

**SCHEME OF REDUCTION OF SHARE CAPITAL**

**BETWEEN**

**SUNCITY SYNTHETICS LTD  
(CIN L17110GJ1988PLC010397)**

**AND**

**ITS SHAREHOLDERS**

(UNDER SECTION 66 AND OTHER APPLICABLE SECTIONS  
OF THE COMPANIES ACT, 2013 AND NATIONAL COMPANY LAW TRIBUNAL  
(PROCEDURE FOR REDUCTION OF SHARE CAPITAL OF COMPANY) RULES, 2016)

*Suncity*



## PREAMBLE OF THE SCHEME

This scheme of reduction of share capital is presented by Suncity Synthetics Ltd (**'Company'** or **'SSL'**), pursuant to the provisions of Section 66 and other applicable provisions of the Companies Act, 2013 and the NCLT (Procedure for Reduction of Share Capital of Company) Rules, 2016 (**'Scheme'**).

## PARTS OF THE SCHEME

This Scheme is divided into following parts:

- a) **PART A** which deals with definitions and interpretations;
- b) **PART B** which deals with details of the Company;
- c) **PART C** which deals with reduction of share capital of the Company and listing of shares post reduction of capital; and
- d) **PART D** which deals with general terms and conditions applicable to the Scheme and other matters consequential, incidental, or integrally connected therewith of,



## PART A

### DEFINITIONS AND INTERPRETATIONS

#### 1. DEFINITIONS

In this Scheme, unless inconsistent with the subject or context thereof, the following expressions shall have the meanings respectively assigned against them:

- 1.1. **'Accumulated Losses'** shall mean the debit balance in the profit and loss account as shown in the Audited Account of the Company as on March 31, 2024 ;
- 1.2. **'Act'** or the **'the Act'** means the Companies Act, 2013 as notified, and ordinances, rules and regulations made thereunder and shall include any statutory modification, reenactment or amendments thereof, from time to time;
- 1.3. **'Applicable Law(s)' or 'Law(s)'** means any statutes, notification, bye laws, rules, regulations, guidelines, or common law, policy, code, directives, ordinance, Schemes, notices, instruments, decrees, orders or instructions enacted or issued or sanctioned by any Appropriate Authority including any modification or re-enactment thereof for the time being in force;
- 1.4. **'Appropriate Authority'** means any governmental, statutory, regulatory, departmental or public body or authority of the relevant jurisdictions, including (without limitation) if applicable, National Company Law Tribunal, Registrar of Companies, Regional Director, Ministry of Corporate Affairs, Official Liquidator, Bombay Stock Exchange, Securities and Exchange Board of India and other regulatory authorities;
- 1.5. **'Board'** or **'Board of Directors'** in relation to each Company means the Board of such Company and shall include a committee of directors or any person authorized by such Board or such committee of directors duly constituted and authorized for the purposes of matters pertaining or relating to this Scheme;
- 1.6. **'BSE'** shall mean Bombay Stock Exchange Limited;

*Sunbats*



- 1.7. **'Effective Date'** means the date on which the certified copy of the order of NCLT sanctioning the Scheme is filed with the Registrar of Companies, Mumbai.
- Any references in this Scheme to the 'date of coming into effect of this Scheme' or 'effectiveness of the Scheme' or 'Scheme taking effect' or 'upon this Scheme coming into effect' shall mean the Effective Date;
- 1.8. **'Employees'** means all the permanent employees, temporary employees and / or part-time employees of the Company as on the Effective Date;
- 1.9. **'Equity Shares'** means fully paid-up equity shares of Rs 10/- each issued by the Company;
- 1.10. **'Income-tax Act, 1961'** or **'IT Act'** means the Income-tax Act, 1961 as may be amended or supplemented from time to time, including any statutory modifications, re-enactments or replacement thereof together with all applicable rules, regulations, by-laws, orders, ordinances, directions, notifications, policies, clarifications and the like issued thereunder;
- 1.12. **'Listing Agreement'** shall mean the agreement that is entered into between a recognized stock exchange and an entity, on the application of that entity to the recognized stock exchange, undertaking to comply with conditions for listing of designed securities as per the provisions of Listing Regulations;
- 1.13. **'Listing Regulations'** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;
- 1.14. **'National Company Law Tribunal'** or **'NCLT'** means the National Company Law Tribunal, Mumbai Bench, including all its benches whose jurisdiction the registered office of the Company is situated.
- (Presently the Registered Office of the Company located at the State of Gujarat under the jurisdiction of Registrar of Companies Gujarat. The company making an application for shifting of the registered Office from the state of Gujarat to the State of Maharashtra. Hence for all purposes it is considered for the NCLT jurisdiction as Mumbai Maharashtra and Registrar of Companies at Mumbai Maharashtra. )

*Santosh*



;

- 1.15. **'SSL'** or **'Company'** shall mean Suncity Synthetics Limited, incorporated on May 10, 2005;
- 1.16. **'Order'** means an order passed by the NCLT sanctioning this Scheme;
- 1.17. **'Registrar of Companies'** or **'ROC'** means the Registrar of Companies, Mumbai;
- 1.18. **'RSC Procedure Rules'** means NCLT (Procedure for Reduction of Share Capital of Company) Rules, 2016;
- 1.19. **'Rs'** or **'Rupee(s)'** means Indian Rupee, the lawful currency of the Republic of India;
- 1.20. **'Scheme'** or **'this Scheme'** or **'the Scheme'** means this scheme of reduction of share capital between the Company and its shareholders in its present form or with such alterations(s) / modification(s) as may be approved, imposed or directed by NCLT. This is reduction of capital of the company under section 66 of the Companies Act, 2013;
- 1.21. **'SEBI'** means Securities and Exchange Board of India;
- 1.22. **'SEBI Circular'** means SEBI Master Circular No SEBI/HO/DDHS/PoD1/P/CIR/2023/108 dated July 29, 2022 (updated as on June 30, 2023) read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;
- 1.23. **'Tax'** or **'Taxes'** or **'Taxation'** shall mean all taxes (direct / indirect) on net income, gross income, gross receipts, sales, use, services, ad valorem, value-added, capital gains, corporate income tax, minimum alternate tax, buyback distribution tax, dividend distribution tax, transfer, franchise and profits; withholding tax; property tax; water tax; any tax payable in a representative capacity, goods and service tax; service tax, value-added tax, duties of custom and excise, octroi duty, entry tax, stamp duty, other governmental charges or duties or other taxes or statutory payments in relation to contract labour and/ or other contractors and/ or

*Suncity*



sub-contractors, statutory pension or other employment benefit plan contributions, fees, assessments or charges of any kind whatsoever, including any surcharge or cess thereon, together with any interest and any penalties, additions to tax or additional amount with respect thereto; and Taxation will be construed accordingly;

All terms and expressions which are used in this Scheme but not defined herein shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, Securities Contract (Regulation) Act, 1956, Securities and Exchange Board of India Act, 1992, Depositories Act, 1996, Listing Regulations, Listing Agreement or other Applicable Laws, rules, regulations, bye-laws, as the case may be, including any statutory amendment, modification or re-enactment thereof, from time to time.

## **2. INTERPRETATION**

In this Scheme, unless the context otherwise requires:

- 2.1. words denoting singular shall include plural and vice versa;
- 2.2. references to “persons” shall include individuals, body corporates (wherever incorporated), government, state or agency of state, un-incorporated entities, joint ventures, associations, partnerships and proprietorship;
- 2.3. headings, subheadings, titles, subtitles to clauses, sub-clauses and paragraphs are for information and convenience only and shall not form part of the operative provisions of this Scheme and shall be ignored in construing the same;
- 2.4. references to the word “include” or “including” shall be construed without limitation;
- 2.5. references to days, months and years are to calendar days, calendar months and calendar years, respectively;
- 2.6. reference to an article, clause, section, paragraph or schedule is, unless indicated to the contrary, a reference to an article, clause, section, paragraph or schedule of this Scheme;

*Santosh*



- 2.7. reference to a document includes an amendment or supplement to, or replacement or novation of, that document;
- 2.8. word(s) and expression(s) elsewhere defined in the Scheme will have the meaning(s) respectively ascribed to them;
- 2.9. reference to any law or to any provision thereof shall include references to any such law or to any provision thereof as it may, after the date hereof, from time to time, be amended, supplemented or re-enacted, or to any law or any provision which replaces it, and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision;
- 2.10. a reference to a balance sheet or profit and loss account shall include a reference to any note forming part of it;
- 2.11. one gender includes all genders and references to any gender includes a reference to other genders; references to "it" shall be deemed to include references to "him" or "her" as the case may be ; and
- 2.12. The Registered Office of the Company presently located at the State of Gujarat under the jurisdiction of Registrar of Companies Gujarat. The company making an application for shifting of the registered Office from the state of Gujarat to the State of Maharashtra. Hence for all purposes it is considered for the NCLT jurisdiction as Mumbai Maharashtra and Registrar of Companies at Mumbai Maharashtra.

*Santosh*



## PART B

### DETAILS OF THE COMPANY

#### 3. BACKGROUND OF THE COMPANY SINCE INCORPORATION

- 3.1. The Company was incorporated on 25th February, 1988 under the provisions of the Companies Act, 1956 as a private company limited by shares under the jurisdiction of Registrar of Companies, Ahmedabad, Gujrat in the name and style of Suncity Sizing Private Limited and subsequently changed its name to Suncity Synthetics Private Limited vide Certificate of change of name issued by Registrar of Companies on 30<sup>th</sup> March, 1988 and then again name of the company was changed from Suncity Synthetics Private Limited to Suncity Synthetics Limited vide Members Resolution passed on 26<sup>th</sup> October, 1994 and Certificate of change of name issued by Registrar of Companies on 17<sup>th</sup> November, 1994.
- 3.2. Presently, the registered office of the Company is situated at 205, Rajhans Complex, Near Nirmal Childrens Hospital, Ring Road, Surat, Gujarat, India, 395002 and in the state of Gujarat. The Company is in the process of shifting the registered office from the state of Gujarat to the State of Maharashtra, India. The Corporate Identification Number (CIN) of the Company is L17110GJ1988PLC010397. The Present Corporate office of the company located at 129-B, Ansa Industrial Estate, Saki Naka, Mumbai 400072.
- 3.3. The Company has one type of Shares "Equity Shares" of face value of Rs 10/- each. The Equity Shares of the Company are listed on BSE.
- 3.4. This Scheme is made pursuant to the provisions of Section 66 of the Companies Act, 2013 and other applicable provisions of the Act and provides for writing off the Accumulated Losses against the capital of the company . The Losses on account of Businesses carried by the Company.

*Suncity*



#### 4. MAIN OBJECTS OF THE COMPANY

4.1. That the main objects of the Company as per clause III (A) of the memorandum of association of the Company are:

To carry on the business of manufacturing, weaving processing, dyeing, Printing, Bleaching Texturizing, Twisting, spinning, sizing, cleaning, doubling, combining, Calendaring, washing, Crimping, importing, exporting dealing and commissioning agency of Article, natural silk cotton, Woolen, Nylon, Plastic, Man-made and Synthetic Yarns and Fibers.

4.2. The Company is primarily engaged in the business of above stated main object.

4.3. In the last five years:

(a) the Name and Object of the company has not changed.

(b) there was no change in the registered office of the Company from one state to another. Also, there were no change of capital of the Company.

(c) There is change of Management of the Company in compliance with Regulation 3 & 4 of the SEBI SAST 2011 during the August 2024. The Promoter and majority of shareholders are located at Mumbai in the state of Maharashtra. Hence, the Company proposed to change of Registered Office from one state to another i.e. from Gujarat to Maharashtra, Mumbai.

4.4 The company is a listed company and presently Listed with BSE. Being a Listed company, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR Regulations') applicable to the Company.

#### 5. CAPITAL STRUCTURE OF THE COMPANY

5.1. The authorised, issued, subscribed and paid-up share capital of the Company as on 31<sup>st</sup> March 2024 was as under:



<b>Authorised Share Capital</b>	<b>Amount in Rs.</b>
70,00,000 Equity Shares of Rupees 10/- each	7,00,00,000
<b>Total</b>	<b>7,00,00,000</b>
<b>Issued, Subscribed &amp; Paid-Up Capital</b>	
4945800 Equity Shares of Rupees 10/- each	4,94,58,000
<b>Total</b>	<b>4,94,58,000</b>

That there has been no change in the authorised, issued, subscribed and paid-up capital of the Company since 31<sup>st</sup> March 2024 till date of approval of the proposed Scheme by the Board.

#### 6. **COMPLIANCE WITH TAX LAWS**

The Scheme has been drawn up to comply with the provisions of the Income-tax Act, 1961 to the extent applicable. If any terms or the provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the Act at a later date including resulting from a retrospective amendment of law or for any other reason whatsoever, till the time the Scheme becomes effective, the provisions of the Income-tax Act, 1961 shall prevail and the Scheme shall stand modified to that extent determined necessary to comply with the provisions of the Income-tax Act, 1961.

*Sunderb*



## PART C

### REDUCTION OF SHARE CAPITAL OF THE COMPANY

#### 7. RATIONALE AND PURPOSE OF REDUCTION OF SHARE CAPITAL

- 7.1. The company suffered losses on account of Trading and other businesses from time to time due to commercial market condition both in India & Abroad. Non-receipt of the outstanding's from various parties after follow ups, legal recourses, etc.
- 7.2. The Company has been incurring losses for past couple of years AND due to business Loss and inadequate working capital facilities the present business of the company suffered. The Board could not scale the businesses because of proper finance restructuring on account of accumulated losses part of the financials of the Company.
- 7.3. In view of the accumulated carry forward losses that the Company's Balance Sheet is not reflecting at its actual value and with the future prospect of growth and value addition to the shareholders, the Company has proposed to clean its books thereby enabling the Company to raise future resources considering the expansion programs that has been considered for development would need huge amount of investment both in terms of equity as well as debt.
- 7.4. The company is therefore unable to raise any finance either from the capital markets or financial institutions whether in the form of equity or debt, to undertake business activities on a larger scale. The proposed reduction of capital would enable the company to correct its existing capital by reduction and to show the actual financial position in its balance sheet to depict the representing Assets value which in turn will enable it to approach for financial assistances in order to develop its business value.
- 7.5. The reduction envisaged under this Scheme will not have any impact on shareholding pattern or the capital structure of the Company. The proposed reduction will be for the benefit of the Company and its shareholders.
- 7.6. The proposed reduction of share capital also does not envisage any payout to any shareholder or any sacrifice on the part of any creditor. Accordingly, the reduction of share capital should not result in any adverse impact on the creditors.
- 7.7. The proposed reduction of the paid-up share capital of the company does not involve any payment of the paid up share capital to the shareholders of the Company nor does it result in

*Santosh*



extinguishment of any liability or diminution of any liability or any outstanding payments to any creditors.

7.8. The Scheme does not envisage transfer or vesting of any properties and/or liabilities of the company to any person or entity. The Scheme does not involve any conveyance or transfer of any property of the Company.

7.9. The reduction of Capital does not result in diminution of any liabilities of the Company, in respect of any unpaid capitals nor entails payment to any shareholder of any paid-up capital.

## **8. OBJECTS / BENEFITS ARISING OUT OF THE SCHEME**

8.1. The Company's book would more accurately represent its financial position.

8.2. The right-sizing of the balance sheet is likely to facilitate the efforts of the Company while raising funds and obtaining debt from Banks and Financial Institutions.

8.3. This reduction of capital of the company will help the company to raise fresh capital by private placement basis.

8.4. The right-sizing of the balance sheet is also likely to facilitate the efforts of the Company while raising funds and commercial growth of the Company.

8.5. The Scheme is only for reduction of share capital of the Company and it does not envisage transfer or vesting of any properties and / or liabilities to or in Favor of the Company.

8.6. This Scheme is in the interest of all the shareholders, creditors and other stakeholders of the Company and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.

8.7. Hence, the Board believe that in order to present a fair position of the affairs of the Company, the most efficient option available to the Company would be to utilize the balance lying in the Securities Premium Account to the extent of writing off the Accumulated Losses of the Company, subject to the confirmations / sanctions of the requisite majority of the shareholders of the Company and the NCLT and such other appropriate authority, as may be applicable.

*Santosh*



8.8. By virtue of article 14 of Articles of Association of the Company, the Company is authorized to reduce its share capital in any manner and in accordance with the provisions of the Companies Act, 2013.

## 9. EFFECTS OF THE SCHEME

9.1. As at 31<sup>st</sup> March 2024, the Company has Accumulated Losses of Rs 4,86,42,337/- (Rupees Four Crores Eighty Six Lacs Forty two Thousand Three Hundred and Thirty Seven Only)]. The Accumulated Losses are reflected as a debit balance under — “Retained Earnings” as a part of “Other Equity”.

9.2. The Net worth of the Company as on 31<sup>st</sup> March 2020 is of Rs. 7,79,13,897/- The losses were on account of adverse market conditions and accumulated in the past 4 – years as under :

Year	Year wise Profit/(Losses)(Rs.)	Net worth after adjustment of Profit / (Losses)
2020-21	(3,87,85,012)	20,35,887
2021-22	27,98,212	7,62,326
2022-23	(12,22,297)	(4,59,972)
2023-24	12,85,636	8,15,663

9.3. Therefore, the Company proposes to utilize the debit balance of Rs 4,84,68,840/- (Rupees Four Crore Eighty Four Lakhs Sixty Eight Thousand Eight Hundred and Forty Only) for setting off the accumulated losses reflected against the various reserve (debit balance) of Rs. 4,86,42,337 under “Reserves and Surplus Retained Earnings”, as per the Audited financial statements of the Company as on March 31, 2024.

9.4. The pre and post reduction of issued, subscribed & Paid Up Capital of the Company against its Accumulated Losses as on 31<sup>st</sup> March 2024 shall be reflected in the books of accounts of the Company, on the Effective Date, in the following manner:

*Santosh*



Particulars	(Amount in Rs.)		
	Balance as on 31 <sup>st</sup> March 2024	Proposed Utilization	Balance capital post Capital Reduction
Paid-up capital	4,94,58,000	4,84,68,840	9,89,160
Losses	-	-	(1,73,497)
Effective Capital			8,15,663

#### 9.5. ACCOUNTING TREATMENT

Upon the Scheme under Section 66 read with Section 52 of the Act becoming effective, the Company shall account for reduction of share capital - in its books of accounts in accordance with applicable accounting standards and other accounting principles.

9.5.1 with effect from the Appointed date and upon the scheme becoming effective the amount of share capital as extinguished as per clause 9.4 above shall be reduced from the Equity Share Capital of the company and correspondingly from debit balance of the Profit and Loss account of the Company.

9.5.2 The company will comply with all the relevant accounting policies and Indian Accounting standards and relevant provisions as per section 133 of the Companies Act, 2013 to the extent applicable to the company in relation to the accounting for Reduction of capital and correspondingly writing of accumulated losses of the Company and any other applicable provisions and laws for the time being in force.

9.6. Post Reduction the capital of the Company: Upon Scheme being effective, the amount standing under the Heading of other equity as explained in clause 9.4 issued, subscribed & Paid Up Capital of the Company will be Rs. 9,89,160/- consist of 98916 equity shares of Rs. 10/- each.

#### 9.7. FRACTIONAL SHARES:

In respect of the fractional shares, if any, caused by the reconstruction/restructuring of capital, the same shall be rounded off to the nearest whole number. The company will set up a trust to deal with the fractional shares as per SEBI Circular No. **SEBI/HO/CFD/POD-2/P/CIR/2023/93** dated June 20, 2023 and the same will be headed by the Chairman of Audit Committee.

*Santosh*



On allotment of the fractional shares to the chairman of audit committee the shares will be sold in open market within 90 days from the date of allotment of shares as per the draft scheme submitted to SEBI and based on entitlement of fractional shareholders

If any amount not claimed or debited to the said fractional shareholders, the trust as created above transfer unclaimed amount within 120 days from the expire of negotiable instrument to Investor Education and Protection Fund (IEPF) of SEBI and report will be filed to SE.

The company shall submit to the designated stock exchange a report from its Audit Committee and the Independent Directors certifying that the company has compensated to the eligible shareholders and the company will submit such reports within 7 days of compensating the shareholders.

#### 10. PRE AND POST SHAREHOLDING PATTERN

- 10.1. Pending convertible warrants into equity shares : There were no convertible warrants to be converted in to equity shares pending for allotment in the company.
- 10.2. Partly Paid Up Shares : The company does not have any partly paid up shares as on date.
- 10.3. The shareholding pattern of the Company and the percentage of holdings shall remain unchanged on account of reduction of capital of the Company. The Pre & post Shareholding pattern of the company as effective date as under:

Category	Particulars	Prior to the Scheme of Arrangement		Post reduction under Scheme	
		No. of Shares	% to Total	No. of Shares	% to Total
(A)	Promoters & Promoter Group	22,48,383	45.46	44,967	45.46
(B)	Public	26,97,417	54.54	53,949	54.54
(C)	Shares Underlying DRS.	-	-	-	-

*Santosh*



(D)	Shares held by the employee trust	-	-	-	-
	<b>TOTAL</b>	<b>49,45,800</b>	<b>100</b>	<b>98,916</b>	<b>100</b>

10.4. There shall be no change in the shareholding pattern of the promoter holdings of the Company on account of reduction of capital of the company.

11. CORPORATE ACTION AND OTHER PROVISIONS AT THE TIME OF ISSUE OF SHARES

11.1. The said new Equity Shares issued and allotted by the Company will be in terms of this Scheme shall be subject to the provisions of the Memorandum and Articles of Association of the Company.

11.2. The shares to be issued to the members of the Companies shall rank for voting rights and in all respects pari-passu with the existing Equity Shares of the Company and having same ratio.

11.3. The Company, shall issue Equity shares within 90 days from the date of registration of the order with the Registrar of Companies or the sanction of this scheme by the Hon'ble Court(s) whichever is later.

11.4. The company will make necessary application to the NSDL & CDSL the depository for admission of the new capital of the company to be raised on accounts of Reduction of capital of the Company.

11.5. CANCELLATION OF SHARES

Upon this reduction becoming finally effective, to all the shareholders in the case of shares held in dematerialized and electronic form, the required procedure for reflecting the change in the holdings of the members of the Company, as a consequence of the sanctioning of this Scheme, shall be adopted for making the necessary alterations in the Depository Accounts of the shareholders

Those share holders whose holding presently in physical code, the company will issue and allot entitled shares post reduction of capital new share certificates to the Shareholders whose names shall appear in the Register of Members of the Company on such Record Date fixed as

*Santosh*



aforesaid post reduction of capital . And the old share certificates held by them in the Company shall be deemed to have been automatically cancelled and cease to be negotiable and be of no commercial or legal value, on and from the Record Date. The Company instead of requiring the surrender of the old share certificates, as above, directly issue and dispatch the new share certificates of the Company in lieu thereof.

## **12. DESIGNATED STOCK EXCHANGE**

The Company is listed exclusively on BSE. Hence, the designated stock exchange for interaction with SEBI shall be BSE.

## **13. COMPLIANCE WITH LISTING AGREEMENT**

- 13.1. Notwithstanding the reduction of capital of the Company in pursuance of this Scheme, the listing benefits of the Company on the BSE where the shares of the Company are listed shall continue and the Company will comply with the applicable provision of the SEBI (LODR) Regulations, 2015 and Listing Agreement with the BSE.

The Company shall enter into such arrangements and give such confirmations and / or undertaking as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the said Stock Exchanges as per the SEBI (LODR) Regulations, 2015. On such formalities being fulfilled the said Stock exchanges shall list and / or admit such equity shares also for the purpose of trading.

- 13.2. For the purpose of issue of equity shares to the shareholders of the Company 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 the Company of such equity shares
- 13.3. The New Equity shares issued and allotted to the members post reduction of the capital of the company under this scheme may be listed and / or admitted to trading on the Bombay Stock Exchange (BSE) where the shares of Company is listed and / or admitted to trading in terms of the applicable bye-laws and regulations

*Santosh*



## PART D

### GENERAL TERMS AND CONDITIONS

#### 14. CONDUCT OF BUSINESS BY THE COMPANY

The Scheme does not involve any financial outlay / outgo and therefore, would not affect the ability or liquidity of the Company to meet its obligations / commitments in the ordinary course of business. Further, this Scheme would also not in any way adversely affect the ordinary operations of the Company during the course or after the approval of Scheme.

#### 15. IMPACT OF THE SCHEME ON EMPLOYEES

This Scheme would not in any way adversely affect the Employees of the Company. On the Scheme becoming effective, all Employees in the service of the Company immediately before the Scheme shall stay as the Employees of the Company without any break or interruption in their services, on same terms and conditions on which they are engaged as on the Effective Date. The Company undertakes to continue to abide by the terms of agreement / settlement entered into with employees' union / Employee or associations. The terms and conditions of service applicable to the Employees shall not in any way be less favourable to them than those applicable to them immediately before the Scheme.

#### 16. IMPACT OF THE SCHEME ON CREDITORS / LENDERS / FINANCIAL INSTITUTIONS

This Scheme would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or pay the debts in ordinary course of business. The Creditors of the company will not be affected with this reduction of capital as their claim has not diluted or altered or alienated directly or indirectly for the purpose of this Capital Reduction.

Also, this Scheme does not in any manner whatsoever alter, vary, or affect the rights of the creditors / lenders / financial institutions or the payment of outstanding dues of statutory authorities or any other creditor which is payable or outstanding.

*Santosh*



The Company has not accepted or renewed any fixed deposits.

**17. CHANGE OF MANAGEMENT**

There will be no change of Management or shareholding of the promoters on accounts of Reduction of capital.

**18. LEGAL PROCEEDINGS**

Without prejudice to the foregoing, if any suit, cause of actions, appeal or other legal, quasi-judicial, arbitral or other administrative proceedings of whatever nature by or against the Company is pending on the Effective Date, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of this reduction of share capital or of anything contained in this Scheme, but the proceedings of the Company will be continued, prosecuted and enforced by or against the Company in the same manner and to the same extent as it would be or might have been continued, prosecuted and enforced by or against the Company before this Scheme.

**19. CONTRACTS, DEEDS, AGREEMENTS AND OTHER INSTRUMENTS**

Subject to other provisions contained in the Scheme, all contracts, deeds, bonds, insurance, letters of intent, undertakings, arrangements, policies, agreements and other instruments, if any, of whatsoever nature to which the Company is a party subsisting or having effect immediately on the Effective Date, shall remain in full force and effect against or in favour of the Company, as the case may be, and shall be enforced by or against the Company as fully and as before this Scheme.

**20. APPLICATION TO NATIONAL COMPANY LAW TRIBUNAL**

The Company shall make necessary application / petition under Section 66 read and other applicable provisions of the Act read with Rules framed thereunder to the NCLT for seeking the approval of the Reduction of capital of the Company under this drafted Scheme.



Presently the Registered Office of the Company located in the State of Gujarat under the jurisdiction of Registrar of Companies Gujarat. The company making an application for shifting of the registered Office from the state of Gujarat to the State of Maharashtra. Hence for all purposes it is considered for the NCLT jurisdiction as Mumbai Maharashtra and Registrar of Companies at Mumbai Maharashtra.

## **21. MODIFICATIONS / AMENDMENTS TO THE SCHEME**

- 21.1. The Company, by its Board or such other committee / person or persons, as the Board may authorize, may assent to withdrawal of the Scheme in its entirety or to make and / or consent to any modifications / amendments of any kind to the Scheme or to any conditions or limitations that the NCLT / SEBI/ BSE and / or any other authority under law may deem fit to direct or impose, or which may otherwise be considered necessary, desirable or appropriate, whether as a result of subsequent events or otherwise, by the Board.
- 21.2. The Company, by its Board, are authorized to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whatsoever for carrying the Scheme into effect, whether by reason of any directive or order of any authority or howsoever, arising out of or under or by virtue of the Scheme and / or any matter concerned or connected therewith.
- 21.3. The Company shall be at liberty to withdraw from this Scheme, in case of any condition or alteration imposed by the NCLT or any other authority or otherwise, if so, mutually agreed in writing by the Company.

## **22. CONDITIONALITY OF THE SCHEME**

The Scheme is and shall be conditional upon and subject to:

- 22.1. The Scheme being approved by the shareholders of the Company by way of a Special resolution in a general meeting of the Company;
- 22.2. The Company obtaining the observation letter / no-objection letter from the BSE for the implementation of the Scheme;
- 22.3. The Scheme being sanctioned by the NCLT under Section 66 of the Act and the Rules framed thereunder;

*Santosh*



22.4. Certified true copy of the Order being filed with the Registrar of Companies, by the Company.

**23. EFFECT OF NON-RECEIPT OF APPROVALS / SANCTIONS**

In the event of any of the said sanctions and approvals referred to in the Clause 9, 11 and 13 being denied or not being available, this Scheme shall stand revoked, cancelled and be of no effect, 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 the Scheme or as may otherwise arise in law.

**24. DATE OF TAKING EFFECT AND OPERATIVE DATE**

The Scheme set out herein in its present form or with any modification(s) and amendments(s) made as per the direction of the NCLT or any Appropriate Authority, as the case may be, shall be effective from the Effective Date and binding upon all the stakeholders.

**25. SEVERABILITY**

If any part or section of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of the Board, affect the adoption or validity or interpretation of the other parts and / or provisions of this Scheme. It is hereby clarified that the Board, in their absolute discretion, adopt any part of this Scheme or declare the entire Scheme to be null and void and in that event no rights and liabilities whatsoever shall accrue to or be incurred inter se by the Company or its shareholders or creditors or Employees or any other person.

*Santosh*



**26. COSTS, CHARGES AND EXPENSES**

All costs, charges, duties and levies (except for stamp duty costs) arising out of or incurred in carrying out and implementing this Scheme and matters incidental thereto shall be borne by the Company.

**27. FORM OF MINUTE UNDER SECTION 66(5) OF THE ACT**

The form of minute proposed to be registered under Section 66(5) of the Act, is as follows:

“(a ) The Paid up capital of the company of Rs. 4,94,58,000/- consisting of 49,45,800 equity shares of Rs.10/- each will be reduced to Rs 9,89,160/- (Rupees Nine Lakh Eighty Nine Thousand One Hundred and Sixty only) consist of 98916 (Ninety Eight Thousand Nine Hundred and Sixteen) equity shares of Rs 10/- each.”

(b)The Company shall not be required to use the words "AND REDUCED" as part of its corporate name and such use is dispensed with.

**28. CORPORATE ACTION AND OTHER PROVISIONS AT THE TIME OF ISSUE OF SHARES POST REDUCTION OF CAPITAL OF THE COMPANY**

28.1. The said new Equity Shares issued and allotted by the Company post reduction of the Capital will be in terms of this Scheme shall be subject to the provisions of the Companies Act, 2013 and rules framed thereunder read with the provisions of Memorandum and Articles of Association of the Company.

28.2 The shares to be issued to the members/ allottees of the Companies shall rank for voting rights and in all respects pari-passu with the existing Equity Shares of the Company and having same ratio.

28.3 New Equity shares of the Company issued may be listed and / or admitted to trading on the Bombay Stock Exchange (BSE) where the shares of Company is listed and / or admitted to trading in terms of the applicable bye-laws and regulations.

28.4 The Company shall enter into such arrangements and give such confirmations and / or undertaking as may be necessary in accordance with the applicable laws or regulations for

*Santosh*



complying with the formalities of the said Stock Exchanges as per SEBI (LODR) Regulations, 2015. On such formalities being fulfilled the said Stock exchanges shall list and / or admit such equity shares also for the purpose of trading.

28.5 For the purpose of issue of equity shares to the shareholders, the Company 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 the Company of such equity shares.

28.6 The Equity Shares to be issued by the Company pursuant to this Reduction of capital, in respect of Equity Shares which are not fully paid up shall also be kept in abeyance.

28.7 The Company, shall issue Equity shares within 90 days from the date of registration of the order with the Registrar of Companies or the sanction of this scheme by the Hon'ble Court(s) whichever is later.

28.8. The company will make necessary application to the NSDL & CDSL the depository for admission of the new capital of the company to be raised on accounts of Reduction of capital of the Company.

## **29. CANCELLATION OF SHARES**

Upon this reduction becoming finally effective, all the shareholders, if so required by the Company, shall surrender their share certificates for cancellation thereof. The Company may instead of requiring the surrender of the old share certificates, as above, directly issue and dispatch the new share certificates of the Company in lieu thereof. In the case of shares held in dematerialized and electronic form, the required procedure for reflecting the change in the holdings of the members of the Company, as a consequence of the sanctioning of this Scheme, shall be adopted for making the necessary alterations in the Depository Accounts of the shareholders.

Notwithstanding anything to the contrary, upon the issue of the new share certificates in the Company to the Shareholders whose names shall appear in the Register of Members of the Company on such Record Date fixed as aforesaid post reduction of capital, the old share certificates held by them in the Company shall be deemed to have been automatically cancelled and cease to be negotiable and be of no commercial or legal value, on and from the Record Date.

*Sunbats*



**Certified true copy**

**For SUNCITY SYNTHETICS LIMITED**



**Sumita Mishra**

**Managing Director**

**DIN: 00207928**

**Dated on this September 05, 2024 at Mumbai**





To,  
The Board of Directors,  
SUNCITY SYNTHETICS LIMITED,  
205, Rajhans Complex, Nr. Nirmal Children's Hospital,  
Ring Road, Surat, Gujarat, 395002

We, the statutory auditors of SUNCITY SYNTHETICS LIMITED, (hereinafter referred to as "the Company"), have examined the proposed accounting treatment specified in clause 9.2 of the Draft Scheme of arrangement of reduction of share capital of SUNCITY SYNTHETICS LIMITED in terms of the provisions of section(s) 66 of Companies Act, 2013 with reference to its compliance with the applicable Accounting Standards notified under the Companies Act, 2013 and Other Generally Accepted Accounting Principles.

The responsibility for the preparation of the Draft Scheme and its compliance with the relevant laws and regulations, including the applicable Accounting Standards as aforesaid, is that of the Board of Directors of the Companies involved. Our responsibility is only to examine and report whether the Draft Scheme complies with the applicable Accounting Standards and Other Generally Accepted Accounting Principles. Nothing contained in this Certificate, nor anything said or done in the course of, or in connection with the services that are subject to this Certificate, will extend any duty of care that we may have in our capacity of the statutory auditors of any financial statements of the Company. We carried out our examination in accordance with the Guidance Note on Audit Reports and Certificates for Special Purposes, issued by the Institute of Chartered Accountants of India.

Based on our examination and according to the information and explanations given to us, we confirm that the accounting treatment contained in the aforesaid scheme is in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and circulars issued there under and all the applicable Accounting Standards notified by the Central Government under the Companies Act, 1956/ Companies Act, 2013 and/or the accounting treatment in respect of financial statements of the company as prescribed by the Institute of Chartered Accountants of India as specified under Section 143(10) of the Act which prevail over the accounting treatment for the same as prescribed under the aforesaid Accounting Standards (wherever applicable), except the following: NA

**REASON OF LOSSES AND COMMENTS/OPINION ON THE REASONS FOR LOSSES:**

As per management representation received from company, main object given in MOA of the company and details given in financial statement we have noted that the Company was into manufacturing of Polyester/ Nylon Staple Fibre and Nylon granules and trading of the same. Since 2018 with the change of international scenario of plastic being a non-degradable material and environmental hazard, the company could not able to meet the changed scenario and compete in the market. Hence it has incurred loss.





**S. Gandhi & Associates**  
**CHARTERED ACCOUNTANTS**

3001, World Trade Centre,  
Ring Road, Surat/Gujarat  
Ph.: 2310236 / 2338290

We are opined / commented that above stated loss is genuine loss and it was occurred due to change in market condition and it is business losses.

This Certificate is issued at the request of the SUNCITY SYNTHETICS LIMITED pursuant to the requirements of circulars issued under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for onward submission to the Bombay Stock Exchange (*name of the Stock Exchange(s)*). This Certificate should not be used for any other purpose without our prior written consent.

**For S. Gandhi & Associates**  
**Chartered Accountants**  
**Firm Registration No.: 113667W**

*Surendra Gandhi*

**Surendra Gandhi**  
**(Proprietor)**  
**Mem. No.: 072278**  
**UDIN: 24072278BKELWJ5269**  
**Date: 03/12/2024**





**S. Gandhi & Associates**  
**CHARTERED ACCOUNTANTS**

3001, World Trade Centre,  
Ring Road, Surat/Gujarat  
Ph.: 2310236 / 2338290

To,  
The Board of Directors,  
SUNCITY SYNTHETICS LIMITED  
205, Rajhans Complex, Nr. Nirmal Childrens Hospital,  
Ring Road, Surat, Gujarat, 395002.

We S. Gandhi & Associates having office at 3001, World Trade Centre, Ring Road, Surat FRN: 113667W Auditors of the Company hereby undertake and certify that approval of majority of public shareholders as prescribed under Paragraph (A)(10)(a) of Part I of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 is not applicable as the scheme of arrangement is for reduction of share capital of the Company.

For S. Gandhi & Associates  
Chartered Accountants  
FRN: 113667W

*Surendra Gandhi*

Surendra Gandhi  
(Proprietor)  
M. No.: 072278



UDIN: **24072278BKELVD2344**  
Place: Surat  
Date: 05/09/2024



**S. Gandhi & Associates**  
**CHARTERED ACCOUNTANTS**

3001, World Trade Centre,  
Ring Road, Surat/Gujarat  
Ph.: 2310236 / 2338290

To,  
The Board of Directors,  
SUNCITY SYNTHETICS LIMITED  
205, Rajhans Complex, Nr. Nirmal Childrens Hospital,  
Ring Road, Surat, Gujarat, 395002.

Sub: Certificate relating to the Networth certificate (excluding Revaluation Reserve) together with related workings pre and post scheme for the transferee and / or resulting company connected the capital reduction/ reorganization, and to the Scheme of Reduction of Company M/s. Suncity Synthetics Limited having CIN: L17110GJ1988PLC010397 under section 66 of the Companies Act, 2013 and NCLT (Procedure for Reduction of Share Capital of Company) Rules, 2016.

Dear Sir,

We S. Gandhi & Associates Chartered Accountants the Statutory Auditors of M/s. Suncity Synthetics Limited having CIN: L17110GJ1988PLC010397, a company incorporated under the Companies Act, 1956 having its Registered Office at 205, Rajhans Complex, Nr. Nirmal Childrens Hospital, Ring Road, Surat, Gujarat, 395002 ("the Company") has examined the Books of Account of the Company and certify that:

3. The Pre and Post Net worth of the Company as on appointed date i.e 01-04-2024 is as under:

Particulars	Pre Scheme Amount (Rs.)	Post Scheme Amount (Rs.)
Equity Share Capital	49458000	989160
Add: Reserves & Surplus	-	
Securities Premium	-	
Profit & Loss A/c (30/06/2024)	(49958576)	(1489736)
Less: Misc. Expenses (to the extent not written off)	-	-
Preliminary Expenses	-	-
<b>NET WORTH</b>	<b>(500576)</b>	<b>(500576)</b>

For S. Gandhi & Associates  
Chartered Accountants  
Firm Registration No.: 113667W

*Surendra Gandhi*

Surendra Gandhi  
(Proprietor)  
Mem. No.: 072278

UDIN :24072278BKELVF9421

Place: Surat  
Date: 05/09/2024





**S. Gandhi & Associates**  
**CHARTERED ACCOUNTANTS**

3001, World Trade Centre,  
Ring Road, Surat/Gujarat  
Ph.: 2310236 / 2338290

**CERTIFICATE**

To,  
**The Board of Directors,**  
**SUNCITY SYNTHETICS LIMITED**  
205, Rajhans Complex, Nr. Nirmal Children's Hospital,  
Ring Road, Surat, Gujarat, 395002.

We, S. Gandhi & Associates having office at 3001, World Trade Centre, Ring Road, Surat FRN: 113667W, Statutory Auditors of the Company hereby undertake and certify that approval of majority of public shareholders as prescribed under Paragraph (A) (10) (b) of Part I of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 is not applicable as the scheme of arrangement is for reduction of share capital of the Company.

For S. Gandhi & Associates  
Chartered Accountants  
Firm Registration No.: 113667W

*Surendra Gandhi*

Surendra Gandhi  
(Proprietor)  
Mem. No.: 072278  
UDIN: 24072278BKELVA7419



Place: Surat  
Date: 05/09/2024



**CERTIFICATE**

To,  
**The Board of Directors,**  
**SUNCITY SYNTHETICS LIMITED**  
205, Rajhans Complex, Nr. Nirmal Children's Hospital,  
Ring Road, Surat, Gujarat, 395002.

We, S. Gandhi & Associates having office at 3001, World Trade Centre, Ring Road, Surat FRN: 113667W, Statutory Auditors of the Company, hereby undertake and certify that the reasons along with relevant provisions of Companies Act, 2013 or applicable laws for proposed utilization of reserves viz. Capital Reserve, Capital Redemption Reserve, Securities premium, as a free reserve in the matter of Reduction of Share Capital are as under:

**1. The reason for the capital reduction/ reorganization of capital of the Company:**

- 1.1 The company suffered losses on account of Trading and other businesses operation from time to time due to unfavorable commercial market condition both in India & Abroad. Increase in the amount of Bad debts due to non-receipt of the outstanding's balances from various parties after constant/ regular follow ups, legal recourses, etc.
- 1.2 The Company has been incurring losses for past couple of years and due to business Loss and inadequate working capital facilities the present business of the Company suffered. The Board could not scale up the businesses because of proper finance restructuring on account of accumulated losses part of the financials of the Company.
- 1.3 In light of the above rational and the accumulated losses that are carried forward year on year , in view of the accumulated carry forward losses that the Company's Balance Sheet is not reflecting at its actual value and with the future prospect of growth and value addition to the shareholders, the management of the Company has proposed to clean its books thereby enabling the Company to raise future resources considering the expansion programs that will be required has been considered for development and for achieving the same the Company will require would need huge amount of investment both in terms of equity as well as debt.
- 1.4 The company is therefore unable to raise any finance either from the capital markets or financial institutions whether in the form of equity or debt, to undertake business activities on a larger scale. The proposed reduction of capital would enable the company to correct its existing capital by reduction and to show the actual financial position in its balance sheet to depict the representing Assets value which in turn will enable it to approach for financial assistances in order to develop its business value.
- 1.5 The reduction envisaged under this Scheme will not have any impact on shareholding pattern or the capital structure of the Company. The proposed reduction will be for the benefit of the Company and its shareholders and other stakeholders.
- 1.6 The proposed reduction of share capital also does not envisage any payout to any shareholder or any sacrifice on the part of any creditor. Accordingly, the reduction of share capital should not result in any adverse impact on the creditors.

The proposed reduction of the paid-up share capital of the company does not involve any payment of the paid-up share capital to the shareholders of the Company nor does it





- result in extinguishment of any liability or diminution of any liability or any outstanding payments to any creditors.
- 1.8 The Scheme does not envisage transfer or vesting of any properties and/or liabilities of the company to any person or entity. The Scheme does not involve any conveyance or transfer of any property of the Company.
- 1.9 The reduction of Capital does not neither result in diminution of any liabilities of the Company, in respect of any unpaid capitals nor entails payment to any shareholder of any paid-up capital.
- 2. Relevant provisions of Companies Act, 2013 or applicable laws for proposed utilization of reserves viz. Capital Reserve, Capital Redemption Reserve, Securities premium, as a free reserve:**

- 2.1 Provision of section 133 of the Companies Act, 2013 read with Rules framed thereunder, and Generally Accepted Principles in India are relevant provisions for proposed utilization of reserves viz. Capital Reserve, Capital Redemption Reserve, Securities premium, as a free reserve. The extract of the provision of Section 133 is as given under:

*“The Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.*

*Provided that until the National Financial Reporting Authority is constituted under section 132 of the Companies Act, 2013 (18 of 2013), the Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949 (38 of 1949), in consultation with and after examination of the recommendations made by National Advisory Committee on Accounting Standards Constituted under section 210A of the Companies Act, 1956.”*

For S. Gandhi & Associates  
Chartered Accountants  
Firm Registration No.: 113667W

*Surendra Gandhi*

Surendra Gandhi  
(Proprietor)  
Mem. No.: 072278  
UDIN: 24072278BKELVC8474  
Place: Surat  
Date: 05/09/2024





# S. Gandhi & Associates

## CHARTERED ACCOUNTANTS

3001, World Trade Centre,  
Ring Road, Surat/Gujarat  
Ph.: 2310236 / 2338290

To,  
**The Board of Directors,**  
**SUNCITY SYNTHETICS LIMITED**  
205, Rajhans Complex, Nr. Nirmal Childrens Hospital,  
Ring Road, Surat, Gujarat, 395002.

We, S. Gandhi & Associates having office at 3001, World Trade Centre, Ring Road, Surat FRN: 113667W Auditors of the Company hereby undertake and certify that the Built up for reserves viz. Capital Reserve, Capital Redemption Reserve, Securities premium in the matter of the Capital Reduction of last 8 (Eight) Financial Year is as given below:

Financial Year	Year wise Profit/(Losses)(Rs.)	Net worth after adjustment of Profit / (Losses)
2016-17	13,27,772	7,82,26,196
2017-18	(3,19,076)	7,79,07,119,
2018-19	5,23,639	7,79,13,897
2019-20	(4,11,62,172)	3,67,49,125
2020-21	(3,87,85,012)	(20,35,887)
2021-22	27,98,212	7,62,326
2022-23	(12,22,297)	(4,59,972)
2023-24	12,85,636	8,15,663

For S. Gandhi & Associates  
Chartered Accountants  
Firm Registration No.: 113667W

*Surendra Gandhi*  
Surendra Gandhi  
(Proprietor)

Mem. No.: 072278

UDIN : **24072278BKELUX3951**



Place: Surat  
Date: 05/09/2024



**S. Gandhi & Associates**  
**CHARTERED ACCOUNTANTS**

3001, World Trade Centre,  
Ring Road, Surat/Gujarat  
Ph.: 2310236 / 2338290

To,  
The Board of Directors,  
SUNCITY SYNTHETICS LIMITED  
205, Rajhans Complex, Nr. Nirmal Childrens Hospital,  
Ring Road, Surat, Gujarat, 395002.

**Subject: Certificate relating to connected with capital reduction/ reorganization, Nature of reserves viz. Capital Reserve, Capital Redemption Reserve, whether they are notional and/or unrealized, relating to the Scheme of Reduction of Company M/s. Suncity Synthetics Limited having CIN: L17110GJ1988PLC010397 under section 66 of the Companies Act, 2013 and NCLT (Procedure for Reduction of Share Capital of Company) Rules, 2016.**

Dear Sir,

We S. Gandhi & Associates Chartered Accountants the Statutory Auditors of M/s. Suncity Synthetics Limited having CIN: L17110GJ1988PLC010397, a company incorporated under the Companies Act, 1956 having its Registered Office at 205, Rajhans Complex, Nr. Nirmal Childrens Hospital, Ring Road, Surat, Gujarat, 395002 ("the Company") has examined the Books of Account of the Company and certify that:

1. The cases of capital reduction is against the available free Reserves that the company has built up in the past 8- years and the Equity issued subscribed and paid up capital of the Company; and
2. The company has no (a) Capital Reserve, (b) Capital Redemption Reserve or/and any (c) notional and/or unrealized profits.

For S. Gandhi & Associates  
Chartered Accountants  
Firm Registration No.: 113667W

*Surendra Gandhi*

Surendra Gandhi

(Proprietor)

Mem. No.: 072278

UDIN :24072278BKELVF9421

Place: Surat

Date: 05/09/2024





# S. Gandhi & Associates

## CHARTERED ACCOUNTANTS

3001, World Trade Centre,  
Ring Road, Surat/Gujarat  
Ph.: 2310236 / 2338290

To,  
**The Board of Directors,**  
**SUNCITY SYNTHETICS LIMITED**  
205, Rajhans Complex, Nr. Nirmal Childrens Hospital,  
Ring Road, Surat, Gujarat, 395002.

We, S. Gandhi & Associates having office at 3001, World Trade Centre, Ring Road, Surat FRN: 113667W Auditors of the Company hereby undertake and certify that the built up of the accumulated losses in the matter of the Capital Reduction of last 8 (Eight) Financial Year is as given below :

Financial Year	Year wise Profit/(Losses)(Rs.)	Net worth after adjustment of Profit / (Losses)
2016-17	13,27,772	7,82,26,196
2017-18	(3,19,076)	7,79,07,119
2018-19	5,23,639	7,79,13,897
2019-20	(4,11,62,172)	3,67,49,125
2020-21	(3,87,85,012)	(20,35,887)
2021-22	27,98,212	7,62,326
2022-23	(12,22,297)	(4,59,972)
2023-24	12,85,636	8,15,663

For S. Gandhi & Associates  
Chartered Accountants  
Firm Registration No.: 113667W

*Surendra Gandhi*

Surendra Gandhi  
(Proprietor)  
Mem. No.: 072278

UDIN : **24072278BKELUX3951**



Place: Surat  
Date: 05/09/2024



**S. Gandhi & Associates**  
**CHARTERED ACCOUNTANTS**

3001, World Trade Centre,  
Ring Road, Surat/Gujarat  
Ph.: 2310236 / 2338290

**CERTIFICATE**

To,  
**The Board of Directors,**  
**SUNCITY SYNTHETICS LIMITED**  
205, Rajhans Complex, Nr. Nirmal Children's Hospital,  
Ring Road, Surat, Gujarat, 395002.

We, S. Gandhi & Associates having office at 3001, World Trade Centre, Ring Road, Surat FRN: 113667W, Statutory Auditors of the Company hereby undertake and certify that the relevant sections of Companies Act, 2013 and applicable Indian Accounting Standards and Accounting treatment in the matter of Reduction of Share Capital:

Provision of section 133 of the Companies Act, 2013 read with Rules framed thereunder, and generally Accepted Principles in India are relevant provisions for proposed utilization of reserves viz. Capital Reserve, Capital Redemption Reserve, Securities premium, as a free reserve. The extract of the provision of Section 133 is as given under:

*"The Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.*

*Provided that until the National Financial Reporting Authority is constituted under section 132 of the Companies Act, 2013 (18 of 2013), the Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949 (38 of 1949), in consultation with and after examination of the recommendations made by National Advisory Committee on Accounting Standards Constituted under section 210A of the Companies Act, 1956."*

For S. Gandhi & Associates  
Chartered Accountants  
Firm Registration No.: 113667W

*Surendra Gandhi*

Surendra Gandhi  
(Proprietor)  
Mem. No.: 072278  
UDIN: 24072278BKELVB9027  
Place: Surat  
Date: 05/09/2024



June 16, 2025

DCS/AMAL/RG/R37/3659/2025-26

The Company Secretary,  
**Suncity Synthetics Limited**  
205, Rajhans Complex,  
Nr. Nirmal Childrens Hospital,  
Ring Road, Surat, Gujarat, 395002

Dear Sir/ Madam,

**Sub: Draft Scheme for reduction of share capital under Companies Act, 2013 - Application filed under Regulation 37(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by "Suncity Synthetics Limited."**

This is with reference to the application filed under Regulation 37(1) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("Listing Regulations") by Suncity Synthetics Limited for reduction of paid-up equity share capital of the company.

Subsequent to the examination by the Exchange & SEBI, it is observed that,

- i. Suncity Synthetics Limited ("Company") has filed draft Scheme of Arrangement with the Exchanges on September 24, 2024, wherein the scheme provides to write off carried forward accumulated losses of past years against the share capital of the company by way of 98% reduction in the paid-up equity share capital of the company.
- ii. SEBI has recently amended regulation 37(6) of the Listing Regulations, vide gazette notification dated December 12, 2024, to provide inter-alia that: -  
  
*"Nothing contained in regulation 37 shall apply to draft schemes which solely provide for writing off accumulated losses against the share capital of the listed entity applied uniformly across all shareholders on pro-rata basis or against the reserves of the listed entity, if such draft schemes are filed with recognized stock exchanges for the purpose of disclosures".*
- iii. It is observed that the instant draft scheme solely provides for "writing off accumulated losses of Company", a listed entity, against its share capital applied uniformly across all its shareholders on a pro-rata basis and is therefore covered under the above-mentioned amendment (i.e., Regulation 37(6)(b)).

In view of the above, the draft is being returned to the Company due to non-applicability of Regulation 37 on the instant draft scheme in light of amended Regulation 37(6)(b) of SEBI (LODR) Regulations, 2015.

Yours faithfully,



**Ashok Kumar Singh**  
Deputy Vice President



**Raghav Garg**  
Deputy Manager

We Sumita Mishra and Ramesh Chandra Mishra Directors of the Company hereby undertake that Valuation report from Registered Valuer, along with workings, as applicable, as per Para (A)(4) of Part I of SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ["SEBI Master Circular"] is not applicable to the Scheme of arrangement as this is case of reduction of share capital of the Company.

**For SUNCITY SYNTHETICS LIMITED**



**Sumita Mishra**  
Managing Director  
DIN: 00207928



**Ramesh Chandra Mishra**  
Director  
DIN: 00206671

**Dated on this September 05, 2024 at Mumbai.**

# SUNCITY SYNTHETICS LIMITED

CIN: L17110GJ1988PLC010397

CERTIFIED TRUE COPY OF RESOLUTION PASSED BY THE BOARD OF DIRECTORS OF SUNCITY SYNTHETICS LIMITED HELD ON THURSDAY, 5<sup>th</sup> SEPTEMBER, 2024 AT 2:00 PM AT THE REGISTERED OFFICE OF THE COMPANY.

**Subject: Non Applicability Valuation report from Independent Chartered Accountant as per Para I(A)(4) of Annexure I of SEBI Circular No. SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 ["SEBI Master Circular"] dated June 20, 2023.**

**"RESOLVED THAT** the Board hereby take on record the fact that the Reduction of share capital of the company has not resulted into any change in the Shareholding Pattern of the company post reduction of share capital of the company."

**"RESOLVED FURTHER THAT** Valuation report from Independent Chartered Accountant as per Para I(A)(4) of Annexure I of SEBI Circular No. SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 ["SEBI Master Circular"] dated June 20, 2023 be and is hereby not applicable to the Reduction of share capital of the company."

//CERTIFIED TRUE COPY//

For Suncity Synthetics Limited,



**Sumita Mishra**  
Managing Director  
(DIN: 00207928)



Registered Office Address: 205, Rajhans Complex, Nr. Nirmal Childrens Hospital, Ring Road,  
Surat, Gujarat, India, 395002

Corporate Office Address : B-129 Ansa Industrial Estate, Sakinaka Andheri East ,Mumbai,  
Maharashtra, India, 400072 Mobile No: 9223400434, Contact No: 0261 3063841

Email id : [suncitysyn@gmail.com](mailto:suncitysyn@gmail.com) ; Website : [www.suncitysyntheticsltd.in](http://www.suncitysyntheticsltd.in)

**RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN SUNCITY SYNTHETICS LTD AND ITS SHAREHOLDERS ADOPTED AT ITS MEETING HELD ON 05-09-2024.**

The following members of the Audit Committee were present:

Sr. No.	Name	Designation
1	Mr. Nitin Arvind Oza	Chairman (Independent non-executive Director)
2	Mrs. Sanghamitra Sarangi	Independent non-executive Director

**1. Background**

A meeting of the Audit Committee of the Company was held on Thursday 05th September, 2024 to consider and recommend to the Board of Directors of the Company, the draft Scheme for reduction of Share Capital ("Scheme") under Section 66 of the Companies Act, 2013 (including other applicable provisions of the Act and the rules framed there under of Suncity Synthetics Limited (herein after referred as "the Company") with its shareholders, in accordance with the requirement of the Securities and Exchange Board of India ("SEBI") Master Circular No. SEB1/HO/CFD/POD-2/P/CIR/P/2023/93 dated June 20, 2023 ("Master Circular"), the rules thereof, and BSE Notice No. 20230929-30 dated 29.09.2023 and the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 ("the Rules") including any amendments thereof, as applicable.

The Scheme provides that the accumulated losses of up to Rs. 4,84,58,000/- (Rupees Four Crore Eight four Lakh Fifty Eight Thousand only) as on 31 March 2024, be adjusted from the issued, subscribed and paid-up equity share capital of the Company of Rs. 4,94,58,000/- (Four Crore Ninety four Lakh Fifty Eight Thousand only) by cancelling & extinguishing 48,45,800 equity shares of face value INR 10/- (Rupees Ten only) per equity share from 49,45,800 equity shares of face value of Rs.10/- each leaving a balance of Rs.10,00,000/- consist of 1,00,000 equity shares of face value of Rs10/- each. i.e. about 98% the issued, subscribed and paid up share capital of the Company, without payment of any consideration to the members from the paid up capital of the company as the said amount is not re-presented any asset of the Company.

The draft scheme is and shall be conditional upon and subject to:

- Approval of the Board and the members of the Company through special resolution in terms of the Master Circular No. SEB1/HO/CFD/POD-2/P/CIR/P/2023/93 dated June 20, 2023;



*[Handwritten Signature]*

- b) Since there were no extinguishment of any creditors right, the approval of the creditors of the Company is not applicable. The Company will follow any direction as prescribed under the Act and/or as may be directed by the National Company Law Tribunal, Mumbai Bench ("NCLT"), and/or any other appropriate authority as may be applicable;
- c) The Company will obtain the observation letter/no-objection letter from the relevant stock exchange for the implementation of the Scheme. BSE is the designated stock exchange;
- d) Sanction by the NCLT under Section 66 and any other applicable provision of the Act;
- e) Certified copy of the order of the NCLT sanctioning the Scheme and the minute of the reduction being filed with the Registrar of Companies, Mumbai, Maharashtra ROC') by the Company; and
- f) the requisite, consent, approval or permission of the Central Government or any other statutory or regulatory authority, if any, which by law may be necessary for the implementation of the Scheme.

This report of the Audit Committee is made in compliance with the requirement of the SEBI Master Circular No. SEB1/HO/CFD/POD-2/P/CIR/P/2023/93 dated June 20, 2023 ('SEBI Master Circular") read with BSE notice no. 20230929-30 dated 29.09.2023 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 issued by the Securities Exchange and Board of India ('SEBI') as amended from time to time, which requires the Audit Committee to submit its report to the Board, that the draft Scheme of the reduction of capital of the Company is not detrimental to the shareholders of the Company.

- The following documents were placed before the Audit Committee:
- Draft Scheme for reduction of Capital;
- Audited Financial Statements of the Company for the year ended March 31, 2024;
- Valuation Report dated 4th August 2024 received from the registered valuer (securities and Financial Assets) M/s. Jay Ashok Shah Chartered Accountant
- A certificate from the statutory auditors of the Company, M/s. Surendra Gandhi – Proprietor Chartered Accountants, confirming that the proposed accounting treatment in the books of the Company relating to the reduction of share capital of the Company as set out in Clause 9.5 of the draft Scheme is outside the purview of the applicable accounting standards as specified under Section 133 of the Companies Act, 2013.



*Surendra Gandhi*

In the absence of specific guidance for accounting of transactions relating to the reduction of share capital, the accounting treatment under Clause 9.5. of the draft Scheme is construed to be in conformity with other generally accepted accounting principles in India ("Auditors' Certificate");

**Following documents were considered by the Committee:**

- a. Draft Scheme for reduction of Capital;
- b. Audited Financial Statements of the Company for the year ended March 31, 2024;
- c. Valuation Report received from the registered valuer (securities and Financial Assets ) M/s. Jay Ashok Shah Chartered Accountant
- d. A certificate from the statutory auditors of the Company, M/s. Surendra Gandhi – Proprietor Chartered Accountants, confirming that the proposed accounting treatment in the books of the Company relating to the reduction of share capital of the Company as set out in Clause 9.5 of the draft Scheme is outside the purview of the applicable accounting standards as specified under Section 133 of the Companies Act, 2013.

In the absence of specific guidance for accounting of transactions relating to the reduction of share capital, the accounting treatment under Clause 9.5. of the draft Scheme is construed to be in conformity with other generally accepted accounting principles in India ("Auditors' Certificate");

- e. Draft undertaking to be given by the Company confirming that approval of majority of public shareholders as prescribed under Paragraph (A)(10)(b) of Part I of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 is not applicable to the Scheme along with draft certificate of the Statutory Auditors of the Company, certifying the said undertaking.

**2. PROPOSED SCHEME FOR REDUCTION OF CAPITAL:**

The Audit Committee reviewed and considered the draft Scheme for reduction of Share capital of the Company on the following grounds:

**A. NEED AND RATIONALE FOR THE PROPOSED SCHEME FOR REDUCTION OF SHARE CAPITAL:**

The proposed reduction of the equity share capital of Company is being undertaken in accordance with the provisions of Section 66 of the Act and the rules made thereunder and specifically the Rules, which permit a company to undertake a reduction of its share capital in any manner subject to compliance of the Listing Regulations and the SEBI Circular;

The accumulated carry forward losses resulting from the cessation of business operations,



*Surendra Gandhi*

have substantially wiped off the value represented by the Share Capital. thus, the financial statements do not reflect the correct picture of the health of the Company. This has given rise to the need to re-adjust the relation between capital and the reflected liabilities and assets Company in its books of accounts.

### 3. RATIONALE AND PURPOSE OF REDUCTION OF SHARE CAPITAL

- a. The company suffered losses on account of Trading and other businesses from time to time due to adverse commercial market condition both in India & Abroad. Non-receipt of the outstanding's from various parties after follow ups, legal recourses, etc.
- b. The Company has been incurring losses for past couple of years AND due to business Loss and inadequate working capital facilities the present business of the company suffered. The Board could not scale the businesses because of proper finance restructuring on account of accumulated losses part of the financials of the Company.
- c. In view of the accumulated carry forward losses the Company's Balance Sheet is not reflecting at its actual value and, with the future prospect of growth and value addition to the shareholders, the Company has proposed to clean its books thereby enabling the Company to raise future resources considering the expansion programs that has been considered for development would need huge amount of investment both in terms of equity as well as debt.
- d. The company is therefore unable to raise any finance either from the capital markets or financial institutions whether in the form of equity or debt, to undertake business activities on a larger scale. The proposed reduction of capital would enable the company to correct its existing capital by reduction and to show the actual financial position in its balance sheet to depict the representing Assets value which in turn will enable it to approach for financial assistances in order to develop its business value.
- e. The reduction envisaged under this Scheme will not have any impact on shareholding pattern or the capital structure of the Company. The proposed reduction will be for the benefit of the Company and its shareholders.
- f. The proposed reduction of share capital also does not envisage any pay out to any shareholder or any sacrifice on the part of any creditor. Accordingly, the reduction of share capital should not result in any adverse impact on the creditors.
- g. The proposed reduction of the paid-up share capital of the company does not involve any payment of the paid up share capital to the shareholders of the Company nor does it result



*Santosh*

in extinguishment of any liability or diminution of any liability or any outstanding payments to any creditors.

- h. The Scheme does not envisage transfer or vesting of any properties and/or liabilities of the company to any person or entity. The Scheme does not involve any conveyance or transfer of any property of the Company.
- i. The reduction of Capital does not result in diminution of any liabilities of the Company, in respect of any unpaid capitals nor entails payment to any shareholder of any paid-up capital.

#### 4. SYNERGIES OF BUSINESS OF THE ENTITIES INVOLVED IN THE SCHEME

Here the Scheme of arrangement is for reduction of share capital of the Company which provide following benefits:

- a. The Company's book would more accurately represent its financial position.
- b. The right-sizing of the balance sheet is likely to facilitate the efforts of the Company while raising funds and obtaining debt from Banks and Financial Institutions.
- c. This reduction of capital of the company will help the company to raise fresh capital by private placement basis and other mode of capital raising.
- d. The right-sizing of the balance sheet is also likely to facilitate the efforts of the Company while raising funds and commercial growth of the Company.

#### 5. IMPACT OF THE SCHEME ON THE SHAREHOLDERS

- a. As at 31<sup>st</sup> March 2024, the Company has Accumulated Losses of Rs 4,86,42,337/- (Rupees Four Crores Eighty Six Lakh Forty Two Thousand Three Hundred and Thirty Seven Only). The Accumulated Losses are reflected as a debit balance under "Retained Earnings" as a part of "Other Equity".
- b. The Net worth of the Company as on 31<sup>st</sup> March 2020 is of Rs. 7,79,13,897/- The losses were on account of adverse market conditions and accumulated in the past 4 – years as under :

Year	Year wise Profit/(Losses)(Rs.)	Net worth after adjustment of Profit / ( Losses)
2020-21	(3,87,85,012)	(20,35,887)
2021-22	27,98,212	7,62,326



*Suncity*

2022-23	(12,22,297)	(4,59,972)
2023-24	12,85,636	8,15,663

- c. Therefore, the Company proposes to utilize the debit balance of Rs 4,84,58,000/- (Rupees Four Crore Eighty-Four Lakhs Fifty-Eight Thousand Only) for setting off the accumulated losses reflected against the debit balance of Rs. 4,86,42,337 under “Reserves and Surplus Retained Earnings”, as per the Audited financial statements of the Company as on March 31, 2024.
- d. The pre and post reduction of issued, subscribed & Paid Up Capital of the Company against its Accumulated Losses as on 31<sup>st</sup> March 2024 shall be reflected in the books of accounts of the Company, on the Effective Date, in the following manner:

Particulars	(Amount in Rs.)		
	Balance as on 31 <sup>st</sup> March 2024	Proposed Utilization	Balance post Capital Reduction
Paid-up capital	4,94,58,000	4,84,58,000	9,89,160
Losses	-	-	(1,73,497)
Effective Capital			8,15,663



*Senthu*

e. **SCHEME NOT DETRIMENTAL TO THE SHAREHOLDERS OF THE COMPANY:**

In terms of the draft Scheme, upon the scheme becoming effective the accumulated losses of Rs. 4,84,58,000/- (Rupees Four Crore Eighty Four Lakh and Fifty Eight Thousand Only) will be adjusted from debit balance given in “Reserves and Surplus /Retained Earnings”, in balance sheet of FY 31.03.2024 of the Company by cancelling & extinguishing 48,45,800 equity shares of face value INR 10/- (Rupees Ten only) per equity share amounting to Rs. 4,84,58,000/- (Rupees Four Crore Eighty Four Lakh and Fifty Eight Thousand Only) i.e. about 98 % of the share capital. The Capital reduction will not cause any prejudice to the shareholders of the company, as it does not entail any discharge of consideration by the Company in form of cash, or otherwise.

The Company's equity capital structure and the shareholding pattern subsequent to the Scheme will remain unchanged and this reduction will allow the creation of distributable reserves in future for dividend which may get held up due to accumulated losses.

**The Committee is of the informed opinion that the proposed scheme is in the best interest of the shareholders of the company and not detrimental to the interest of the shareholders and it has no adverse impact on any shareholders.**

**6. COST BENEFITS ANALYSIS OF THE SCHEME OR OBJECTS / BENEFITS ARISING OUT OF THE SCHEME**

- e. The Company's book would more accurately represent its financial position.
- f. The right-sizing of the balance sheet is likely to facilitate the efforts of the Company while raising funds and obtaining debt from Banks and Financial Institutions.
- g. This reduction of capital of the company will help the company to raise fresh capital by private placement basis and other mode of capital raising.
- h. The right-sizing of the balance sheet is also likely to facilitate the efforts of the Company while raising funds and commercial growth of the Company.
- i. The Scheme is only for reduction of share capital of the Company and it does not envisage transfer or vesting of any properties and / or liabilities to or in Favor of the Company.
- j. This Scheme is in the interest of all the shareholders, creditors and other stakeholders of the Company and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.
- k. Hence, the Board believe that in order to present a fair position of the affairs of the Company, the most efficient option available to the Company would be to utilize the balance



lying in the Securities Premium Account to the extent of writing off the Accumulated Losses of the Company, subject to the confirmations / sanctions of the requisite majority of the shareholders of the Company and the NCLT and such other appropriate authority, as may be applicable.

- I. By virtue of article 14 of Articles of Association of the Company, the Company is authorized to reduce its share capital in any manner and in accordance with the provisions of the Companies Act, 2013.

#### **7. REASON OF LOSSES AND COMMENTS/OPINION ON THE REASONS FOR LOSSES:**

The committee noted that the Company was into manufacturing of Plastic materials and trading of the same. Since 2018 with the change of international scenario of plastic being a non-degradable material and environmental hazard, the company could not able to meet the changed scenario and compete in the market. Hence it has incurred loss.

The committee is opined / commented that above stated loss is genuine loss and it was occurred due to change in market condition and it is business losses.

#### **7. RECOMMENDATION /COMMENTS BY THE AUDIT COMMITTEE ON THE SCHEME**

Taking into consideration the proposed Scheme, other information's and Valuation report received from the registered valuer (Securities and Financial Assets ) M/s. Jay Ashok Shah Chartered Accountant having Registration No. IBBI/RC/07/2022/14720, draft accounting treatment certificate and draft certificates from the statutory auditor, and considering the above rationale of the Scheme, the Audit Committee confirms that the proposed Scheme is not detrimental to any of the shareholders of the Company and is in the best interest of the Company and its shareholders, creditors, and all other stakeholders.

Thus, the Audit Committee hereby recommends the proposed Scheme to the Board of Directors of the Company for its consideration and approval and to proceed with the designated SE for obtaining the in- principle approval accordingly.



By Order of the Audit Committee

Certified true copy

For SUNCITY SYNTHETICS LIMITED



Sumita Mishra  
Managing Director  
DIN: 00207928

Ramesh Chandra Mishra  
Director  
DIN: 00206671

Dated on this September 05, 2024 at Mumbai

**REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF SUNCITY SYNTHETICS LIMITED  
RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN SUNCITY SYNTHETICS  
LIMITED AND ITS SHAREHOLDERS.**

---

The following Independent Directors were present:

1. Mr. Nitin Arvind Oza
2. Mrs. Sanghamitra Sarangi

The Committee of Independent Directors unanimously elected Mr. Nitin Arvind Oza as the Chairman of the meeting. Thereafter, He took the chair and presided over the meeting.

**1. Background**

A meeting of the Independent Directors Committee of the Company was held on Thursday 05th September, 2024 to consider and recommend to the Board of Directors of the Company, the draft Scheme for reduction of Share Capital ("Scheme") under Section 66 of the Companies Act, 2013 (including other applicable provisions of the Act and the rules framed there under of Suncity Synthetics Limited (herein after referred as "the Company") with its shareholders, in accordance with the requirement of the Securities and Exchange Board of India ("SEBI") Master Circular No. SEB1/HO/CFD/POD-2/P/CIR/P/2023/93 dated June 20, 2023 ("Master Circular"), the rules thereof, and BSE Notice No. 20230929-30 dated 29.09.2023 and the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 ("the Rules") including any amendments thereof, as applicable.

The Scheme provides that the accumulated losses of up to Rs. 4,84,68,840/- (Rupees Four Crore Eighty four Lakh Sixty Eight Thousand Eight Hundred and Forty only) as on 31 March 2024, be adjusted from the issued, subscribed and paid-up equity share capital of the Company of Rs. 4,94,58,000/- (Four Crore Ninety four Lakh Fifty Eight Thousand only) by cancelling & extinguishing 48,46,884 equity shares of face value INR 10/- (Rupees Ten only) per equity share from 49,45,800 equity shares of face value of Rs.10/- each leaving a balance of Rs. 9,89,160/- consist of 98,916 equity shares of face value of Rs. 10/- each. i.e. about 98% of the issued, subscribed and paid up share capital of the Company, without payment of any consideration to the members from the paid up capital of the company as the said amount is not re-presented any asset of the Company.

The draft scheme is and shall be conditional upon and subject to:

- a) Approval of the Board and the members of the Company through special resolution in terms of the Master Circular No. SEB1/HO/CFD/POD-2/P/CIR/P/2023/93 dated June 20, 2023;
- b) Since there were no extinguishment of any creditors right, the approval of the creditors of the Company is not applicable. The Company will follow any direction as



*Sent*

prescribed under the Act and/or as may be directed by the National Company Law Tribunal, Mumbai Bench ("NCLT"), and/or any other appropriate authority as may be applicable;

- c) The Company will obtain the observation letter/no-objection letter from the relevant stock exchange for the implementation of the Scheme. BSE is the designated stock exchange;
- d) Sanction by the NCLT under Section 66 and any other applicable provision of the Act;
- e) Certified copy of the order of the NCLT sanctioning the Scheme and the minute of the reduction being filed with the Registrar of Companies, Mumbai, Maharashtra ROC') by the Company; and
- f) the requisite, consent, approval or permission of the Central Government or any other statutory or regulatory authority, if any, which by law may be necessary for the implementation of the Scheme.

This report of the Independent Directors Committee is made in compliance with the requirement of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/P/2023/93 dated June 20, 2023 ('SEBI Master Circular') read with BSE notice no. 20230929-30 dated 29.09.2023 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 issued by the Securities Exchange and Board of India ('SEBI') as amended from time to time, which requires the Independent Directors Committee to submit its report to the Board, that the draft Scheme of the reduction of capital of the Company is not detrimental to the shareholders of the Company.

- The following documents were placed before the Independent Directors Committee:
- Draft Scheme for reduction of Capital;
- Audited Financial Statements of the Company for the year ended March 31, 2024;
- Valuation Report dated 4th August 2024 received from the registered valuer (securities and Financial Assets) M/s. Jay Ashok Shah Chartered Accountant
- A certificate from the statutory auditors of the Company, M/s. Surendra Gandhi – Proprietor Chartered Accountants, confirming that the proposed accounting treatment in the books of the Company relating to the reduction of share capital of the Company as set out in Clause 9.5 of the draft Scheme is outside the purview of the applicable accounting standards as specified under Section 133 of the Companies Act, 2013.

In the absence of specific guidance for accounting of transactions relating to the reduction of



share capital, the accounting treatment under Clause 9.5. of the draft Scheme is construed to be in conformity with other generally accepted accounting principles in India ("Auditors' Certificate");

**Following documents were considered by the Committee:**

- a. Draft Scheme for reduction of Capital;
- b. Audited Financial Statements of the Company for the year ended March 31, 2024;
- c. Valuation Report received from the registered valuer (securities and Financial Assets) M/s. Jay Ashok Shah Chartered Accountant
- d. A certificate from the statutory auditors of the Company, M/s. Surendra Gandhi – Proprietor Chartered Accountants, confirming that the proposed accounting treatment in the books of the Company relating to the reduction of share capital of the Company as set out in Clause 9.5 of the draft Scheme is outside the purview of the applicable accounting standards as specified under Section 133 of the Companies Act, 2013.

In the absence of specific guidance for accounting of transactions relating to the reduction of share capital, the accounting treatment under Clause 9.5. of the draft Scheme is construed to be in conformity with other generally accepted accounting principles in India ("Auditors' Certificate");

- e. Draft undertaking to be given by the Company confirming that approval of majority of public shareholders as prescribed under Paragraph (A)(10)(b) of Part I of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 is not applicable to the Scheme along with draft certificate of the Statutory Auditors of the Company, certifying the said undertaking.

## **2. Comments by the Independent Directors Committee on the Scheme**

### **2.1 NEED FOR THE PROPOSED SCHEME FOR REDUCTION OF SHARE CAPITAL:**

The proposed reduction of the equity share capital of Company is being undertaken in accordance with the provisions of Section 66 of the Act and the rules made thereunder and specifically the Rules, which permit a company to undertake a reduction of its share capital in any manner subject to compliance of the Listing Regulations and the SEBI Circular;

The accumulated carry forward losses resulting from the cessation of business operations, have substantially wiped off the value represented by the Share Capital. Thus, the financial statements do not reflect the correct picture of the health of the Company. This has given rise to the need to re-adjust the relation between capital and the reflected liabilities and assets Company in its books of accounts.



### **2.2 RATIONALE AND PURPOSE OF REDUCTION OF SHARE CAPITAL**



- a. The company suffered losses on account of Trading and other businesses from time to time due to adverse commercial market condition both in India & Abroad. Non-receipt of the outstanding's from various parties after follow ups, legal recourses, etc.
- b. The Company has been incurring losses for past couple of years AND due to business Loss and inadequate working capital facilities the present business of the company suffered. The Board could not scale the businesses because of proper finance restructuring on account of accumulated losses part of the financials of the Company.
- c. In view of the accumulated carry forward losses the Company's Balance Sheet is not reflecting at its actual value and, with the future prospect of growth and value addition to the shareholders, the Company has proposed to clean its books thereby enabling the Company to raise future resources considering the expansion programs that has been considered for development would need huge amount of investment both in terms of equity as well as debt.
- d. The company is therefore unable to raise any finance either from the capital markets or financial institutions whether in the form of equity or debt, to undertake business activities on a larger scale. The proposed reduction of capital would enable the company to correct its existing capital by reduction and to show the actual financial position in its balance sheet to depict the representing Assets value which in turn will enable it to approach for financial assistances in order to develop its business value.
- e. The reduction envisaged under this Scheme will not have any impact on shareholding pattern or the capital structure of the Company. The proposed reduction will be for the benefit of the Company and its shareholders.
- f. The proposed reduction of share capital also does not envisage any pay out to any shareholder or any sacrifice on the part of any creditor. Accordingly, the reduction of share capital should not result in any adverse impact on the creditors.
- g. The proposed reduction of the paid-up share capital of the company does not involve any payment of the paid up share capital to the shareholders of the Company nor does it result in extinguishment of any liability or diminution of any liability or any outstanding payments to any creditors.
- h. The Scheme does not envisage transfer or vesting of any properties and/or liabilities of the company to any person or entity. The Scheme does not involve any conveyance or transfer of any property of the Company.
- i. The reduction of Capital does not result in diminution of any liabilities of the Company, in



*Santhosh*

respect of any unpaid capitals nor entails payment to any shareholder of any paid-up capital.

### 2.3 SYNERGIES OF BUSINESSES OF THE ENTITIES INVOLVED IN THE SCHEME

Here the Scheme of arrangement is for reduction of share capital of the Company which provide following benefits:

- The Company's book would more accurately represent its financial position.
- The right-sizing of the balance sheet is likely to facilitate the efforts of the Company while raising funds and obtaining debt from Banks and Financial Institutions.
- This reduction of capital of the company will help the company to raise fresh capital by private placement basis and other mode of capital raising.
- The right-sizing of the balance sheet is also likely to facilitate the efforts of the Company while raising funds and commercial growth of the Company.

### 2.4 IMPACT OF THE SCHEME ON THE SHAREHOLDERS

- As at 31<sup>st</sup> March 2024, the Company has Accumulated Losses of Rs 4,86,42,337/- (Rupees Four Crores Eighty Six Lakh Forty Two Thousand Three Hundred and Thirty Seven Only). The Accumulated Losses are reflected as a debit balance under "Retained Earnings" as a part of "Other Equity".
- The Net worth of the Company as on 31<sup>st</sup> March 2020 is of Rs. 7,79,13,897/- The losses were on account of adverse market conditions and accumulated in the past 4 – years as under :

Year	Year wise Profit/(Losses)(Rs.)	Net worth after adjustment of Profit / ( Losses)
2020-21	(3,87,85,012)	(20,35,887)
2021-22	27,98,212	7,62,326
2022-23	(12,22,297)	(4,59,972)
2023-24	12,85,636	8,15,663

- Therefore, the Company proposes to utilize the debit balance of Rs. 4,84,68,840/- (Rupees Four Crore Eighty four Lakh Sixty Eight Thousand Eight Hundred and Forty only) for setting off the accumulated losses reflected against the debit balance of Rs. 4,86,42,337/- under "Reserves and Surplus Retained Earnings", as per the Audited financial statements of the Company as on March 31, 2024.



*Santhosh*

- d. The pre and post reduction of issued, subscribed & Paid Up Capital of the Company against its Accumulated Losses as on 31<sup>st</sup> March 2024 shall be reflected in the books of accounts of the Company, on the Effective Date, in the following manner:

Particulars	(Amount in Rs.)		
	Balance as on 31 <sup>st</sup> March 2024 (in INR)	Proposed Utilization (in INR)	Balance post Capital Reduction (in INR)
Paid-up capital	4,94,58,000	4,84,68,840/-	9,89,160
Losses	-	-	(1,73,497)
Effective Capital	-	-	8,15,663

## 2.5 COST BENEFITS ANALYSIS OF THE SCHEME

- e. The Company's book would more accurately represent its financial position.  
The right-sizing of the balance sheet is likely to facilitate the efforts of the Company while raising funds and obtaining debt from Banks and Financial Institutions.
- f. This reduction of capital of the company will help the company to raise fresh capital by private placement basis and other mode of capital raising.
- g. The right-sizing of the balance sheet is also likely to facilitate the efforts of the Company while raising funds and commercial growth of the Company.
- g. The Scheme is only for reduction of share capital of the Company and it does not envisage transfer or vesting of any properties and / or liabilities to or in Favor of the Company.
- h. This Scheme is in the interest of all the shareholders, creditors and other stakeholders of the Company and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.
- i. Hence, the Board believe that in order to present a fair position of the affairs of the Company, the most efficient option available to the Company would be to utilize the balance lying in the Securities Premium Account to the extent of writing off the Accumulated Losses of the Company, subject to the confirmations / sanctions of the requisite majority of the shareholders of the Company and the NCLT and such other appropriate authority, as may be applicable.

By virtue of article 14 of Articles of Association of the Company, the Company is authorized to reduce its share capital in any manner and in accordance with the provisions of the Companies Act, 2013.



**3. REASON OF LOSSES AND COMMENTS/OPINION ON THE REASONS FOR LOSSES:**

The committee noted that the Company was into manufacturing of Plastic materials and trading of the same. Since 2018 with the change of international scenario of plastic being a non-degradable material and environmental hazard, the company could not able to meet the changed scenario and compete in the market. Hence it has incurred loss.

The committee is opined / commented that above stated loss is genuine loss and it was occurred due to change in market condition and it is business losses.

**4. RECOMMENDATION OF THE INDEPENDENT DIRECTOR COMMITTEE**

Taking into consideration the proposed Scheme, other information's and Valuation report received from the registered valuer (Securities and Financial Assets ) M/s. jay Ashok Shah Chartered Accountant having Registration No. IBBI/RC/07/2022/14720, draft accounting treatment certificate and draft certificates from the statutory auditor, and considering the above rationale of the Scheme, **the Independent Directors Committee confirms/ opined that the proposed Scheme of reduction is not detrimental to any of the shareholders of the Company and is in the best interest of the Company and its shareholders, creditors, and all other stakeholders.**

Thus, the Independent Directors Committee hereby also recommends the proposed Scheme to the Board of Directors of the Company for its consideration and approval and to proceed with the designated SE for obtaining the in- principle approval accordingly and it is in the interest of the shareholders and Company.

By Order of the Committee Independent Directors

**Certified true copy**

**For SUNCITY SYNTHETICS LIMITED**



**Sumita Mishra**  
Managing Director  
DIN: 00207928



**Ramesh Chandra Mishra**  
Director  
DIN: 00206671

**Dated on this September 05, 2024 at Mumbai.**