and/or deemed to be transferred to and vested in the Transferee Company, so as to become the properties, assets, rights, business and undertaking(s) of the Transferee Company.

- (G) Without prejudice to the generality of clause 4.1 of the Scheme, in respect of the assets of the Transferor Companies, including cash and bank balances, as are movable in nature or are otherwise capable of transfer by manual delivery, by paying over or by endorsement and delivery or otherwise, the same shall be so transferred by the Transferor Companies to the Transferee Company, without requiring any deed or instrument of conveyance for the same and shall become the property of the Transferee Company as an integral part of the assets of the Transferee Company.
- (H) Without prejudice to the generality of clause 4.1 of the scheme, with effect from the Appointed Date all debts, liabilities, duties and obligations of the Transferor Companies as on the Appointed Date whether provided for or not in the books of account of the Transferor Companies and all other liabilities which may accrue or arise after the Appointed Date but which relate to the period on or up to the day of the Appointed Date shall be the debts, liabilities, duties and obligations of the Transferee Company including any encumbrance on the assets of the Transferor Companies or on any income earned from those assets.
- (I) On the Scheme becoming effective, all staff, workmen and employees of the Transferor Companies in service on the Effective Date shall be deemed to have become staff, workmen and employees of the Transferee Company with effect from the Appointed Date or the date of joining whichever is later, without any break or interruption in their service and on the basis of continuity of service, and the terms and conditions of their employment with the Transferee Company (i.e. cost-to-company basis, in monetary terms) shall not be less favourable than those applicable to them with reference to their employment with the Transferor Companies on the Effective Date.
- (J) If any suit, appeal or other proceeding of whatever nature by or against any of the Transferor Companies is pending, including those arising on account of taxation laws and other allied laws, the same shall not abate or be discontinued or in any way be prejudicially affected by reason of the arrangement by anything contained in this Scheme, but the said suit, appeal or other legal proceedings may be continued, prosecuted and enforced by or against the Transferee Company, in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against the Transferor Companies, as if this Scheme had not been made.
- (K) Subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements, licences, permits, registrations, approvals and other instruments, if any, of whatsoever nature to which the Transferor Companies are a party and subsisting or having effect on the Effective Date, shall be in full force and effect against or in favour of the Transferee Company, as the case may be, and may be enforced by or against the Transferee Company as fully and effectually as if, instead of the Transferor Companies, the Transferee Company had been a party thereto, notwithstanding the terms contained in such contracts, deeds, bonds, agreements, licences, permits, registrations, approvals and other instruments.
- (L) Upon this Scheme becoming effective and in consideration for the amalgamation of AN Car with AN India, AN India shall, without any further application, act, instrument or deed, issue and allot equity shares, credited as fully paid-up, to the extent indicated below, to the members of AN Car, holding fully paid-up equity shares in AN Car and whose names appear in the Register of members of AN Car, on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognised by the Board of Directors of AN Car in the following proportion:
- “403 (Four Hundred and Three) fully paid-up equity shares of Rs. 10 each of AN India shall be issued and allotted for every 100 (One Hundred) fully paid-up equity shares of Rs. 1,000 each held in AN Car”*
- (M) Upon this Scheme becoming effective and in consideration for the amalgamation of AN Chemicals with AN India, AN India shall, without any further application, act, instrument or deed, issue and allot equity shares, credited as fully paid-up, to the extent indicated below, to the members of AN Chemicals, holding fully paid-up equity shares in AN Chemicals and whose names appear in the Register of members of AN Chemicals, on the Record Date or to such of their respective heirs, executors, administrators or other legal

representatives or other successors in title as may be recognised by the Board of Directors of AN Chemicals in the following proportion:

“51 (Fifty One) fully paid-up equity shares of Rs. 10 each of AN India shall be issued and allotted for every 100 (One Hundred) fully paid-up equity shares of Rs. 10 each held in AN Chemicals”

- (N) Upon this Scheme becoming effective and in consideration for the amalgamation of AN Coatings with AN India, AN India shall, without any further application, act, instrument or deed, issue and allot equity shares, credited as fully paid-up, to the extent indicated below, to the members of AN Coatings, holding fully paid-up equity shares in AN Coatings and whose names appear in the Register of members of AN Coatings, on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognised by the Board of Directors of AN Coatings in the following proportion:

“970 (Nine Hundred and Seventy) fully paid-up equity shares of Rs. 10 each of AN India shall be issued and allotted for every 100 (One Hundred) fully paid-up equity shares of Rs. 10 each held in AN Coatings”

- (O) The new equity shares to be issued to the members of AN Car pursuant to clause 9.1 of the Scheme, members of AN Chemicals pursuant to clause 9.2 of the Scheme and the members of AN Coatings pursuant to clause 9.3 of the Scheme shall be in multiples of 1. Any fractional shares shall be rounded-off to the next higher multiple of 1.
- (P) In so far as the equity shares to be issued to the members of AN Car pursuant to clause 9.1 of the Scheme, members of AN Chemicals pursuant to clause 9.2 of the Scheme and the members of AN Coatings pursuant to clause 9.3 of the Scheme are concerned, such equity shares shall be issued in dematerialised form by the Transferee Company, unless otherwise notified in writing by the shareholders of AN Car, AN Chemicals and AN Coatings to the Transferee Company on or before such date as may be determined by the Board of Directors of the Transferee Company or a committee thereof. In the event that such notice

has not been received by the Transferee Company in respect of any of the members of AN Car, AN Chemicals and AN Coatings, the equity shares shall be issued to such members in dematerialised form provided that the members of the Transferee Company shall be required to have an account with a depository participant and shall be required to provide details thereof and such other confirmations as may be required. In the event that the Transferee Company has received notice from any member that equity shares are to be issued in physical form or if any member has not provided the requisite details relating to his/her account with a depository participant or other confirmations as may be required or if the details furnished by any member do not permit electronic credit of the shares of the Transferee Company, then the Transferee Company shall issue equity shares in physical form to such member or members.

- (Q) The equity shares to be issued to the members of AN Car pursuant to clause 9.1 of the Scheme, the members of AN Chemicals pursuant to clause 9.2 of the Scheme and the members of AN Coatings pursuant to clause 9.3 of this Scheme will be listed and/or admitted to trading on the Bombay Stock Exchange, Calcutta Stock Exchange and National Stock Exchange, where the shares of the Transferee Company are listed and/or admitted to trading. The Transferee Company 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.
- (R) Approval of this Scheme by the shareholders of AN India shall be deemed to be the due compliance of the provisions of Section 81(1A) and the other relevant and applicable provisions of the Act for the issue and allotment of equity shares by AN India to the shareholders of AN Car, AN Chemicals and AN Coatings, as provided in this Scheme.
- (S) This Scheme is and shall be conditional upon and subject to:
- i. The requisite consent, approval or permission of the Central Government or any Government Authorities which by law may be necessary for the implementation of this Scheme;

- ii. Approval by all the jurisdictional High Courts;
- iii. The certified copies of the orders of the High Courts sanctioning the Scheme are filed with the respective Registrars of Companies by all the companies which are a party to this Scheme; and
- iv. Compliance with such other conditions as may be imposed by the High Court(s).
- III. The Board of Directors of the Transferor Companies and the Transferee Company have at their respective meetings by resolutions passed unanimously, approved the said Scheme. The Transferee Company has also intimated the Bombay Stock Exchange Limited and National Stock Exchange of India Limited regarding the said Scheme and 'no objection' have also been obtained from the concerned stock exchanges.
- IV. The circumstances and/or reasons and/or grounds that have necessitated and/or justify the said Scheme are inter-alia as follows:-
1. Strengthened strong position in the industry, in terms of the asset base, revenues, product range, production volumes, integrated supply chain and market share of the combined entity. The amalgamated entity will have the ability to leverage and optimise on its large asset base, diverse range of products, brands and vast pool of intellectual capital, which would facilitate enhancement of the shareholder value.
 2. Greater integration, financial strength and flexibility for the amalgamated entity, which would result in improved overall shareholder value.
 3. Greater efficiency in cash management of the amalgamated entity, and unfettered access to cash flow generated by the combined business which can be deployed more efficiently to fund organic and inorganic growth opportunities, to further improve shareholder value.
 4. Improved organisational capability and leadership, arising from the pooling of human capital that has the diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry.
5. Benefit of operational synergies to the combined entity in areas such as raw material sourcing, product placement, marketing and sales promotion initiatives, which can be put to the best advantage of the stakeholders.
- V. (A) Latest Financial Position of the AN Car as on 31.3.2011:-
- (i) AN Car had neither issued nor agreed to issue any debentures.
 - (ii) Apart from the Current Liabilities and Provisions which are incurred and disposed of in the normal course of business AN Car has Unsecured Loans of Rs. 47,74,44,800/-.
- | | |
|--|----------------------|
| | <i>(INR)</i> |
| (iii) Paid up Share Capital | 29,77,89,000/- |
| Less: Debit balance in Profit and Loss account | (21,50,96,219)/- |
| Net Shareholders' Fund | 8,26,92,781/- |
| Assets | 82,63,50,317/- |
| Less: Liabilities (including unsecured loans) | 74,36,57,536/- |
| Excess of Assets over Liabilities | 8,26,92,781/- |
- (iv) Subsequent to the date of the aforesaid accounts there have not been any other substantial changes in the financial position of the AN Car except that arising or resulting from the usual course of business.
- (B) Latest Financial Position of the AN Chemicals as on 31.3.2011:-
- (i) AN Chemicals had neither issued nor agreed to issue any debentures.
 - (ii) Apart from the Current Liabilities and Provisions which are incurred and disposed of in the normal course of business AN Chemicals has no other liabilities.
- | | |
|--|--------------------|
| | <i>(INR '000)</i> |
| (iii) Paid up Share Capital | 49,000/- |
| Add: Reserves & Surplus | 13,51,035/- |
| Less: Deferred tax asset (net) | (4,771)/- |
| Net Shareholders' Fund | 13,95,264/- |
| Assets | 15,48,408/- |
| Less: Liabilities | 1,53,144/- |
| Excess of Assets over Liabilities | 13,95,264/- |

(iv) Subsequent to the date of the aforesaid accounts there have not been any other substantial changes in the financial position of AN Chemicals except that arising or resulting from the usual course of business.

(C) Latest Financial Position of the AN Coatings as on 31.3.2011:–

(i) AN Coatings had neither issued nor agreed to issue any debentures.

(ii) Apart from the Current Liabilities and Provisions which are incurred and disposed of in the normal course of business AN Coatings has Unsecured Loans of Rs. 66,00,00,000/-.

	<i>(INR '000)</i>
(iii) Paid up Share Capital	7,657/-
Add: Reserves & Surplus	11,00,153/-
Less: Deferred tax asset (net)	(23,067)/-
Net Shareholders Fund	10,84,743/-

Assets	30,02,893/-
Less: Liabilities	
(including unsecured loans)	19,18,150/-
Excess of Assets over Liabilities	10,84,743/-

(iv) Subsequent to the date of the aforesaid accounts there have not been any other substantial changes in the financial position of the AN Coatings except that arising or resulting from the usual course of business.

(D) Latest Financial Position of the AN India as on 31.3.2011:–

(i) As on date AN India does not have any debentures.

(ii) Apart from the Current Liabilities and Provisions which are incurred and disposed of in the normal course of business AN India had no other liabilities.

	<i>(INR Mn)</i>
(iii) Paid up Share Capital	368/-
Add: Reserves & Surplus	10,548/-
Add: Deferred tax liabilities	41/-
Net Shareholders Fund	10,957/-

Assets	15,399/-
Less: Liabilities	4,442/-
Excess of Assets over Liabilities	10,957/-

(iv) Subsequent to the date of the aforesaid accounts there have not been any other substantial changes in the financial position of the AN India except that arising or resulting from the usual course of business.

VI. The aggregate assets of all the Transferor Companies and the Transferee Company are more than sufficient to meet all their liabilities and the said Scheme will not prejudicially affect the rights of any of the creditors of the Transferor Companies in any manner whatsoever and due provisions have been made for payment of all liabilities as and when the same fall due in usual course.

VII. Mr. Amit Jain is a common director in AN India, AN Car and AN Chemicals. Mr. Partha Sarathi Basu is a common director in AN India, AN Car and AN Coatings. Save as aforesaid none of the directors of the Applicant have any material interest in the said Scheme except as shareholders in general the extent of which will appear from the Register of the Directors' Shareholdings maintained by the Applicant.

VIII. The exchange ratio of shares of the Transferor Companies and the Transferee Company have been fixed on a fair and reasonable basis and on the basis of the Valuation Reports prepared by independent firms of Chartered Accountants. The Transferee Company has also obtained a fairness report on share valuation from an authorised Merchant Banker.

IX. There are no proceedings pending under Sections 235 to 251 of the Companies Act, 1956 against the Applicant.

X. A statement showing the pre-amalgamation and post-amalgamation shareholding pattern of the Transferee Company as per clause 24(h) of the listing agreement is as follows:-

Pre-amalgamation pattern – (As on September 30, 2011)

Category Code	Category of Shareholder	No. of Shareholders	Total No. of Shares	Number of Shares held in Dematerialised Form	Total Shareholding as a % of total number of Shares	
					As a% of (A+B)	As a% of (A+B+C)
A	Shareholding of Promoter and Promoter group					
1	Indian					
a.	Individuals/HUFs	–	–	–	–	–
b.	Central Govt ./ State Govts.	–	–	–	–	–
c.	Bodies Corporate	–	–	–	–	–
d.	Financial Institutions/Banks	–	–	–	–	–
e.	Any other	–	–	–	–	–
	Sub Total A(1)	–	–	–	–	–
2.	Foreign					
a.	Non Resident Indian / Foreign Individuals	–	–	–	–	–
b.	Bodies Corporate	1	20,776,213	–	56.4	56.4
c.	Institutions	–	–	–	–	–
d.	Any Other	–	–	–	–	–
	Sub Total A(2)	1	20,776,613	–	56.4	56.4
	Total Shareholding of Promoter group A(1)+A(2)	1	20,776,613	–	56.4	56.4
B	Public Shareholding					
1	Institutions					
a.	Mutual Funds/UTI	29	2,794,751	2,767,441	7.5	7.5
b.	Financial Institutions/Banks	56	29,147	10,802	0.1	0.1
c.	Central Govt./ State Govts.	1	276	–	–	–
d.	Venture Capital Funds	–	–	–	–	–
e.	Insurance Companies	8	3,819,299	3,819,102	10.4	10.4
f.	Foreign Institutional Investors	33	806,585	805,845	2.2	2.2
g.	Foreign Venture Capital Investors	–	–	–	–	–
h.	Any other (specify)					
h(i)	Overseas Body Corporate	–	–	–	–	–
h(ii)	Foreign Financial Institutions	1	600	–	–	–
	Sub Total B(1)	128	7,450,658	7,403,190	20.2	20.2
2	Non Institutions					
a.	Bodies Corporate	612	4,669,613	4,659,109	12.7	12.7
b(i)	Individuals - shareholders holding normal share capital upto Rs. 1 lac	40,987	3,640,074	2,362,306	9.9	9.9
b(ii)	Individuals - shareholders holding normal Share capital in excess of Rs.1 lac	9	158,363	158,363	0.4	0.4
c	Any other (specify)					
c(i)	Clearing Member	81	19,232	19,232	0.1	0.1

Category Code	Category of Shareholder	No. of Shareholders	Total No. of Shares	Number of Shares held in Dematerialised Form	Total Shareholding as a % of total number of Shares	
					As a% of (A+B)	As a% of (A+B+C)
c(ii)	Non Resident Indian / Foreign Individuals	555	116,666	93,725	0.3	0.3
c(iii)	Trust	10	3,512	3,462	–	–
	Sub Total B(2)	42,254	8,607,460	7,296,197	23.4	23.4
	Total Public Shareholding B(1) + B(2)	42,382	16,058,118	14,699,387	43.6	43.6
	Total A+B	42,383	36,834,331	14,699,387	100	100
C	Shares held by Custodians and against which Depository receipts have been issued	–	–	–	–	–
	Grand Total A+B+C	42,383	36,834,331	14,699,387	100	100

Post-amalgamation pattern :

Category Code	Category of Shareholder	No. of Shareholders	Total No. of Shares	Number of Shares held in Dematerialised Form	Total Shareholding as a % of total number of Shares	
					As a% of (A+B)	As a% of (A+B+C)
A	Shareholding of Promoter and Promoter group					
1	Indian					
a.	Individuals/HUFs	–	–	–	–	–
b.	Central Govt./State Govts.	–	–	–	–	–
c.	Bodies Corporate	–	–	–	–	–
d.	Financial Institutions/Banks	–	–	–	–	–
e.	Any other					
	Sub Total A(1)	–	–	–	–	–
2	Foreign					
a.	Non Resident Individuals/ Foreign Individuals	–	–	–	–	–
b.	Bodies Corporate	5	31,843,005	31,843,005	66.4	66.4
c.	Institutions					
d.	Any Other					
	Sub Total A(2)	5	31,843,005	31,843,005	66.4	66.4
	Total Shareholding of Promoter group A(1)+A(2)	5	31,843,005	31,843,005	66.4	66.4
B	Public Shareholding					
1	Institutions					
a.	Mutual Funds/UTI	32	2,795,159	2,767,441	5.8	5.8
b.	Financial Institutions /Banks	56	29,147	10,802	0.1	0.1
c.	Central Govt./State Govts.	1	276	–	–	–
d.	Venture Capital Funds	–	–	–	–	–

Category Code	Category of Shareholder	No. of Shareholders	Total No. of Shares	Number of Shares held in Dematerialised Form	Total Shareholding as a % of total number of Shares	
					As a% of (A+B)	As a% of (A+B+C)
e.	Insurance Companies	8	3,819,299	3,819,102	7.9	7.9
f.	Foreign Institutional Investors	33	806,585	805,845	1.7	1.7
g.	Foreign Venture Capital Investors	-	-	-	-	-
h.	Any other (specify)					
h(i)	Overseas Body Corporate	-	-	-	-	-
h(ii)	Foreign Financial Institutions	1	600	-	-	-
	Sub Total B(1)	131	7,451,066	7,403,190	15.5	15.5
2	Non Institutions					
a.	Bodies Corporate	625	4,670,737	4,659,109	9.8	9.8
b(i)	Individuals-shareholders holding normal share capital upto Rs. 1 lac	42,078	3,697,733	2,362,306	7.7	7.7
b(ii)	Individuals-shareholders holding normal Share capital in excess of Rs.1 lac	9	158,363	158,363	0.3	0.3
c	Any other (specify)					
c(i)	Clearing Member	81	19,232	19,232	-	-
c(ii)	Non Resident Indian / Foreign Individuals	555	116,666	93,725	0.3	0.3
c(iii)	Trust	10	3,512	3,462	-	-
	Sub Total B(2)	43,358	8,666,243	7,296,197	18.1	18.1
	Total Public Shareholding B(1) + B(2)	43,489	16,117,309	14,699,387	33.6	33.6
	Total A+B	43,494	47,960,314	46,542,392	100	100
C	Shares held by Custodians and against which Depository receipts have been issued					
	Grand Total A+B+C	43,494	47,960,314	46,542,392	100	100

XI. Copies of the following documents are open for inspection at the Registered office of the Applicant between 11.00 A.M. and 5.00 P.M. on any working day:-

- Memorandum and Articles of Association of the Applicant.
- Audited Accounts of the Applicant for the period ended as on March 31, 2011.
- Register of Directors' Shareholdings of the Applicant.
- Valuation report in respect of valuation of the shares.
- Fairness opinion from Merchant Banker.
- Unaudited financial results of the applicant as on 30th September 2011.
- Scheme of Amalgamation

Drawn by :
For Khaitan & Co.

Sd/- Ravi Asopa
(Ravi Asopa)
Advocates for Applicant
1B, Old Post Office Street,
Kolkata 700 001.

Settled by :
23.12.2011 Sd/- Mousumi Banerjee
(Mousumi Banerjee)
Assistant Registrar (Company)
High Court, O.S. Calcutta.