



# Balkrishna Paper Mills Ltd.

**REPORT OF INDEPENDENT DIRECTOR'S 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 THE REGISTERED OFFICE OF THE COMPANY AT A/7, TRADE WORLD, KAMALA CITY, SENAPATI BAPAT MARG LOWER PAREL (W), MUMBAI-400013.**

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## **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

## **1. BACKGROUND:**

A meeting of the Independent Director's Committee of the Company held on Tuesday, 23<sup>rd</sup> December 2025 to consider and recommend to the Board of Directors of the Company, 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, which requires the Independent Directors' Committee to submit its report to the Board, that the Draft Scheme is not detrimental to the shareholders of the Company.

The Scheme provides that the accumulated losses to the extent of Rs. 52,28,37,029/- (Rupees Fifty-Two Crores Twenty-Eight Lakhs Thirty-Seven Thousand and Twenty-Nine Only) outstanding as on 30<sup>th</sup> September, 2025, be first adjusted from the balance of Securities Premium Reserve amounting to Rs. 23,28,61,241/- (Rupees Twenty Three Crore Twenty Eight Lakh Sixty-One Thousand Two Hundred Forty-One Only) and the remaining balance of the accumulated losses be adjusted from the issued, subscribed and paid-up equity share capital of the Company by reducing the face value of the equity shares from Rs. 10/- each to Re. 1/- each, without payment of any consideration. Further, issued, subscribed and paid-up 1,10,00,000-6.5% Non-Cumulative Redeemable Preference Shares of Rs. 100/- each (Rupees Hundred





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Only) issued by the Company shall stand cancelled and extinguished. The consideration payable to preference shareholders shall be made as and when the funds become available with the Company. Until such time, the amount payable shall be recorded as unsecured non-interest-bearing loan in the books of accounts 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 and provided that the votes cast by the public shareholders in favour of the Scheme are more than the number of votes cast by the public shareholders against it through e-voting in terms of the SEBI Master Circular;
- b) The Company obtaining the no-objection letter from the relevant stock exchanges for the implementation of the Scheme;
- c) Sanction by the NCLT under Section 66 read with Section 52 and any other applicable provision of the Act;
- d) Certified copy of the order of the NCLT sanctioning the Scheme and the minutes of the reduction being filed with the Registrar of Companies, Mumbai ("**ROC**") by the Company; and
- e) 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 Director's Committee is made in compliance with the requirement of the SEBI Master Circular read with SEBI Listing Regulations issued by the SEBI as amended from time to time, which requires the Independent Committee to submit its report to the Board, that the draft Scheme is not detrimental to the shareholders of the Company.

**The following documents were placed before the Independent Director 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 23<sup>rd</sup> 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 23<sup>rd</sup> 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 accounting standards specified under Section 133 of the Companies Act, 2013 and other generally accepted accounting principles in India.

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

The Independent Director's Committee noted that the Scheme is being proposed with the following rationale:

### **RATIONALE FOR THE PROPOSED SCHEME FOR REDUCTION OF SHARE CAPITAL:**

- a. 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 30<sup>th</sup> September, 2025, the accumulated losses stand at Rupees 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.
- b. 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. 1,10,00,00,000/- (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.
- c. In light of the foregoing and with a view to rationalising and reorganising the capital structure of the Company, the Committee has recommended to undertake a reduction of share capital in accordance with Section 66 read with





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Section 52 and other applicable provisions of the Companies Act, 2013, subject to requisite approvals, as set out below:

- i. 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 <sup>th</sup> 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)
<b>Accumulated losses after adjustments given in "B" above as at 30<sup>th</sup> September, 2025</b>	<b>2,26,10,82,614</b>

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





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- f. The proposed reduction is in the best interests of the Company, its shareholders, creditors, and all stakeholders as a whole.

### 3. REASONS FOR ACCUMULATED LOSSES OF THE COMPANY

The Company has accumulated net losses of Rs. 2,78,39,19,643/- as on 30<sup>th</sup> 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.

### 4. SALIENT FEATURES OF THE DRAFT SCHEME:

The Independent Directors reviews the Draft Scheme and noted the following salient features:

- a. Upon the scheme becoming effective the accumulated losses to the extent of Rs. 52,28,37,029/- (Rupees Fifty-Two Crores Twenty-Eight Lakhs Thirty-Seven Thousand Twenty-Nine Only) outstanding as on 30<sup>th</sup> September, 2025, will be first adjusted from Securities Premium Reserve amounting to Rs. 23,28,61,241/- (Rupees Twenty-Three Crore Twenty-Eight Lakh Sixty-One Thousand Two Hundred Forty-One Only) and the remaining balance of the accumulated losses will be adjusted from the issued, subscribed and paid-up equity share capital of the Company by reducing the face value of the equity shares from Rs. 10/- each to Re. 1/- each viz. Rs. 32,21,95,320/- (Rupees Thirty-Two Crore Twenty-One Lakh Ninety-Five Thousand Three Hundred Twenty Only) divided into 3,22,19,532 (Three Crore Twenty-Two Lakh Nineteen Thousand Five Hundred Thirty-Two) Equity Shares with face value of Rs. 10/- each (Rupees Ten Only) shall stand reduced to Rs. 3,22,19,532/- (Rupees Three Crore Twenty-Two Lakh Nineteen Thousand Five Hundred Thirty-Two Only) divided into 3,22,19,532 (Three Crore Twenty-Two Lakh Nineteen Thousand Five Hundred Thirty-Two) Equity Shares with face value of Re. 1/- each (Rupee One Only).
- b. Further, the issued, subscribed and paid-up preference share capital viz. 1,10,00,000-6.5% Non-Cumulative Redeemable Preference Shares of Rs. 100/- each amounting to Rs. 1,10,00,00,000/- (Rupees One Hundred Ten Crore Only) shall stand cancelled and extinguished. The payment of consideration for reduction of preference share capital would be made to the preference shareholders as and when the funds become available with the Company and till such time, the amount payable will be recorded as unsecured non-interest-bearing loan in the books of accounts of the Company.
- c. The Scheme shall be operative from the Effective Date (as defined in the Scheme).





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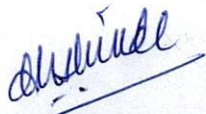
- d. The implementation of the Scheme will allow the financial statements of the Company to present a true and fair view of its financial position. This improved transparency will strengthen the Company's market perception and enhance its ability to pursue new business opportunities efficiently.
- c. The proposed Scheme of reduction, after full implementation, will result in making the Company's balance sheet leaner and downsized.
- f. The reduction of 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.
- g. 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.

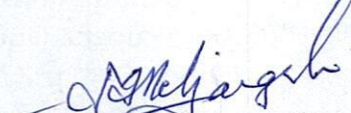
## 5. RECOMMENDATION OF THE INDEPENDENT DIRECTOR COMMITTEE:


Taking into consideration the proposed Scheme, Fairness Opinion Report dated 23<sup>rd</sup> December, 2025 received from the SEBI Registered Merchant Banker viz. M/s. Rarever Financial Advisors Private Limited and Valuation Report dated 23<sup>rd</sup> December, 2025 received from the Registered Valuer viz. M/s. SSPA & Co., draft accounting treatment certificate received from Statutory Auditors viz M/s. D S M R & Co., the Independent Director Committee confirms that the proposed Scheme is not detrimental to the shareholders of the Company and is in the best interest of the Company and its shareholders and all other stakeholders. Thus, the Independent Director Committee hereby recommends the proposed Scheme to the Board of Directors of the Company for its consideration and approval.

For and on behalf of

**Independent Directors' Committee of Balkrishna Paper Mills Limited**

  
**(Dileep H. Shinde)**  
Chairman  
DIN: 00270687

  
**(Mangesh D. Teli)**  
Member  
DIN: 00218899

  
**(Ashok N. Garodia)**  
Member  
DIN: 00206017

**Date:** 23<sup>rd</sup> December 2025

**Place:** Mumbai





