



## SRI KANNAPIRAN MILLS LIMITED

CIN : U17111TZ1946PLC000188

Registered Office: Sowripalayam, Coimbatore 641 028

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### **NOTICE OF POSTAL BALLOT TO THE SHAREHOLDERS**

(NOTICE ISSUED TO MEMBERS PURSUANT TO SECTION 110 OF THE COMPANIES ACT, 2013)

Dear Member(s),

Notice is hereby given, pursuant to Section 110 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, that the resolutions set out below seeking approval of the Shareholders for the amendment of Articles of Association of the Company and for buy-back of Equity Shares of the Company are proposed to be passed by Postal Ballot.

Accordingly, your consent is sought for the proposals as contained in the Resolutions attached. An explanatory statement pertaining to the resolutions setting out all material facts and the reasons therefor, along with the Postal Ballot Form, are enclosed.

The Company has appointed Mr M.R.L. Narasimha FCS, Practising Company Secretary, to act as the scrutinizer for conducting the Postal Ballot process, in a fair and transparent manner. **The members are requested to carefully read the instructions printed on the Postal Ballot Form and return the Form duly completed in all respects in the enclosed self-addressed, postage pre-paid envelope, so as to reach the scrutinizer on or before the close of working hours at 5.00 P.M. on Saturday, 13th August, 2016.** The scrutinizer will submit his report after completion of the scrutiny and the result of the voting by Postal Ballot will be announced in accordance with the provisions of Section 110 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, on Tuesday, 16th August, 2016.

#### **1. For amending Articles of Association providing for buy-back by the Company.**

To consider and if thought fit, to pass with or without modification/s the following resolution as a SPECIAL RESOLUTION.

“RESOLVED THAT pursuant to Section 14 and other applicable provisions, if any of the Companies Act, 2013:

i. The following Article be inserted as “Article 1” in the Articles of Association of the Company in lieu of existing Article 1.

1. Subject as hereinafter provided, the Regulations in Table F of Schedule I to the Company in lieu of existing Article 1.

ii. The following Article be inserted as “Article 19B” in the Articles of Association of the Company after Article 19A.

#### **19B Buy-back of shares**

Notwithstanding anything contained in these articles but subject to the provisions of Sections 68 to 70 and any other applicable provisions of the Act or any other law for the time being in force, the Company may purchase its own shares or other specified securities.

AND RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to take all such steps and actions for the purposes of making all such filings and registration as may be required in relation to the aforesaid amendment to the Articles of Association and further to do all such acts, deeds, matters and things as may be deemed necessary to give effect to this resolution”

## **2. Approval of the shareholders for buy-back.**

To consider and if thought fit, to pass with or without modification/s the following resolution as a SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to Article 19B of the Articles of Association of the Company and (upon the said Article as proposed by the Special Resolution under Item No.1 being approved by the shareholders and upon the said Article being registered under Sub Section 2 of Section 14 of the Companies Act, 2013), and in accordance with the provisions of Sections 68, 69 and 70 and all other applicable provisions, if any, of the Companies Act, 2013 (the “Act”), for the time being in force as also such other approvals, permissions and sanctions of such authorities, institutions or bodies (the “appropriate authorities”), as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the “Board” which expression shall be deemed to include the “Buy-back Committee” which the Board has authorized to exercise its powers, including the powers conferred by this resolution), the consent be and is hereby accorded to purchase by way of buy-back offer up to 883996 fully paid-up Equity Shares of Rs. 10/- each of the Company constituting approximately 24% of the fully paid-up Equity Share capital of the Company at a price of Rs. 79/- (Rupees seventy nine only) per Equity Share payable in cash for an aggregate amount of up to Rs. 698.36 lakhs (Rupees six hundred and ninety eight lakhs and thirty six thousand only) being 17.21% of the fully paid-up Equity Share capital and free reserves as per the audited accounts of the Company for the year ended 31.03.2016 through the Tender Offer mechanism against letter of offer (hereinafter referred to as the “buy-back”);

AND RESOLVED FURTHER that the Board of Directors (which expression includes a Committee of Directors of the Company constituted for this purpose) be and is authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, expedient or proper, for the implementation of the buy-back, carry out incidental documentation as also to make applications to the appropriate authorities for their approvals and to initiate all necessary actions for preparation and issue of various documents, opening of accounts including public announcement, if any, declaration of solvency, extinguishment of share certificates and ‘Certificates of Extinguishment’ required to be filed in connection with the buy-back on behalf of the Board and such other undertakings, agreements, papers, documents and correspondence as may be necessary for the implementation of the buy-back with the Registrar of Companies, Depositories and/or other authorities.

By order of the Board  
For Sri Kannapiran Mills Limited

Coimbatore  
09.07.2016

**KG Baalakrishnan**  
**Chairman**  
(DIN : 00002174)

### **Notes :**

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 setting out all material facts and reasons is annexed hereto.
2. The Notice of Postal Ballot is being sent to all the members, whose names appear on the register of members as on 09.07.2016 (Cut-off date).

3. Other Instructions:

- i. The Ballot process ends on 13.08.2016 (at 5.00 P.M. IST)
- ii. Mr M.R.L. Narasimha FCS, Practising Company Secretary, has been appointed as the Scrutinizer. The Scrutinizer will scrutinize the Postal Ballot Form received from the Members in a fair and transparent manner.
- iii. The Scrutinizer shall, within a period not exceeding three working days from the completion of the Ballot process, count and finalise the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any. Thereafter the scrutinizer's report shall be submitted to the Chairman of the Company.
- iv. The results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.kannapiran.co.in](http://www.kannapiran.co.in) within three days of the end of the Ballot process i.e. 16.08.2016.

**Explanatory Statement Pursuant to Section 102 of the Companies Act, 2013.**

**Item No. 1:**

Consequent to the coming into effect of the Companies Act, 2013, the Articles are proposed to be modified providing for adoption of Table F of the Schedule I to the Companies Act, 2013 to the extent they are not in conflict with the explicit regulations provided for in the Articles of Association of the Company and for providing a Clause enabling buy-back of shares by the Company as permitted under the Companies Act, 2013. The Board of the Company recommends the Resolution for your approval.

None of the Directors / their relatives is interested or concerned in the proposed resolution.

**Item No. 2:**

The relevant and material information to enable the shareholders to consider and approve the Special Resolution for buy-back of the Company's shares is set out below:

**Approval of the Board**

1. The Board of Directors of the Company at its meeting held on 18.06.2016 approved, subject to the consent of the members of the Company, the proposal for buy-back of the Company's shares

**Objective / Necessity for buy-back**

2. The equity shares of the Company were listed in Madras Stock Exchange and since the stock exchange surrendered their recognition due to non-fulfilment of certain criteria stipulated by SEBI, the Company's Shares were placed in the Dissemination Board of the National Stock Exchange effective from 9<sup>th</sup> January 2015. Considering the time stipulated of eighteen months either for listing with National Stock Exchanges or for giving an exit option, the Company intends to provide exit opportunities to the existing shareholders through this buy-back offer at a fair price. This also fulfils the option given by the SEBI to exclusively listed companies in exited stock exchange vide their circular of the 17<sup>th</sup> April, 2015.

**Class of shares & no of shares for buy-back**

3. The Company intends to buy-back 883996 Equity Shares (24% of paid-up capital) of face value of Rs. 10/- each at a price of Rs. 79/- per Equity Share with the total aggregate amount to be utilized not to exceed Rs. 1014.36 lakhs, which is within the limit prescribed under Section 68 (2) (1) (c), that is 25% of the Company's fully paid-up Equity Share capital and free reserves as per latest audited Balance Sheet as on 31.03.2016.

**Method of buy-back**

4. The buy-back is proposed to be implemented by the Company by Tender Offer mechanism against letter of offer to all the shareholders other than promoters. The Letter of Offer will be sent to the Equity Shareholder(s) of the Company as on the Record Date.

5. There will be no buy-back from any persons through negotiated deals through spot transactions or through any private arrangement.

#### **Buy-back Price and the basis of arriving at the price**

6. M/s. Indbank Merchant Banking Services Limited, a SEBI Registered category I Merchant banker was assigned the task of valuation of shares for the proposed buy-back process. Based on their valuation (which considered factors including but not limited to, the book value, earning per share, DCF value and impact on other financial parameters) and further considering relevant factors the Directors have fixed the buy-back price of Rs79/- per share.

#### **The Maximum amount to be paid for the buy-back and number of share that the Company proposes to buy-back**

7. The aggregate paid-up share capital and free reserves of the Company as on 31.03.2016 was Rs. 4057.44 lakhs and under the provisions of Section 68 of the Companies Act, 2013 the funds deployed for buy-back shall not exceed 25% of the paid-up capital and free reserves of the Company. Accordingly, the maximum amount that can be utilised in the present buy-back is Rs. 1014.36 lakhs. The aggregate amount proposed to be paid/utilised for the buy-back is Rs. 698.36 lakhs, which is within the maximum amount as aforesaid. Further, under the Act, the number of Equity Shares that can be bought back during the financial year shall not exceed 25% of the paid-up Equity Shares of the Company. Accordingly, the number of Equity Shares that can be bought back during the financial year cannot exceed 920720 Equity Shares being 25% of 3682880 Equity Shares of face value of Rs. 10/- each as per the audited Balance Sheet as on 31.03.2016.

#### **Sources of funds from which the buy-back would be financed.**

8. The money required for the buy-back will be drawn out of internal funds and free reserves of the Company and will also be met out of the cash/bank balances and/or investments made by the Company in fixed deposits and other funds.

#### **Time limit for completion of buy-back**

9. The buy-back is expected to be completed within 12 months from the date of passing of the special resolution under Postal Ballot as permitted under the Companies Act, 2013 although the Company will endeavour to complete the process at an early date.

#### **Shareholding of the Promoters**

10. (a) The aggregate shareholding of the Promoters as on date of this notice is 2798884 Equity Shares each of Rs. 10/- each constituting 76% of the total Equity Share Capital of the Company. The response to the buy-back offer will impact, the percentage holding of the Promoters consequentially would increase. Such an increase in the percentage holding/voting rights of the Promoters is not an active acquisition and is incidental to the buy-back and falls within the limits prescribed under the Companies (Share Capital and Debentures) Rules, 2014.
- (b) No shares were purchased by the Promoters during the period of twelve months preceding the date of the Board Meeting at which the proposal for buy-back is approved.
- (c) The aggregate Shareholding of the Promoters of the Company, their relatives is 2798884 Equity Shares of Rs.10/- each constituting 76% of the total Equity Share Capital of the Company as on the date of Notice.
- (d) The Promoters do not intend to participate in the buy-back.

#### **The ratio of the debt to capital and free reserves of the Company after buy-back.**

11. As required under the Act, the ratio of the debt owed by the Company would not be more than twice the Share Capital and free reserves after the buy-back. **Confirmation that the Board has made a full enquiry into the affairs and prospects of the Company and that they have formed the opinion to the effect that the Company, after buy-back will continue to meet its liabilities and will not be rendered insolvent.**

12. The Board confirms that it has made a full inquiry into the affairs and prospects of the Company and has formed the opinion:

- a) That, immediately following the date of Board meeting and special resolution through Postal Ballot, there will be no grounds on which the Company could be found unable to pay its debts;
- b) That, as regards its prospects for the year immediately following the date, that having regard to their intentions with respect to the management of the Company's business during that year and **available to the Company during that year, the Company will be able to meet its liabilities as and** when they fall due and will not be rendered insolvent within a period of one year from the aforesaid date; and
- c) That in forming its opinion for the above purposes, the Board has taken into account the liabilities (including prospective and contingent liabilities) as if the Company were being wound up under the provisions of the Companies Act, 2013.

**A report addressed to the Board of Directors by the Company's Auditors on the permissible capital payment and the opinion formed by Directors regarding insolvency**

13. The Report dated 09.07.2016 received from M/s. M S Jagannathan & Visvanathan, the Statutory Auditors of the Company addressed to the Board of Directors of the Company is reproduced below:

We have been informed that the Board of Directors of **Sri Kannapiran Mills Limited** ("the Company") having its Registered Office at Post Bag No.1, Sowripalayam, Coimbatore - 641028 in their meeting held on the 18th June, 2016, has decided to buy-back the Company's shares as allowed under Section 68(2)(c) of Companies Act, 2013.

In this connection as required by Rule 17(1) (n) of Companies (Share Capital and Debentures) Rules, 2014 and in accordance with the request letter received from the Company, we report that:

- a) We have inquired into the Company's state of affairs in relation to its audited financial statements for the year ended 31st March, 2016 as approved by the Board of Directors at its meeting held on 18th June, 2016.
- b) The amount of permissible capital payment towards buy-back of equity shares in question as ascertained below, has been properly determined in accordance with section 68 (2)(c) of the Companies Act, 2013 as follows:

**A. Maximum Amount Permitted for Buy-Back**

Rs. lakhs	
Particulars	Amount
Paid-up Equity Share Capital as at 31.03.2016 (A) (equity shares of Rs.10/- each) – (Refer note 1)	368.30
Free Reserves as at 31.03.2016 - (Refer note 2)	
- Surplus in Statement of Profit and Loss	
- General Reserves	3689.14
Total Free Reserves (B)	3689.14
<b>Total (A + B)</b>	<b>4057.44</b>
Maximum amount permissible for the buy-back (i.e. upto 25% of total paid-up equity capital and free reserves)	1014.36

**Note:**

1. Based on audited financial statements of the Company as at and for the year ended 31st March, 2016.
2. Free Reserves are as per clause 43 of Section 2 and Explanation II to Section 68 of the Companies Act, 2013.

**B. Maximum Paid up Equity Share Capital for Buy-back :**

Rs. lakhs

<b>Particulars</b>	<b>Amount</b>
Total Paid up Equity Share Capital as at March 31, 2016	368.30
Maximum Permissible Buy Back of Paid up Equity Share Capital (25% of Paid up Equity Share Capital) in a financial year	92.07

Based on the representations given by the Management and according to the information and explanations given to us, the Board of Directors in their meeting held on 18th June, 2016 formed their opinion, as specified in Rule (17)(1)(m) of Companies (Share Capital And Debentures) Rules, 2014 on reasonable grounds and that the Company will not, having regard to its state of affairs, be rendered insolvent within a period of one year from the date of Board Meeting held on 18th June, 2016 and we are not aware of anything to indicate that the opinion expressed by the directors in the declaration in this connection is unreasonable in all the circumstances.

As per Rule 17(1)(n)(iii) of Companies (Share Capital And Debentures) Rules, 2014, we report that the audited accounts on the basis of which calculation with reference to buy-back is done is not more than six months old from the date of the offer document.

We conducted our verification in accordance with the Guidance Note on Audit Reports and Certificates Issued for Special Purposes issued by the Institute of Chartered Accountants of India. Our scope of work did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information. We have not performed an audit, the objective of which would be the expression of an opinion on the specified elements, accounts or items thereof for the purposes of this report.

This report has been issued solely in connection with the proposed buy back of Equity shares of the company as required by Rule 17(1)(n) of Companies (Share Capital and Debentures) Rules, 2014 and is not to be issued for any other purpose.

**Others**

14. The Company shall transfer from its free reserves a sum equal to the nominal value of the equity shares purchased through the buy-back to the Capital Redemption Reserve account and the detail of such transfer shall be disclosed in its subsequent audited Balance Sheet.

15. Under the Act, the Company is not allowed to issue fresh equity shares within six months after the completion of the buy-back except by way of bonus issue or in the discharge of subsisting obligations such as conversion of warrants, stock option schemes, sweat equity or conversion of preference shares or debentures into equity shares.

16. The Company confirms that there are no defaults subsisting in the repayment of deposits, interest thereon, redemption of debentures interest thereon or redemption of preference shares payment of dividend to any shareholder, or repayment of term loans or interest payable thereon to any financial institutions or banks.

17. The shares bought back by the Company will be extinguished and destroyed within the stipulated time.

18. All the material documents referred to in the Explanatory statement such as the Memorandum and Articles of Association, relevant Board resolutions for buying back the shares and the Auditors Report on their enquiry into the state of affairs of the Company will be made available for inspection at the Registered office of the Company at Coimbatore on all working days, except holidays, between 10.00 A.M. and 1.00 P.M. upto the date of the declaration of Postal Ballot. The Board of the Company recommends the Resolution for your approval.

None of the Directors / their relatives is interested or concerned in the proposed resolution.