

DIGJAM LIMITED

Registered Office : Aerodrome Road, Jamnagar-361 006, Gujarat, India

COURT CONVENED MEETING OF THE SHAREHOLDERS

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**IN THE HIGH COURT OF GUJARAT AT AHMEDABAD
ORDINARY ORIGINAL JURISDICTION**

COMPANY APPLICATION NO. 93 OF 2012

In the matter of the Companies Act, 1956;

And

In the matter of Sections 391 to 393 of the Companies Act, 1956;

And

In the matter of Digjam Limited;

And

In the matter of Scheme of Arrangement between Digjam Limited and its Shareholders;

Digjam Limited,
an existing company under the provisions of the
Companies Act, 1956 and having its Registered Office
at Aerodrome Road, Jamnagar-361 006, Gujarat.

... Applicant Company

**NOTICE CONVENING MEETING OF THE EQUITY SHAREHOLDERS
(ALONGWITH PREFERENCE SHAREHOLDERS HAVING VOTING RIGHTS IN TERMS OF SECTION 87
OF THE COMPANIES ACT, 1956) OF DIGJAM LIMITED**

To,

The Equity Shareholders (*alongwith Preference Shareholders having voting rights in terms of Section 87 of the Companies Act, 1956*) of Digjam Limited (the "**Applicant Company**").

TAKE NOTICE that by an Order made on the 7th day of March, 2012 in the above Company Application, the Hon'ble High Court of Gujarat at Ahmedabad ("**High Court**") has directed that a meeting of the Equity Shareholders (*alongwith Preference Shareholders having voting rights in terms of Section 87 of the Companies Act, 1956*) of the Applicant Company be held at the Registered Office of the Applicant Company at Aerodrome Road, Jamnagar-361 006, Gujarat, India, on Wednesday, the 11th day of April 2012 at 10.00 a.m. (1000 hours), for the purpose of considering, and if thought fit, approving with or without modification(s), the arrangement embodied in the Scheme of Arrangement between Digjam Limited and its Shareholders (the "**Scheme**").

TAKE FURTHER NOTICE that in pursuance of the said Order and as directed therein, a meeting of the Equity Shareholders (*alongwith Preference Shareholders having voting rights in terms of Section 87 of the Companies Act, 1956*) of the Applicant Company will be held at the Registered Office of the Applicant Company at Aerodrome Road, Jamnagar-361 006, Gujarat, India, on Wednesday, the 11th day of April 2012 at 10.00 a.m. (1000 hours), at which time and place you are requested to attend.

TAKE FURTHER NOTICE that you may attend and vote at the said meeting in person or by proxy, provided that a proxy in the prescribed form, duly signed by you or your authorized representative, is deposited at the Registered Office of the Applicant Company at Aerodrome Road, Jamnagar-361 006, Gujarat, India, not later than 48 hours before the meeting.

The High Court has appointed Mr. A. C. Mukherji, the Director of the Applicant Company, in his absence, Dr. G. Goswami, the Director of the Applicant Company, and in his absence, Mr. C. L. Rathi, the Managing Director of the Applicant Company, to be the Chairman of the said meeting.

A copy each of the Scheme, the Explanatory Statement under section 393 of the Companies Act, 1956, Form of Proxy and Attendance Slip is enclosed.

Dated this 10th day of March, 2012.

Sd/-
(A. C. Mukherji)

Chairman appointed for the meeting

Registered Office:

Aerodrome Road,
Jamnagar-361 006, Gujarat, India.

Notes:

1. All alterations made in the Form of Proxy should be initialed.
2. Only Equity Shareholders (*alongwith Preference Shareholders having voting rights in terms of Section 87 of the Companies Act, 1956*) of the Applicant Company may attend and vote (either in person or by proxy) at the aforesaid Shareholders' meeting. The representative of a body corporate which is a registered Equity Shareholder/Preference Shareholder as aforesaid of the Applicant Company may attend and vote at the aforesaid Shareholders' meeting provided a certified true copy of the resolution of the Board of Directors or other governing body of the body corporate is deposited at the registered office of the Applicant Company not later than 48 hours before the meeting authorising such a representative to attend and vote at the aforesaid Shareholders' meeting.

Enclosed: As above.

**IN THE HIGH COURT OF GUJARAT AT AHMEDABAD
ORDINARY ORIGINAL JURISDICTION**

COMPANY APPLICATION NO. 93 OF 2012

In the matter of the Companies Act, 1956;

And

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Digjam Limited,
an existing company under the provisions of the
Companies Act, 1956 and having its Registered Office
at Aerodrome Road, Jamnagar-361 006, Gujarat.

... Applicant Company

EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956

1. Pursuant to the order dated 7th day of March, 2012 passed by the Hon'ble High Court of Gujarat at Ahmedabad ("**High Court**") in Company Application No. 93 of 2012 referred to hereinabove, a meeting of the Equity Shareholders *{alongwith Preference Shareholders having voting rights in terms of Section 87 of the Companies Act, 1956 (hereinafter referred to as the 'Act')}* of the Applicant Company to be held on Wednesday, the 11th day of April 2012, at the Registered Office of the Applicant Company at Aerodrome Road, Jamnagar-361 006, Gujarat, India at 10.00 a.m. (1000 hours), is being convened for the purpose of considering, and if thought fit, approving with or without modification(s), the arrangement embodied in the Scheme of Arrangement between Digjam Limited and its Shareholders (hereinafter referred to as the "**Scheme**").
2. In this statement, the Applicant Company is also referred to as "**the Company**".
3. Capitalised terms used in this statement have the meanings assigned to them in the Scheme.
4. The Scheme, inter alia, provides for the reorganization of share capital of the Applicant Company by converting its Cumulative Preference Shares and Non-Cumulative Preference Shares into Equity Shares.
5. The Board of Directors of the Applicant Company at their meeting held on 9th January 2012 approved, in principle, the Scheme and authorised the Committee of the Board of Directors of the Applicant Company in this regard to, inter alia, finally approve the same after considering the Valuation Report of M/s. Jain Pramod Jain & Co., Chartered Accountants and the Fairness Report of the Merchant Banker, namely, Keynote Corporate Services Limited appointed by the Board of Directors of the Applicant Company. Based on the Valuation Report dated 12th January 2012 from the independent valuer, M/s. Jain Pramod Jain & Co., Chartered Accountants and Fairness Opinion dated 16th January 2012 from Keynote Corporate Services Limited, Category I Merchant Banker, the Committee at its meeting held on 18th January 2012 approved the Scheme. A copy of the Scheme approved as aforesaid is annexed to this Explanatory Statement.
6. The Applicant Company was incorporated on 15th March 1948 under the provisions of the Indian Companies Act, 1913 in the name of Shree Digvijaya Woollen Mills Limited. With effect from 13th June 1986, the name of Shree Digvijaya Woollen Mills Limited was changed to VXL India Limited and further with effect from 5th April 1995 the name of VXL India Limited was changed to Birla VXL Limited. Subsequently, the name Birla VXL Limited was further changed to Digjam Limited with effect from 9th April 2008. The Applicant Company is an existing Company within the meaning of the Act. The Registered Office of the Applicant Company is situated at Aerodrome Road, Jamnagar-361 006, Gujarat.
7. The objects for which the Applicant Company has been established are set out in its Memorandum of Association. The principal objects are, *inter alia*, briefly set out hereunder:
"III.
 1. To carry on the business of spinning, weaving, manufacturing and dealing in wools, jute, flax and hemp, cotton, silk and other fibrous substances, and the preparation, bleaching, dyeing, printing or colouring of any of the said substances, and for that purpose manufacture bleaching, dyeing and other materials and generally to act as merchants for the purchase and sale of yarn, linen cloth, woollen and other worsted stuff, and other fibrous products and goods, whether textile, felted, netted or looped, and to do all other things and processes which are incidental or connected with all or any of the foregoing trades, businesses or industries.
 2. To carry on all or any of the business of silk mercers, silk weavers, cloth manufacturers, hosiers, carpet makers, makers and suppliers of clothing lingerie, and trimmings of every kind, furriers, milliners, glovers, lace makers and dealers, feather dressers and merchants, hatters, importers and wholesale and retail dealers in any of the foregoing and in textile fabrics of all kinds.
 3. To wash, clean, purify, scour, bleach, wring, dry iron, colour, dye, disinfect, renovate and prepare for use all articles of wearing apparel, household, domestic and other linen, cotton and woollen goods and clothing and fabrics of all kinds."

8. The Applicant Company is a leading Indian textile company engaged in manufacturing high quality worsted fabrics marketed under its own brand 'DIGJAM'. The Applicant Company is one of the leading exporters of the worsted fabrics in India. The Equity Shares of the Applicant Company are listed at BSE Limited (formerly Bombay Stock Exchange Limited) (BSE) and National Stock Exchange of India Limited (NSE).
9. The Authorised, Issued, Subscribed and Paid up Share Capital of the Applicant Company as on 31st December 2011 was as follows:

Particulars	Amount in Rupees
Authorised:	
8,00,00,000 Equity Shares of Rs.10 each	80,00,00,000
25,00,000 Preference Shares of Rs.100 each	25,00,00,000
2,00,00,000 Preference Shares of Rs.10 each	20,00,00,000
Total	125,00,00,000
Issued:	
7,27,38,045 Equity Shares of Rs.10 each	72,73,80,450
21,50,000 Preference Shares of Rs.100 each	21,50,00,000
1,24,329 Preference Shares of Rs.10 each	12,43,290
Total	94,36,23,740
Subscribed and Paid-up:	
7,27,28,296 Equity Shares of Rs.10 each	72,72,82,960*
21,50,000 8% Cumulative Redeemable Preference Shares of Rs.100 each	21,50,00,000
1,24,329 8% Non-Cumulative Redeemable Preference Shares of Rs.10 each	12,43,290
Total	94,35,26,250

* Besides, Rs. 1,62,860/- stands under Forfeited Shares account in the Balance Sheet.

10. As on 31st December, 2011, the Promoters of the Applicant Company held 2,47,01,589 (Two Crores Forty Seven Lakhs One Thousand Five Hundred and Eighty Nine) Equity Shares aggregating to 33.96% of the subscribed and paid-up equity share capital of the Applicant Company. The balance 4,80,26,707 (Four Crores Eighty Lakhs Twenty Six Thousand Seven Hundred and Seven) Equity Shares aggregating to 66.04% of the subscribed and paid-up equity share capital was held by the public shareholders. Further, as on 31st December, 2011, the Specified Promoters of the Applicant Company held 16,44,000 (Sixteen Lakhs Forty Four Thousand) Cumulative Preference Shares and 1,24,329 (One Lakh Twenty Four Thousand Three Hundred and Twenty Nine) Non-Cumulative Preference Shares aggregating to 76.60 % of the subscribed and paid-up preference share capital of the Applicant Company. The balance 5,06,000 (Five Lakh Six Thousand) Cumulative Preference Shares were held by other preference shareholders of the Applicant Company.
11. The Applicant Company has issued the Cumulative Preference Shares, with a view to improve its net worth, in two tranches: the first tranche comprised of 20,00,000 (Twenty Lakhs) Cumulative Preference Shares issued and allotted on 23rd February 2009 ("First Tranche Cumulative Preference Shares") and the second tranche comprised of 1,50,000 (One Lakhs Fifty Thousand) Cumulative Preference Shares that were issued and allotted on 17th September 2010 ("Second Tranche Cumulative Preference Shares").
12. The Cumulative Preference Shares are entitled to a fixed cumulative preferential dividend at the rate of 8% per annum commencing from the date of their issue and allotment. However, as the Applicant Company has accumulated losses of Rs. 89,09,61,183/- (Rupees Eighty Nine Crores Nine Lakhs Sixty One Thousand One Hundred Eighty Three only) as at 31st March 2011, the Applicant Company has not declared dividend on the Cumulative Preference Shares for two consecutive years. Accordingly, in terms of Section 87(2)(b)(i) of the Act, voting rights have accrued to the holders of the First Tranche Cumulative Preference Shares at the annual general meeting of the Applicant Company held on 25th August 2011. Further, in case the dividend is not declared, voting rights will similarly accrue to the holders of the Second Tranche Cumulative Preference Shares as well as the Non-Cumulative Preference Shares in respect of their holding of respective Preference Shares.
13. In terms of Section 80 of the Act, the Preference Shares can be redeemed only out of the profits which would otherwise be available for dividend or by fresh issue of shares, made for the purpose of the redemption, by the Applicant Company. Even though the Applicant Company has turned around, in view of the substantial accumulated losses, it would not be possible to redeem the Preference Shares out of profits within required time-frame, and a fresh issue of capital for purposes of redemption would not be feasible at this stage. Accordingly, and with a view to retaining the resources in the Applicant Company on a permanent basis, the Applicant Company proposes this Scheme whereunder the Applicant Company intends to convert the Preference Shares into appropriate number of Equity Shares based on an independent valuation report. The Scheme, under Section 391 of the Act, would provide greater level of transparency and openness and secure full involvement of all the Specified Shareholders. In addition to the above, the proposed Scheme will, inter-alia, result in the following benefits:
 - (i) The net worth of the Company will not be affected by the proposed conversion of Preference Shares to Equity Shares under this Scheme.

- (ii) The Equity Shareholders will be benefited as the Company will be able to conserve the resources which would otherwise have been utilized in payment of dividend and redemption of Preference Shares.
 - (iii) For Equity Shareholders, there will be no prior claims on account of Preference Shares at the time of distribution of profits or repayment of capital.
 - (iv) The break up value of Equity Shares will improve consequent to addition to Securities Premium Reserve on account of conversion at a premium of Rs. 4.50 per Equity Share.
14. The new Equity Shares, when issued pursuant to the Scheme, will be duly and validly issued and fully paid-up and shall rank pari passu with the existing Equity Shares of the Applicant Company in all respects, including with respect to entitlement to dividend. This proposed Scheme would enable all the Specified Shareholders to convert their respective Preference Shares into Equity Shares.
15. The salient extract/features of the Scheme are as under:
- A. "Cumulative Preference Shares" means 8% cumulative redeemable preference shares of the Company of a par value of Rs. 100/- each, redeemable on the expiry of 10 years from the date of their allotment and with an option to the holders to redeem the shares after 5 years from the date of their allotment upon a notice of three months.
 - B. "Non-Cumulative Preference Shares" means 8% non-cumulative redeemable preference shares of the Company of a par value of Rs. 10/- each, redeemable on the expiry of 5 years from the date of their allotment.
 - C. "Preference Shares" shall mean Cumulative Preference Shares and Non-Cumulative Preference Shares collectively.
 - D. "Specified Shareholders" means the Specified Promoters and the other holders of the Cumulative Preference Shares as well as Non-Cumulative Preference Shares as on the Record Date and shall include any nominee of such shareholders.
 - E. (i) Upon the Scheme being effective, the Authorised Share Capital of the Company, without any further application, act, instrument or deed, shall be reclassified as follows:
 - a. 10,00,00,000 Equity Shares of Rs. 10/- each; and
 - b. 25,00,000 Preference Shares of Rs. 100/- each.
 - (ii) Consequent upon the reclassification of Authorised Share Capital under Clause 5.1 of the Scheme and upon the Scheme being effective, Clause V of the Memorandum of Association of the Company (relating to the Authorised Share Capital) shall, without any further act, instrument or deed, be and stand altered, modified and amended pursuant to Sections 16, 94, 391 and other applicable provisions of the Act, as the case may be, in the manner set out below and be replaced by the following clause:

"V. The Authorised Share Capital of the Company is Rs. 125,00,00,000/- divided into 10,00,00,000 Equity Shares of Rs. 10/- each and 25,00,000 Preference Shares of Rs. 100/- each with power to increase or reduce the capital of the Company and to divide the Shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may determined by the Board of Directors who shall also have power to vary, modify, amalgamate or abrogate any such rights, privileges or conditions and to classify or re-classify from time to time such shares into any class of shares."
 - (iii) It is hereby clarified that for the purposes of clause 5.2 of the Scheme, the consent of the shareholders to the Scheme shall be deemed to be sufficient for the purposes of effecting the above reclassification in Authorised Share Capital of the Company, and no further resolution under section 16, section 94 or any other applicable provisions of the Act, would be required to be separately passed. Upon the Scheme being effective, the Company shall file necessary form for the reclassification of the Authorised Share Capital with the Registrar of Companies, Gujarat. Further there would be no requirement for any further payment of stamp duty and/or fee (including registration fee) by the Company for the reclassification to the Authorised Share Capital.
 - F. (i) Upon the Scheme being effective, the nominal face value of the Cumulative and Non-Cumulative Preference Shares held by the Specified Shareholders on the Record Date shall be converted into appropriate number of Equity Shares of Rs. 10/- each fully paid up, at a price of Rs. 14.50 (which includes a premium of Rs. 4.50 per Equity Share) without any further act, instrument or deed, and the Company shall, consequent to aforesaid conversion, issue and allot the Equity Shares (credited as fully paid up) to the Specified Shareholders in proportion to their respective holding of Preference Shares in the Company, free and clear of all liens and charges. Any fractional entitlement of Equity Share arising on such conversion will be ignored.
 - (ii) Upon allotment of Equity Shares as aforesaid under Clause 6.1 of the Scheme, the Preference Share Certificates held by the Specified Shareholders shall, without any further application, act, instrument or deed, be deemed to have been automatically cancelled and be of no effect on and from the Record Date.
 - (iii) The Equity Shares to be allotted pursuant to Clause 6.1 of the Scheme shall be issued in electronic form for which purpose the Preference Shareholder shall intimate the particulars of his demat account alongwith the details of the Depository Participant and such other confirmations as may be required and the Company will arrange to credit the requisite numbers of Equity Shares allotted to the concerned Specified Shareholder to the said demat account.
 - (iv) Upon issue of the new Equity Shares in accordance with Clause 6.1 of the Scheme, the new Equity Shares shall be deemed to have been vested in the name of the relevant Specified Shareholder (in proportion to the Preference Shares cancelled by the Company of such Specified Shareholder), without any further act or deed by the Company or any

Specified Shareholder. Further upon allotment of the Equity Shares in the manner provided in Clause 6.1 of the Scheme, the rights of the Specified Shareholders to the extent of the Preference Shares so cancelled shall cease and such Specified Shareholders shall acquire the rights of holders of Equity Shares. The new Equity Shares, when issued pursuant to this Scheme, will be duly and validly issued and fully paid up, and shall rank *pari passu* with the existing Equity Shares of the Company in all respects, including with respect to entitlement to dividend.

- (v) The Equity Shares to be allotted in terms of Clause 6.1 of the Scheme, shall, subject to applicable regulations, be listed or admitted to trading on the relevant Stock Exchanges, where the Equity Shares of the Company are presently listed and/or admitted to trading.
 - (vi) It is clarified that no special resolution under section 81(1A) of the Act shall be required to be passed by the Company separately in a general meeting for issue of Equity Shares to the Specified Shareholders in terms of Clause 6.1 of the Scheme and on the shareholders of the Company approving this Scheme, it shall be deemed that they have given their consent to the issue of Equity Shares of the Company to the Specified Shareholders in terms of Clause 6.1 of the Scheme.
 - (vii) Upon conversion of the Preference Shares into Equity Shares in terms of Clause 6.1 of the Scheme, there would be cancellation of the Preference Share Capital of the Company and consequent reduction of the Preference Share Capital. Since the said reduction is an integral part of the Scheme, it is hereby provided that the same shall become operative by virtue of the fact that the shareholders of the Company, while approving the Scheme, have also resolved and accorded their consent as required under section 100 or any other provisions of the Act and shall not be required to pass separate resolution in this respect. Further as the said reduction does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital the provisions of section 101 of the Act shall not be applicable. The order of the High Court sanctioning the Scheme shall also be deemed to be an order under section 102 of the Act confirming the reduction.
 - (viii) Notwithstanding the conversion of Preference Share Capital into Equity Shares and consequent reduction as mentioned above, the Company shall not be required to add "and reduced" as a suffix to its name and the Company shall continue in its existing name.
- G. Upon the Scheme being effective and on conversion of Preference Shares into Equity Shares in terms of Clause 6.1 of the Scheme, the Company shall, without any further application, act or deed, credit to its Securities Premium Reserve in its accounting records the amount being the difference between the aggregate paid-up amount on Preference Shares and the aggregate par value of Equity Shares allotted on conversion of Preference Shares pursuant to this Scheme. The proposed credit in the Securities Premium Reserve shall be effected as an integral part of the Scheme itself and the order of the High Court sanctioning the Scheme shall be deemed to be an order under Section 391 of the Act confirming such credit.
- H. Pursuant to the cancellation and conversion of Preference Shares as stated in Clause 6 of the Scheme, any arrears of dividend on the Preference Shares or any other liability, whether present or contingent, of the Company, pertaining to the Preference Shares shall, upon the scheme being effective, abate and that there shall be no liability of the Company in respect of the Preference Shares so cancelled.
- I. This Scheme is and shall be conditional upon and subject to:
- (i) Approval by the requisite majority of the holders of the Preference Shareholders as required under the Act or under Applicable Law(s);
 - (ii) Approval by the requisite majority of the holders of the Equity Shares as required under the Act or under Applicable Law(s);
 - (iii) The certified copies of the orders of the High Court or any other Appropriate Authority under Section 391 of the Act sanctioning the Scheme are filed with the Registrar of Companies, Gujarat; and
 - (iv) The requisite sanction and approval of the Appropriate Authorities being obtained and granted in respect of any of the matters in respect of which such sanction or approval is required.

You are requested to read the entire text of the Scheme to get better acquainted with the provisions thereof. The aforesaid are only the salient features/extracts of the Scheme.

16. The Scheme, inter alia, envisages the following:

- (a) The reclassification of Authorized Share Capital of the Company and consequent alteration of the Memorandum of Association of the Company as per Clause 5.1 and 5.2 of the Scheme without the need to pass a separate resolution under Sections 16, 94 or any other applicable provisions of the Act;
- (b) Issuance of Equity Shares of the Company as per Clause 6.1 of the Scheme without the need to pass a separate resolution under Section 81(1A) of the Act; and
- (c) Cancellation of the Preference Share Capital and consequent reduction of the Preference Share Capital upon conversion of the Preference Shares into Equity Shares as per Clause 6.1 of the Scheme without the need to pass a separate resolution under Section 100 or any other provisions of the Act.

In view of the above, the resolution which approves the Scheme shall also be deemed to approve, inter alia, the above actions, without the need to pass separate resolutions.

17. As stated earlier, the Board of Directors of the Applicant Company at their meeting held on 9th January 2012 approved, in principle, the Scheme and authorized the Committee of Board of Directors of the Applicant Company in this regard to, inter alia, finally approve the same after considering the Valuation Report of the independent valuer and Fairness Report of the Merchant Banker appointed by the Board of Directors of the Applicant Company. M/s. Jain Pramod Jain & Co., Chartered Accountants submitted its Valuation Report dated 12th January 2012 suggesting the valuation of issue price of New Equity Shares (of the face value of Rs.10/- each, fully paid up) at Rs.14.50/- (including premium of Rs.4.50/-) per New Equity Share on conversion of Preference Shares. The Applicant Company engaged the services of independent Merchant Banker, namely, Keynote Corporate Services Limited, Category I Merchant Banker, to issue Fairness Opinion. The said Merchant Banker has given Fairness Opinion vide its report dated 16th January 2012. In the Fairness Opinion issued by Keynote Corporate Services Limited it is, inter alia, observed that in their opinion the share valuation to arrive at share price suggested by M/s. Jain Pramod Jain & Co., Chartered Accountants is fair. Based on the aforesaid Valuation Report of M/s. Jain Pramod Jain & Co., Chartered Accountants, the Fairness Opinion of Keynote Corporate Services Limited and on the basis of the independent evaluation and judgment, the Committee of the Board of Directors of the Applicant Company have come to the conclusion that the proposed valuation of issue price of New Equity Shares is fair and reasonable and approved the Scheme at the meeting of the Committee of Board of Directors held on 18th January 2012. The aforesaid Valuation Report and the Fairness Opinion are open for inspection at the registered office of the Applicant Company.
18. Upon conversion of the Preference Shares into Equity Shares in terms of Clause 6.1 of the Scheme, there would be cancellation of the Preference Share Capital of the Applicant Company and consequent reduction of the Preference Share Capital. The said reduction does not involve either diminution of any liability in respect of unpaid share capital or the payment to any shareholder of any paid up share capital. The creditors of the Applicant Company are in no way affected by the proposed reduction as there is no reduction in the amount payable to any of the creditors. Further, the proposed reduction would not in any way adversely affect the ordinary operations of the Applicant Company or the ability of the Applicant Company to honour its commitments or to pay its debts in the ordinary course of business. The reduction of the Preference Share Capital shall be effected as an integral part of the Scheme itself by way of composite order from the High Court without the need to pass a separate resolution under Section 100 and without following a separate procedure in this behalf.
19. There is no likelihood that any creditor of the Applicant Company would lose or would be prejudiced as a result of the Scheme being passed since no sacrifice or waiver is at all being called for from them nor is their rights sought to be modified in any manner.
20. No investigation proceedings have been instituted and/or are pending in relation to the Applicant Company under Sections 235 to 251 of the Act. To the knowledge of the Applicant Company, no winding up proceedings have been filed and are pending against the Applicant Company.
21. In terms of Clause 24 of the Listing Agreement, the Applicant Company has received no objection letters from the BSE and NSE where its shares are listed, vide letters dated 1st March 2012 and 22nd February 2012, respectively, for filing the Scheme with the High Court.
22. The directors of the Applicant Company may be deemed to be concerned and/or interested in the Scheme only to the extent of their shareholding in the Applicant Company or to the extent the said directors are partners, directors, members of the companies, firms, association of persons, bodies corporate and/or beneficiary of trusts that hold shares in the Applicant Company.
23. The details of the present directors of the Applicant Company and their shareholding in the Applicant Company as on 1st March 2012 are as follows:

Name of the Director(s)	Position	No. of Equity Shares of Rs. 10/- each held in the Company
Sri Sidharth Kumar Birla	Chairman	50,000
Sri Ram Kishore Choudhury	Director	—
Dr. Giridhan Goswami	Director	—
Sri Golam Momen	Director	—
Sri Arun Charan Mukherji	Director	116
Smt Meenakshi Bangur	Director	324
Sri C. Bhaskar	Director	2,100
Sri C.L. Rathi	Managing Director	—

Smt. R. Bhaskar w/o Sri C. Bhaskar holds 2,500 Equity Shares jointly with Sri C. Bhaskar.

None of the directors of the Applicant Company, either singly or jointly, hold any Preference Shares in the paid up share capital of the Applicant Company.

24. The pre and post arrangement shareholding pattern of the Applicant Company is and will be as follows:

SI No.	Category of Shareholder	PRE ARRANGEMENT AS ON 31ST DECEMBER, 2011								POST ARRANGEMENT		
		Equity Shares			Preference Shares (Cumulative & Non-Cumulative)			Voting Rights (On Pro rata basis)		Equity Shares		
		No. of share holders	No. of shares	% of total No. of shares	No. of share holders	No. of shares	% of total Paid-up Preference Share Capital	Total Voting Rights	% of total Voting Rights	No. of shares holders	No. of shares	% of total No. of shares
(A)	Shareholding of Promoter and Promoter Group											
(a)	Individuals/Hindu Undivided Family	2	87,589	0.12	-	-	-	87,589	0.09	2	87,589	0.10
(b)	Bodies Corporate	6	21,536,000	29.61	3	*1,244,000 **150,000	57.53 6.94	33,976,000	36.64	6	31,149,790	35.54
(c)	Any other : Societies	2	3,078,000	4.23	1	*250,000 ***124,329	11.56 0.57	5,578,000	6.02	2	4,887,881	5.58
	Total shareholding of Promoter and Promoter Group (A)	10	24,701,589	33.96	6	*1,644,000 ***124,329	76.03 0.57 76.60	39,641,589	42.75	10	36,125,260	41.22
(B)	Public Shareholding											
(1)	Institutions											
(a)	Mutual Funds/UTI	7	3,451	-	-	-	-	3,451	-	7	3,451	-
(b)	Financial Institutions/ Banks	52	11,424,584	15.71	-	-	-	11,424,584	12.32	52	11,424,584	13.03
(c)	Central Government/ State Government(s)	1	1,234,744	1.70	-	-	-	1,234,744	1.34	1	1,234,744	1.41
(d)	Insurance Companies	3	1,233,227	1.70	-	-	-	1,233,227	1.33	3	1,233,227	1.41
(e)	Foreign Institutional Investors	2	400,169	0.55	-	-	-	400,169	0.43	2	400,169	0.46
	Sub-Total	65	14,296,175	19.66	-	-	-	14,296,175	15.42	65	14,296,175	16.31
(2)	Non-institutions											
(a)	Bodies Corporate	931	5,435,567	7.48	2	*506,000	23.40	10,495,567	11.32	933	8,925,221	10.18
(b)	Individuals -											
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	82,607	19,781,145	27.20	-	-	-	19,781,145	21.33	82,607	19,781,145	22.57
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	276	8,155,341	11.21	-	-	-	8,155,341	8.79	276	8,155,341	9.31
(c)	Any Other (specify)											
	Directors & Relatives	5	5,364	0.01	-	-	-	5,364	0.01	5	5,364	0.01
	Non- Residents Indians	1,899	352,115	0.48	-	-	-	352,115	0.38	1,899	352,115	0.40
	Trust	1	1,000	-	-	-	-	1,000	-	1	1,000	-
	Sub-Total	85,719	33,730,532	46.38	2	*506,000	23.40	38,790,532	41.83	85,721	37,220,186	42.47
	Total Public Shareholding (B)	85,784	48,026,707	66.04	2	*506,000	23.40	53,086,707	57.25	85,786	51,516,361	58.78
	Total (A)+(B)	85,794	72,728,296	100.00	8	*2,000,000 **150,000 ***124,329	92.49 6.94 0.57 100.00	92,728,296	100.00	85,796	87,641,621	100.00

Notes: 1. Equity Shares are of Rs.10/- each.

2. Preference Share Capital, subscribed and paid-up, consists of 21,50,000 8% Cumulative Redeemable Preference Shares of Rs.100/- each and 1,24,329 8% Non-Cumulative Redeemable Preference Shares of Rs.10/- each aggregating to Rs.21,62,43,290. Post arrangement, the entire Subscribed and Paid-up Preference Share Capital is expected to be converted into 1,49,13,325 Equity Shares (after ignoring fractional entitlements).

* 20,00,000 8% Cumulative Redeemable Preference Shares of Rs.100/- each on which Voting Rights have accrued under Section 87(2) of Companies Act, 1956 and the same have been calculated pro rata.

** Represents 1,50,000 8% Cumulative Redeemable Preference Shares of Rs.100/- each on which Voting Rights have not accrued.

*** Represents 1,24,329 8% Non-Cumulative Redeemable Preference Shares of Rs.10/- each on which Voting Rights have not accrued.

25. The capital structure of the Applicant Company pre and (expected) post arrangement will be as follows:

	Pre-Arrangement As on 31st December, 2011		Post-Arrangement	
	No. of Shares	Amt. in Rs.	No. of Shares	Amt. in Rs.
A. Authorised Share Capital				
Equity Shares of Rs.10/- each	8,00,00,000	80,00,00,000	10,00,00,000	1,00,00,00,000
Preference Shares of Rs.100/- each	25,00,000	25,00,00,000	25,00,000	25,00,00,000
Preference Shares of Rs.10/- each	2,00,00,000	20,00,00,000	-	-
Total		1,25,00,00,000		1,25,00,00,000
B. Issued Capital				
Equity Shares of Rs.10/- each	7,27,38,045	72,73,80,450	8,76,51,370	87,65,13,700
Preference Shares of Rs.100/- each	21,50,000	21,50,00,000	-	-
Preference Shares of Rs.10/- each	1,24,329	12,43,290	-	-
Total		94,36,23,740		87,65,13,700
C. Subscribed and Paid up Share Capital				
Equity Shares of Rs.10/- each	7,27,28,296	72,72,82,960	8,76,41,621	87,64,16,210
Add:- Forfeited Shares		1,62,860		1,62,860
		72,74,45,820		87,65,79,070
Preference Shares of Rs.100/- each	21,50,000	21,50,00,000	-	-
Preference Shares of Rs.10/- each	1,24,329	12,43,290	-	-
Total		94,36,89,110		87,65,79,070

26. An Equity Shareholder/Preference Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him, and such proxy need not be a member of the Applicant Company. The instrument appointing the proxy should however be deposited at the registered office of the Applicant Company not later than 48 (forty eight) hours prior to the commencement of the meeting.
27. Corporate members intending to send their authorised representative to attend the meeting are requested to lodge a certified true copy of the resolution of the Board of Directors or other governing body of the body corporate not later than 48 (forty eight) hours before the commencement of the meeting authorising such person to attend and vote on its behalf at such meeting.
28. The following documents will be open for inspection at the registered office of the Applicant Company between 11.00 a.m. and 2.00 p.m. on all working days upto one day prior to the date of the meeting:
- Certified copy of the order of the Hon'ble High Court of Gujarat at Ahmedabad dated 7th day of March 2012 in Company Application No. 93 of 2012, inter alia, directing convening of the meeting of the Equity Shareholders (alongwith Preference Shareholders having voting rights in terms of Section 87 of the Companies Act, 1956) of the Applicant Company;
 - Copy of Memorandum and Articles of Association of the Applicant Company;
 - Copy of the Annual Report of the Applicant Company for the period ended 31st March 2011;
 - Copy of the Unaudited Financial Results of the Applicant Company for the quarter ended 31st December 2011 in accordance with Clause 41 of the Listing Agreement;
 - Copy of the Company Application No. 93 of 2012 filed by the Applicant Company;
 - Copy of the Valuation Report dated 12th January 2012 issued by M/s. Jain Pramod Jain & Co., Chartered Accountants;
 - Copy of the Fairness Opinion dated 16th January 2012 issued by Keynote Corporate Services Limited, Category I Merchant Banker, to the Applicant Company;
 - Copy of the Certificate of the Statutory Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, dated 18th January 2012 confirming compliance of accounting treatment in the Scheme with the Accounting Standards specified by the Central Government in Section 211(3C) of the Act.
 - Copy of the no objection letters received from the BSE Limited (formerly Bombay Stock Exchange Limited) and National Stock Exchange of India Limited where the shares of the Applicant Company are listed, vide letters dated 1st March 2012 and 22nd February 2012, respectively;
 - Copy of the Scheme; and
 - Register of Directors' shareholding in the Applicant Company.
29. This statement may be treated as the statement under Section 393 and also under Section 173 of the Companies Act, 1956.
30. A copy of the Scheme and this statement may be obtained from the Registered Office of the Applicant Company.
31. After the Scheme is approved by the Equity Shareholders alongwith the Preference Shareholders of the Applicant Company it will be subject to approval/sanction by the High Court.

Dated this 10th day of March, 2012.

Sd/-
(A. C. Mukherji)
Chairman appointed for the Meeting

Registered office:
Aerodrome Road,
Jamnagar-361 006, Gujarat, India.

SCHEME OF ARRANGEMENT BETWEEN DIGJAM LIMITED AND ITS SHAREHOLDERS

This Scheme (*as defined hereinafter*) pursuant to Sections 391 to 393 and other relevant provisions of the Act (*as defined hereinafter*), inter alia, provides for the reorganisation of share capital of the Company (*as defined hereinafter*) by converting its Cumulative Preference Shares and Non-Cumulative Preference Shares (*as respectively defined hereinafter*) into Equity Shares (*as defined hereinafter*) and for other matters consequential, supplemental and/or otherwise integrally connected therewith.

WHEREAS:

- A. The Company, a public limited company limited by shares, is an existing company within the meaning of the Act, having its registered office at Aerodrome Road, Jamnagar-361 006, Gujarat. The Company is a leading Indian textile company engaged in manufacturing high quality worsted fabrics marketed under its own brand – “DIGJAM”. It is one of the leading exporters of the worsted fabrics in India.
- B. The Equity Shares of the Company are listed at BSE (*as defined hereinafter*) and NSE (*as defined hereinafter*).
- C. The Authorized Share Capital of the Company is Rs.125,00,00,000/- (Rupees One Hundred and Twenty Five Crores only) comprising of:
- (i) Rs. 80,00,00,000/- (Rupees Eighty Crores only) equity share capital divided into 8,00,00,000 (Eight Crores) Equity Shares of Rs 10/- each;
 - (ii) Rs. 25,00,00,000/- (Rupees Twenty Five Crores only) preference share capital divided into 25,00,000 (Twenty Five Lakhs) Preference Shares of Rs 100/- each; and
 - (iii) Rs. 20,00,00,000/- (Rupees Twenty Crores only) preference share capital divided into 2,00,00,000 (Two Crore) Preference Shares of Rs 10/- each.
- D. The Issued Share Capital of the Company is Rs. 94,36,23,740/- (Rupees Ninety Four Crores Thirty Six Lakhs Twenty Three Thousand Seven Hundred Forty only) comprising of:
- (i) Rs. 72,73,80,450/- (Rupees Seventy Two Crores Seventy Three Lakhs Eighty Thousand Four Hundred Fifty only) equity share capital divided into 7,27,38,045 (Seven Crores Twenty Seven Lakhs Thirty Eight Thousand and Forty Five) Equity Shares of Rs. 10/- each;
 - (ii) Rs. 21,50,00,000/- (Rupees Twenty One Crore Fifty Lakhs only) preference share capital divided into 21,50,000 (Twenty One Lakhs Fifty Thousand) Preference Shares of Rs. 100/- each; and
 - (iii) Rs. 12,43,290/- (Rupees Twelve Lakhs Forty Three Thousand Two Hundred Ninety only) preference share capital divided into 1,24,329 (One Lakh Twenty Four Thousand Three Hundred and Twenty Nine) Preference Shares of Rs. 10/- each.
- E. The Subscribed and Paid-up Share Capital of the Company is Rs.94,36,89,110/- (Rupees Ninety Four Crores Thirty Six Lakhs Eighty Nine Thousand One Hundred Ten only) comprising of:
- (i) Rs. 72,72,82,960/- (Rupees Seventy Two Crores Seventy Two Lakhs Eighty Two Thousand Nine Hundred Sixty only) equity share capital divided into 7,27,28,296 (Seven Crores Twenty Seven Lakhs Twenty Eight Thousand Two Hundred and Ninety Six) Equity Shares of Rs 10/- each; and
 - (ii) Rs. 21,62,43,290/- (Rupees Twenty One Crores Sixty Two Lakhs Forty three Thousand Two Hundred and Ninety only) preference share capital comprising of:
 - (a) Rs. 20,00,00,000/- (Rupees Twenty Crores only) divided into 20,00,000 (Twenty Lakhs only) 8% Cumulative Redeemable Preference Shares of Rs 100/- each, redeemable on expiry of 10 years from the date of allotment (i.e. February 23, 2009), with option to preference shareholders to call for redemption after 5 years from the date of allotment by giving a notice of three months;
 - (b) Rs. 1,50,00,000/- (Rupees One Crore Fifty Lakhs only) divided into 1,50,000 (One Lakh Fifty Thousand) 8% Cumulative Redeemable Preference Shares of Rs 100/- each, redeemable on expiry of 10 years from the date of allotment (September 17, 2010), with option to preference shareholders to call for redemption after 5 years from the date of allotment by giving a notice of three months; and
 - (c) Rs. 12,43,290/- (Rupees Twelve Lakhs Forty Three Thousand Two Hundred Ninety only) non-cumulative preference share capital divided into 1,24,329 (One Lakh Twenty Four Thousand Three Hundred and Twenty Nine) 8% Non-Cumulative Redeemable Preference Shares of Rs 10/- each, redeemable on expiry of five years from the date of allotment (February 28, 2011).
 - (iii) Rs. 1,62,860/- (Rupees One Lakh Sixty Two Thousand Eight Hundred and Sixty only) stands in Forfeited Shares account.
- F. As on 31st December, 2011, the Promoters (*as defined hereinafter*) held 2,47,01,589 (Two Crores Forty Seven Lakhs One Thousand Five Hundred and Eighty Nine) Equity Shares aggregating to 33.96% of the subscribed and paid-up equity share capital of the Company. The balance 4,80,26,707 (Four Crores Eighty Lakhs Twenty Six Thousand Seven Hundred and Seven) Equity Shares aggregating to 66.04% of the subscribed and paid-up equity share capital is held by the public shareholders.
- Further, as on 31st December, 2011, the Specified Promoters (*as defined hereinafter*) held 16,44,000 (Sixteen Lakhs Forty Four Thousand) Cumulative Preference Shares and 1,24,329 (One Lakh Twenty four Thousand Three Hundred and Twenty Nine)

Non-Cumulative Preference Shares aggregating to 76.60 % of the subscribed and paid-up preference share capital of the Company. The balance 5,06,000 (Five Lakh Six Thousand) Cumulative Preference Shares are held by other preference shareholders.

The Company has issued the Cumulative Preference Shares, with a view to improve its net worth, in two tranches: the first tranche comprised of 20,00,000 (Twenty Lakhs) Cumulative Preference Shares issued and allotted on 23rd February 2009 ("**First Tranche Cumulative Preference Shares**") and the second tranche comprised of 1,50,000 (One Lakh Fifty Thousand) Cumulative Preference Shares that were issued and allotted on 17th September 2010 ("**Second Tranche Cumulative Preference Shares**").

- G. The Cumulative Preference Shares are entitled to a fixed cumulative preferential dividend at the rate of 8% per annum commencing from the date of their issue and allotment. However, as the Company has accumulated losses of Rs. 89,09,61,183/- (Rupees Eighty Nine Crores Nine Lakhs Sixty One Thousand One Hundred Eighty Three only) as at 31st March 2011, the Company has not declared dividend on the Cumulative Preference Shares for two consecutive years. Accordingly, in terms of Section 87(2)(b)(i) of the Act, voting rights have accrued to the holders of the First Tranche Cumulative Preference Shares at the annual general meeting of the Company held on 25th August 2011. Further, in case the dividend is not declared, voting rights will similarly accrue to the holders of the Second Tranche Cumulative Preference Shares as well as the Non-Cumulative Preference Shares in respect of their holding of respective Preference Shares (*as defined hereinafter*).
- H. In terms of Section 80 of the Act, the Preference Shares can be redeemed only out of the profits which would otherwise be available for dividend or by fresh issue of shares, made for the purpose of the redemption, by the Company
- Even though the Company has turned around, in view of the substantial accumulated losses, it would not be possible to redeem the Preference Shares out of profits within required time-frame, and a fresh issue of capital for purposes of redemption would not be feasible at this stage. Accordingly, and with a view to retaining the resources in the Company on a permanent basis, the Company proposes this Scheme whereunder the Company intends to convert the Preference Shares into appropriate number of Equity Shares based on an independent valuation report. The Scheme, under Section 391 of the Act, would provide greater level of transparency and openness and secure full involvement of all the Specified Shareholders (*as defined hereinafter*). In addition to the above, the proposed Scheme will, inter-alia, result in the following benefits:
- (i) The net worth of the Company will not be affected by the proposed conversion of Preference Shares to Equity Shares under this Scheme.
 - (ii) The Equity Shareholders will be benefited as the Company will be able to conserve the resources which would otherwise have been utilized in payment of dividend and redemption of Preference Shares.
 - (iii) For Equity Shareholders, there will be no prior claims on account of Preference Shares at the time of distribution of profits or repayment of capital.
 - (iv) The break up value of Equity Shares will improve consequent to addition to Securities Premium Reserve on account of conversion at a premium of Rs. 4.50 per Equity Share.
- I. The new Equity Shares, when issued pursuant to this Scheme, will be duly and validly issued and fully paid-up and shall rank pari passu with the existing Equity Shares of the Company in all respects, including with respect to entitlement to dividend. This proposed Scheme would enable all the Specified Shareholders to convert their respective Preference Shares into Equity Shares.

2. DEFINITIONS AND INTERPRETATION

- 2.1 In this Scheme, (i) capitalised terms defined by inclusion in quotations and/or parenthesis shall have the meanings so ascribed; and (ii) the following terms shall have the meanings assigned to them herein below.

"**Act**" means the Companies Act, 1956, or any statutory modification or re-enactment thereof for the time being in force.

"**Applicable Law(s)**" means all applicable statutes, notifications, bye laws, rules, regulations, guidelines, policy, code, directives, ordinance, schemes, notices, 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.

"**Appropriate Authority**" means any governmental, statutory, regulatory, departmental or public body or authority in India, including Securities and Exchange Board of India, Stock Exchanges, Registrar of Companies and the Reserve Bank of India.

"**Board**" means the Board of directors of the Company or any committee thereof duly constituted by the Board for this purpose.

"**BSE**" means Bombay Stock Exchange Limited.

"**Company**" means Digjam Limited, an existing company under the provisions of the Act and having its registered office at Aerodrome Road, Jamnagar-361 006, Gujarat.

"**Cumulative Preference Shares**" means 8% cumulative redeemable preference shares of the Company of a par value of Rs. 100/- each, redeemable on the expiry of 10 years from the date of their allotment and with an option to the holders to redeem the shares after 5 years from the date of their allotment upon a notice of three months.

"**Effective Date**" means the last of the dates on which all conditions, matters and filings referred to in Clause 9 hereof have been fulfilled and all necessary orders, approvals and consents referred to therein have been obtained. References in this scheme to the date of "**coming into effect of the Scheme**" or "**upon the Scheme being effective**" shall mean the Effective Date.

"Equity Shares" means equity shares of the Company of par value of Rs.10/- (Rupees Ten only) each.

"High Court" means the High Court of Gujarat at Ahmedabad having jurisdiction in relation to the Company and shall include the National Company Law Tribunal, as applicable or such other forum or authority as may be vested with any of the powers of a High Court under the Act.

"Non-Cumulative Preference Shares" means 8% non-cumulative redeemable preference shares of the Company of a par value of Rs. 10/- each, redeemable on the expiry of 5 years from the date of their allotment.

"NSE" means the National Stock Exchange of India Limited.

"Preference Shares" shall mean Cumulative Preference Shares and Non-Cumulative Preference Shares collectively.

"Promoters" shall mean S.K Birla, Sumangala Birla, Sidharth Birla, Madhushree Birla, Birla Eastern Limited, Birla Holdings Limited, Central India General Agents Limited, iPro Capital Limited, Janardhan Trading Company Limited, Nathdwara Investments Company Limited, Sukriti Education Society and Sushila Birla Memorial Institute.

"Record Date" means the date to be fixed by the Board of Directors of the Company for the purpose of determining the Preference Shareholders and their shareholding in the Company to whom Equity Shares will be allotted by the Company in accordance with the Scheme consequent upon the Scheme being effective.

"Scheme" or **"the Scheme"** or **"this Scheme"** means this Scheme of Arrangement in its present form or as amended or modified in accordance with the provisions hereof.

"Specified Promoters" means Birla Holdings Limited, Central India General Agents Limited, Sukriti Education Society, iPro Capital Limited and Janardhan Trading Company Limited.

"Specified Shareholders" means the Specified Promoters and the other holders of the Cumulative Preference Shares as well as Non-Cumulative Preference Shares as on the Record Date and shall include any nominee of such shareholders.

2.2 In this Scheme, unless the context otherwise requires;

2.2.1 words denoting the singular shall include the plural and vice versa;

2.2.2 headings and bold typefaces are only for convenience and shall be ignored for the purpose of interpretation;

2.2.3 references to the word "include" or "including" shall be construed without limitation;

2.2.4 a reference to a clause or paragraph is a reference to a clause or paragraph of this Scheme;

2.2.5 unless otherwise defined, the reference to the word "days" shall mean calendar days;

2.2.6 reference to dates and times shall be construed to be reference to calendar dates and times;

2.2.7 reference to a document includes an amendment or supplement to, or replacement or novation of, that document; and

2.2.8 word(s) and expression(s) elsewhere defined in the Scheme shall have the meaning(s) respectively ascribed to them.

3. DATE OF TAKING EFFECT AND OPERATIVE DATE

This Scheme shall be effective and operative from the Effective Date.

4. SHARE CAPITAL

The authorized, issued, subscribed and paid up share capital of the Company as on 31st December 2011 was as under:

Authorised Capital	Rupees (in INR)
8,00,00,000 Equity Shares of Rs.10 each	80,00,00,000
25,00,000 Preference Shares of Rs. 100 each	25,00,00,000
2,00,00,000 Preference Shares of Rs. 10 each	20,00,00,000
Issued Capital	
7,27,38,045 Equity Shares of Rs. 10 each	72,73,80,450
21,50,000 Preference Shares of Rs. 100 each	21,50,00,000
1,24,329 Preference Shares of Rs. 10 each	12,43,290
Subscribed and Paid-Up	
7,27,28,296 Equity Shares of Rs. 10 each	72,72,82,960*
21,50,000 8% Cumulative Redeemable Preference Shares of Rs. 100 each	21,50,00,000
1,24,329 8% Non-Cumulative Redeemable Preference Shares of Rs. 10 each	12,43,290

*Besides, Rs. 1,62,860/- stands under Forfeited Shares account in the Balance Sheet.

5. RECLASSIFICATION OF SHARE CAPITAL

5.1. Upon the Scheme being effective, the Authorised Share Capital of the Company, without any further application, act, instrument or deed, shall be reclassified as follows:

- (i) 10,00,00,000 Equity Shares of Rs. 10/- each; and
- (ii) 25,00,00,000 Preference Shares of Rs. 100/- each.

5.2. Consequent upon the reclassification of Authorised Share Capital under Clause 5.1 above and upon the Scheme being effective, Clause V of the Memorandum of Association of the Company (relating to the Authorised Share Capital) shall, without any further act, instrument or deed, be and stand altered, modified and amended pursuant to Sections 16, 94, 391 and other applicable provisions of the Act, as the case may be, in the manner set out below and be replaced by the following clause:

"V. The Authorised Share Capital of the Company is Rs.125,00,00,000/- divided into 10,00,00,000 Equity Shares of Rs.10/- each and 25,00,00,000 Preference Shares of Rs.100/- each with power to increase or reduce the capital of the Company and to divide the Shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may determined by the Board of Directors who shall also have power to vary, modify, amalgamate or abrogate any such rights, privileges or conditions and to classify or re-classify from time to time such shares into any class of shares."

5.3. It is hereby clarified that for the purposes of clause 5.2 above, the consent of the shareholders to the Scheme shall be deemed to be sufficient for the purposes of effecting the above reclassification in Authorised Share Capital of the Company, and no further resolution under section 16, section 94 or any other applicable provisions of the Act, would be required to be separately passed. Upon the Scheme being effective, the Company shall file necessary form for the reclassification of the Authorised Share Capital with the Registrar of Companies, Gujarat. Further there would be no requirement for any further payment of stamp duty and/or fee (including registration fee) by the Company for the reclassification to the Authorised Share Capital.

6. CONVERSION OF PREFERENCE SHARES INTO EQUITY SHARES AND CONSEQUENTIAL REDUCTION

6.1. Upon the Scheme being effective, the nominal face value of the Cumulative and Non-Cumulative Preference Shares held by the Specified Shareholders on the Record Date shall be converted into appropriate number of Equity Shares of Rs.10/- each fully paid up, at a price of Rs.14.50 (which includes a premium of Rs. 4.50 per Equity Share) without any further act, instrument or deed, and the Company shall, consequent to aforesaid conversion, issue and allot the Equity Shares (credited as fully paid up) to the Specified Shareholders in proportion to their respective holding of Preference Shares in the Company, free and clear of all liens and charges. Any fractional entitlement of Equity Share arising on such conversion will be ignored.

6.2. Upon allotment of Equity Shares as aforesaid under Clause 6.1, the Preference Share Certificates held by the Specified Shareholders shall, without any further application, act, instrument or deed, be deemed to have been automatically cancelled and be of no effect on and from the Record Date.

6.3. The Equity Shares to be allotted pursuant to Clause 6.1 shall be issued in electronic form for which purpose the Preference Shareholder shall intimate the particulars of his demat account alongwith the details of the Depository Participant and such other confirmations as may be required and the Company will arrange to credit the requisite numbers of Equity Shares allotted to the concerned Specified Shareholder to the said demat account.

6.4. Upon issue of the new Equity Shares in accordance with Clause 6.1 above, the new Equity Shares shall be deemed to have been vested in the name of the relevant Specified Shareholder (in proportion to the Preference Shares cancelled by the Company of such Specified Shareholder), without any further act or deed by the Company or any Specified Shareholder. Further upon allotment of the Equity Shares in the manner provided in Clause 6.1 above, the rights of the Specified Shareholders to the extent of the Preference Shares so cancelled shall cease and such Specified Shareholders shall acquire the rights of holders of Equity Shares. The new Equity Shares, when issued pursuant to this Scheme, will be duly and validly issued and fully paid up, and shall rank *pari passu* with the existing Equity Shares of the Company in all respects, including with respect to entitlement to dividend.

6.5. The Equity Shares to be allotted in terms of Clause 6.1 above, shall, subject to applicable regulations, be listed or admitted to trading on the relevant Stock Exchanges, where the Equity Shares of the Company are presently listed and/or admitted to trading.

6.6. It is clarified that no special resolution under section 81(1A) of the Act shall be required to be passed by the Company separately in a general meeting for issue of Equity Shares to the Specified Shareholders in terms of Clause 6.1 above and on the shareholders of the Company approving this Scheme, it shall be deemed that they have given their consent to the issue of Equity Shares of the Company to the Specified Shareholders in terms of Clause 6.1 above.

6.7. Upon conversion of the Preference Shares into Equity Shares in terms of Clause 6.1 above, there would be cancellation of the Preference Share Capital of the Company and consequent reduction of the Preference Share Capital. Since the said reduction is an integral part of the Scheme, it is hereby provided that the same shall become operative by virtue of the fact that the shareholders of the Company, while approving the Scheme, have also resolved and accorded their consent as required under section 100 or any other provisions of the Act and shall not be required to pass separate resolution in this respect. Further as the said reduction does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital the provisions of section 101 of the Act shall not be applicable. The order of the High Court sanctioning the Scheme shall also be deemed to be an order under section 102 of the Act confirming the reduction.

6.8. Notwithstanding the conversion of Preference Share Capital into Equity Shares and consequent reduction as mentioned above, the Company shall not be required to add "and reduced" as a suffix to its name and the Company shall continue in its existing name.

7. SECURITIES PREMIUM RESERVE

Upon the Scheme being effective and on conversion of Preference Shares into Equity Shares in terms of Clause 6.1 above, the Company shall, without any further application, act or deed, credit to its Securities Premium Reserve in its accounting records the amount being the difference between the aggregate paid-up amount on Preference Shares and the aggregate par value of Equity Shares allotted on conversion of Preference Shares pursuant to this Scheme. The proposed credit in the Securities Premium Reserve shall be effected as an integral part of the Scheme itself and the order of the High Court sanctioning the Scheme shall be deemed to be an order under Section 391 of the Act confirming such credit.

8. MODIFICATIONS/AMENDMENTS TO THE SCHEME

For the purpose of giving effect to this Scheme the Company, by its Board, may effect or assent to any modification or amendment to the Scheme or agree to any terms and/or conditions which the High Court and/or any other Appropriate Authorities under Applicable Law(s) may deem fit to direct or impose or which may otherwise be considered necessary or desirable by the Board of the Company for settling any question or doubt or difficulty that may arise for implementing and/or carrying out the Scheme or otherwise as may be considered to be in the best interest of the Company and its members and do all acts, deeds and things as may be necessary, desirable or expedient for giving effect to the Scheme. Such determination or directions, as the case may be, shall be binding on all the concerned parties, in the same manner as if the same are specifically incorporated in this Scheme. In the event that any conditions are imposed by the High Court or any other Appropriate Authorities, which the Board of the Company find unacceptable for any reason, then the Company shall be at liberty to withdraw the Scheme.

9. OTHER CONDITIONS OF THE SCHEME

This Scheme is conditional upon and subject to fulfilment of all of the following:

- 9.1 Approval by the requisite majority of the holders of the Preference Shareholders as required under the Act or under Applicable Law(s);
- 9.2 Approval by the requisite majority of the holders of the Equity Shares as required under the Act or under Applicable Law(s);
- 9.3 The certified copies of the orders of the High Court or any other Appropriate Authority under Section 391 of the Act sanctioning the Scheme are filed with the Registrar of Companies, Gujarat; and
- 9.4 The requisite sanction and approval of the Appropriate Authorities being obtained and granted in respect of any of the matters in respect of which such sanction or approval is required.

10. APPLICATION TO THE HIGH COURT

The Company shall with all reasonable dispatch, make application to the High Court for seeking confirmation of this Scheme and for such further order or orders thereunder as the Court may deem fit for carrying the Scheme into effect.

11. EFFECT OF NON-RECEIPT OF APPROVALS/SANCTIONS

In the event of any of the approvals or conditions enumerated in Clause 9 above not being obtained or complied, or for any other reason, this Scheme cannot be implemented, then the Board shall waive such conditions as they consider appropriate to give effect, as far as possible, to this Scheme. Further, if for any reason the Scheme is not confirmed by the High Court or the Scheme does not otherwise become effective within such period or periods as may be considered by the Board in its absolute discretion, then the Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior to as is contemplated hereunder or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as specifically provided in the Scheme or as may otherwise arise under Applicable Law(s).

12. DIVIDEND

Pursuant to the cancellation and conversion of Preference Shares as stated in Clause 6 above, any arrears of dividend on the Preference Shares or any other liability, whether present or contingent, of the Company, pertaining to the Preference Shares shall, upon the scheme being effective, abate and that there shall be no liability of the Company in respect of the Preference Shares so cancelled.

13. CONDUCT OF BUSINESS

Nothing contained in this Scheme shall affect the conduct of business of the Company and/or any deeds, bonds, contracts, schemes and other instruments to which the Company is a party and/or all legal or other proceedings by or against the Company. Further, nothing contained in the Scheme shall affect in any manner, the existing rights of workmen, employees and creditors of the Company.

14. BINDING EFFECT

Upon the Scheme being effective the same shall be binding on all the holders of the Preference Shares and Equity Shares in terms of Section 391(2) of the Act.

15. EXPENSES CONNECTED WITH THE SCHEME

All costs, charges and expenses payable, if any, in relation to or in connection with or incidental to this Scheme or the implementation thereof shall be borne by the Company.

16. STAMP DUTY

This Scheme does not involve any "Conveyance" or "Transfer" of any property to or in favour of the Company as contemplated under Section 394 of the Act. Consequently, the Order of the High Court approving the Scheme will not attract any stamp duty, under the Bombay Stamp Act, 1958 (as applicable to the State of Gujarat).

17. DOES NOT AFFECT CREDITORS

This Scheme is merely an arrangement between the Company, the holders of Preference Shares and the holders of the Equity Shares under Section 391 of the Act. This Scheme does not affect or modify any of the rights and entitlements of any creditor of the Company, as it does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital.

**IN THE HIGH COURT OF GUJARAT AT AHMEDABAD
ORDINARY ORIGINAL JURISDICTION
COMPANY APPLICATION NO. 93 OF 2012**

In the matter of the Companies Act, 1956;
And
In the matter of Sections 391 to 393 of the Companies Act, 1956;
And
In the matter of Digjam Limited;
And
In the matter of Scheme of Arrangement between Digjam Limited
and its Shareholders;

Digjam Limited,
an existing company under the provisions of the
Companies Act, 1956 and having its Registered Office
at Aerodrome Road, Jamnagar-361 006, Gujarat.

... Applicant Company

**EQUITY SHAREHOLDERS
(ALONGWITH PREFERENCE SHAREHOLDERS HAVING VOTING RIGHTS IN TERMS OF SECTION 87 OF THE COMPANIES ACT, 1956)**

FORM OF PROXY

I/We, the undersigned Equity/Preference Shareholder/s of Digjam Limited, being the Applicant Company above named, hereby appoint of and failing him/her of as my/our proxy, to act for me/us at the meeting of the Equity Shareholders (*alongwith Preference Shareholders having voting rights in terms of Section 87 of the Companies Act, 1956*) of the Applicant Company to be held at the Registered Office of the Applicant Company at Aerodrome Road, Jamnagar-361 006, Gujarat, India, on Wednesday, the 11th day of April 2012 at 10.00 a.m. (1000 hours), for the purpose of considering, and, if thought fit, approving with or without modification(s), the arrangement embodied in the Scheme of Arrangement between Digjam Limited and its Shareholders (the "**Scheme**") and at such meeting and at any adjournment or adjournments thereof, to vote, for me/us and in my/our name....., (here if "for", insert "**for**" if "against", insert "**against**", and in the latter case, strike out the words below after "**Scheme**") the said arrangement embodied in Scheme, either with or without modification(s), as my/our proxy may approve.

(Strike out what is not necessary)

Dated this day of , 2012

Name :

Address :

No. of Shares held : Class of Shares:

DP/Id*: Client Id*: Folio No:.....

*For Demat holding

Signature of Shareholder(s) : Sole holder/First holder:.....

Signature

Affix 15
paisa
Revenue
Stamp

- Notes :**
1. Proxy must be deposited at the Registered Office of the Applicant Company at Aerodrome Road, Jamnagar-361 006, Gujarat, India, not later than 48 (FORTY EIGHT) hours before the meeting.
 2. Alterations, if any, made in the Form of Proxy should be initialled by the shareholder.
 3. Please affix appropriate Revenue Stamp before putting Signature.
 4. A proxy need not be a shareholder of the Applicant Company.
 5. In case of multiple proxies, proxy later in time shall be accepted.

DIGJAM LIMITED

Registered office : Aerodrome Road, Jamnagar-361 006, Gujarat, India

**EQUITY SHAREHOLDERS
(ALONGWITH PREFERENCE SHAREHOLDERS HAVING VOTING RIGHTS IN TERMS OF SECTION 87 OF THE COMPANIES ACT, 1956)**

ATTENDANCE SLIP FOR THE COURT CONVENED MEETING OF THE EQUITY SHAREHOLDERS (ALONGWITH PREFERENCE SHAREHOLDERS HAVING VOTING RIGHTS IN TERMS OF SECTION 87 OF THE COMPANIES ACT, 1956) ON 11TH DAY OF APRIL, 2012 AT 10.00 A.M.

PLEASE FILL THIS ATTENDANCE SLIP AND HAND OVER AT THE ENTRANCE OF THE MEETING HALL

DP ID*	
Client ID*	
No. of Share(s) held	

Folio No.	
Class of Shares	

I/We hereby record my/our presence at the meeting of the Equity Shareholders (*alongwith Preference Shareholders having voting rights in terms of Section 87 of the Companies Act, 1956*) of the Applicant Company convened pursuant to the order dated 7th day of March, 2012 of the Hon'ble High Court of Gujarat at Ahmedabad at the registered office of the Applicant Company at Aerodrome Road, Jamnagar-361 006, Gujarat, India, on Wednesday, the 11th day of April 2012 at 10.00 a.m. (1000 hours).

Name of the Shareholder/proxy's name in BLOCK letters

Signature of Shareholder/proxy

- Notes:**
1. *Applicable for investors holding shares in dematerialised form.
 2. The Shareholder/ proxy holder(s) are requested to bring the Attendance slip with them when they come to the meeting and hand it over at the gate after affixing their signature on it.
 3. The Shareholder/proxy holder(s) who come to attend the meeting are requested to bring their copy of the Scheme with them.

BOOK POST CONTAINING PRINTED MATTER

If undelivered please return to:

DIGJAM LIMITED
Registered Office:
Aerodrome Road,
Jamnagar-361 006,
Gujarat, India.