



Balkrishna Paper Mills Ltd.

REPORT OF THE AUDIT COMMITTEE OF BALKRISHNA PAPER MILLS LIMITED ("THE COMPANY") RECOMMENDING DRAFT SCHEME FOR REDUCTION OF SHARE CAPITAL BETWEEN THE COMPANY AND ITS SHAREHOLDERS ("SCHEME") AT THE MEETING HELD ON TUESDAY, DECEMBER 23, 2025, AT 12.30 P.M. AT A/7, TRADE WORLD, KAMALA CITY, SENAPATI BAPAT MARG, LOWER PAREL (W), MUMBAI- 400013.

MEMBER'S PRESENT:

Sr. No.	Name	Designation
1.	Shri Dileep H. Shinde (Chairman)	Independent Director
2.	Prof (Dr.) Mangesh D. Teli (Member)	Independent Director
3.	Shri Ashok N. Garodia (Member)	Independent Director
4.	Shri Manish Malpani (Member)	Whole time Director & CFO

I. BACKGROUND

A meeting of the Audit Committee of the Company was held on Tuesday, 23rd December, 2025 to consider and recommend to the Board of Directors of the Company ("**Board**"), the draft Scheme for Reduction of Share Capital of the Company and its shareholders ("**Scheme**") under Section 66 read with Section 52 of the Companies Act, 2013 ("**Act**") (including any statutory modification(s) or re-enactment thereof for the time being in force) and the rules made thereunder, read with the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 ("**Rules**"), in accordance with the requirement of the Securities and Exchange Board of India ("**SEBI**") Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("**SEBI Master Circular**"), read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**") as amended from time to time.

As part of its review, the Audit Committee also examined the Material Related Party Transaction(s) proposed to be undertaken pursuant to the Scheme, in terms of Regulation 23 of the SEBI Listing Regulations and Section 188 of the Companies Act, 2013 involving S.P. Finance & Trading Limited, Sanchana Trading & Finance Limited, Futuristic Concepts Media Limited (Beetee Fabrics Private Limited and Vishal Furnishing Limited merged into Futuristic Concepts Media Limited) and Wavelink Fabrics LLP (Wavelink Fabrics Private Limited was converted into LLP) collectively referred to as '**Preference Shareholders**' of the Company.

In view of the SEBI Master Circular, the Audit Committee of the Company is required to recommend to the Board the draft Scheme taking into account, *inter alia*, the valuation report and fairness opinion report and also comment on the matters specified in the said SEBI Master Circular. Accordingly, this report of Audit



Balkrishna Paper Mills Ltd.

Committee is made in compliance with the aforesaid circular. Further the Audit Committee of the Company is required to provide its approval and recommendation to the Board for entering into Material Related Party Transaction(s) proposed to be undertaken pursuant to the Scheme

The following documents were placed before the Audit Committee:

- a. Draft Scheme for Reduction of Capital;
- b. Audited Financial Statements of the Company for the year ended March 31, 2025;
- c. Limited Review Unaudited Financial Statements of the Company for the period ended September 30, 2025;
- d. Auditor's Report of the Company for the year ended March 31, 2025;
- e. Valuation Report dated 23rd December, 2025 received from the Registered Valuer, M/s. SSPA & Co. having registration No. IBBI/RV-E/06/2020/126;
- f. Fairness Opinion Report dated 23rd December, 2025 obtained from SEBI Registered Merchant Banker, M/s. Rarever Financial Advisors Private Limited, SEBI Reg. No: INM000013217, a SEBI Registered Merchant Banker;
- g. Certificate from the Statutory Auditors of the Company, M/s. D S M R & Co., Chartered Accountants, certifying that the accounting treatment is in compliance with the applicable Indian Accounting Standards specified under Section 133 of the Companies Act, 2013 and other generally accepted accounting principles in India.

II. PROPOSED SCHEME FOR REDUCTION OF SHARE CAPITAL:

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

1. RATIONALE AND PURPOSE FOR THE PROPOSED SCHEME FOR REDUCTION OF SHARE CAPITAL:

- 1.1 The Company has, over the years, incurred losses in its paper business, resulting in an erosion of its net worth. As per the Limited Review Financial Statements as on 30th September, 2025, the accumulated losses stand at Rs. 2,78,39,19,643/- (Rupees Two Hundred Seventy-Eight Crores and Thirty-Nine Lakhs Nineteen Thousand Six Hundred and Forty-Three Only). Consequently, the existing share capital no longer reflects the true financial position and performance of the Company. At present, the Company does not have any major business operations. The management is, however, evaluating and considering new business opportunities, including the commencement of real estate-related activities. In order to support this proposed transition and to ensure that the financial statements present a true and fair view of the Company's financial position.



Balkrishna Paper Mills Ltd.

- 1.2 The Company's existing equity share capital no longer reflects the economic realities given its current financial conditions. In addition, The Company has outstanding redeemable preference shares amounting to Rs. 110,00,00,000/- (Rupees One Hundred and Ten Crores only) carrying a dividend rate of 6.5% and given the Company's current financial condition, reduced business operations and significant accumulated losses, the Company will not have adequate profits, reserves or liquidity to redeem its preference shares in the foreseeable future.
- 1.3 In light of the foregoing and with a view to rationalising and reorganising the capital structure of the Company, the Audit Committee has recommended to undertake a reduction of share capital in accordance with Section 66 read with Section 52 and other applicable provisions of the Companies Act, 2013, subject to requisite approvals, as set out below:
- a. The Company proposes to write off its accumulated losses to the maximum extent possible by first utilising the balance available in the Securities Premium Account amounting to Rs. 23,28,61,241/- and thereafter shall be adjusted by reducing the face value of each Equity Share of the Company from Rs. 10 (Rupees Ten only) to Re. 1 (Rupee One only) each amounting to Rs. 28,99,75,788/-, without any payment or consideration to the equity shareholders;

Adjustment of the Accumulated Losses:

Particulars	Amount in Rs.
A. Accumulated Losses as at the quarter ended 30 th September, 2025	2,78,39,19,643
B. Adjustment from the below balance:	
(Less) Securities Premium Reserve	(23,28,61,241)
(Less) Paid-up Equity Share Capital (adjusted by reducing face value from Rs. 10 to Re. 1)	(28,99,75,788)
Accumulated losses after adjustments given in "B" above as at 30th September, 2025	2,26,10,82,614

- b. Reduction of 1,10,00,000 (One Crore Ten Lakh) 6.5% Non-Cumulative Redeemable Preference Shares of Rs. 100 each (Rupees One Hundred Only), issued by the Company. The consideration payable to such preference shareholders shall be discharged as and when adequate funds become available with the Company. Until such time, the amount so payable shall



Balkrishna Paper Mills Ltd.

stand reclassified and reflected as an unsecured non-interest-bearing loan in the books of account of the Company.

- 1.4 The proposed reduction will enable the Company to adjust the accumulated losses against the paid-up share capital so that the capital employed reflects its actual and realistic value and the financial statements present a true and fair view of the Company's financial position;
- 1.5 The proposed reduction of equity share capital and preference share capital would not have any adverse effect on the creditors or employees of the Company or the Company's ability to fulfil its commitment or meet its obligations in the ordinary course of business. Pursuant to proposed scheme the face value and paid value of all the equity shares will reduced thus having no impact on the shareholding percentage of the equity shareholders before and after the capital reduction;
- 1.6 The proposed reduction is in the best interests of the Company, its shareholders, creditors, and all stakeholders as a whole.

2. REASONS FOR ACCUMULATED LOSSES OF THE COMPANY

The Company has accumulated net losses of Rs 2,78,39,19,643/- as on 30th September, 2025, over the years the Company has been incurring heavy losses in the business, on account of high cost of production, lower productivity, lower volume of business and high fixed cost etc. The Company has tried its best to revive the operations by undertaking various measures and infusing funds from time to time for revival of operations. However, the losses have continued to pile up.

3. SYNERGIES ARISING ON ACCOUNT OF PROPOSED SCHEME FOR REDUCTION OF SHARE CAPITAL:

- a. The implementation of the Scheme will allow the financial statements of the Company to present a true and fair view of its financial position. This improved transparency will strengthen the Company's market perception and enhance its ability to pursue new business opportunities efficiently.
- b. The Scheme, if approved, may enable, the Company to explore opportunities that it was unable to take advantage of because of it experiencing huge Accumulated Losses.



- c. The proposed reduction of the Securities Premium Account will result in a rational and efficient capital structure that is aligned with the Company's existing business operations and asset base.
- d. The proposed Scheme of reduction, after full implementation, will result in making the Company's balance sheet leaner and downsized.
- e. The reduction of the paid-up equity share capital of the Company by adjusting the accumulated losses against the balances lying in the Securities Premium Account of the Company does not involve any payment to the equity shareholders, nor does it result in the extinguishment or diminution of any liability of the Company.

Hence, the proposed Scheme for reduction of share capital would be for the overall benefit of the Company, its Shareholders, creditors and all other stakeholders.

4. IMPACT OF THE SCHEME FOR REDUCTION OF SHARE CAPITAL ON THE SHAREHOLDERS:

- a. The Scheme does not entail any discharge of consideration by the Company in form of cash, shares or otherwise. Hence, the interest of the shareholders is not adversely affected. The Company's equity capital structure and the shareholding pattern subsequent to the Scheme will remain unchanged;
- b. The Scheme does not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital;
- c. There is no adverse impact on the shareholders, and this reduction shall further allow the creation of distributable reserves in future for dividend which may get held up due to accumulated losses;
- d. The preference share capital reduction and recording of consideration payable as unsecured non-interest-bearing loan is not prejudicial to the equity shareholders of the Company, since their inter-se position is unaffected as preference shareholders have priority over equity shareholders, in case of liquidation; and
- e. The proposed Scheme is expected to be beneficial to the Company, its shareholders, its creditors and all other stakeholders.



Balkrishna Paper Mills Ltd.

5. COST BENEFIT ANALYSIS OF THE SCHEME:

- a. The proposed Scheme will help the Company to reflect the true and fair shareholder value which would place the Company in a position to pay dividend or raise capital in future at lower cost. The balance in the book of accounts of the Company post effecting the reduction shall be as follows:

Particulars	Amount in Rs.
A. Accumulated Losses as at the quarter ended 30 th September, 2025	2,78,39,19,643
B. Adjustment from the below balance:	
(Less) Securities Premium Reserve	(23,28,61,241)
(Less) Paid-up Capital	(28,99,75,788)
Accumulated Losses after adjustments given in B above as at 30 th September, 2025	2,26,10,82,614

- b. Further, the Scheme provides flexibility in relation to cash flow management as redeemable preference share capital creates a statutory obligation of redemption in accordance with provisions of Section 55 of the Companies Act, 2013. Failure to redeem may result in regulatory non-compliance or classification as a default. By converting the redemption obligation into an unsecured non-interest-bearing loan, the Company eliminates the immediate cash outflow requirement. This allows the Company to preserve liquidity for operational needs and growth initiatives while still ensuring a fair mechanism for eventual repayment to preference shareholders as and when sufficient funds are available.
- c. The proposed Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company.

6. RECOMMENDATION OF THE AUDIT COMMITTEE:

Taking into consideration the proposed Scheme, and after detailed deliberations, the Audit Committee approved the draft Scheme and Valuation report and other certificates/documents after *inter alia* considering the facts and rationale mentioned in the Scheme and hereby recommends to the Board for their consideration and approval.

Further pursuant to section 188 and other applicable provisions of the Companies Act, 2013 and the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to the approval of the Board of Directors of the Company and Members of the Company, the consent of the



Balkrishna Paper Mills Ltd.

Committee be and is hereby accorded for entering into aforesaid material related party transaction with the preference shareholders of the Company, being promoter group which is in the ordinary course of business of the Company and on arm's length basis.

For and on behalf of

Audit Committee of Balkrishna Paper Mills Limited

(Dileep H. Shinde)
Chairman
Independent Director
DIN: 00270687

(Mangesh D. Teli)
Member
Independent Director
DIN: 00218899

(Ashok N. Garodia)
Member
Independent Director
DIN: 00206017

(Manish Malpani)
Member
Whole time Director & CFO
DIN: 00055430

Place: Mumbai

Date: 23rd December 2025