



Corporate & Regd. Office
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NOTICE

NOTICE IS HEREBY GIVEN THAT THE 02ND EXTRA ORDINARY GENERAL MEETING OF THE MEMBERS OF KHANNA PAPER MILLS LIMITED WILL BE HELD ON MONDAY, NOVEMBER 11, 2024 AT 09:00 A.M. AT CORPORATE OFFICE LOCATED AT NH-3, BYE PASS ROAD, OPPOSITE METRO CASH & CARRY, AMRITSAR, PUNJAB-143001 THROUGH VIDEO CONFERENCING TO TRANSACT THE FOLLOWING BUSINESS:

SPECIAL BUSINESS:

ITEM NO. 1:

TO ALTER THE ARTICLES OF ASSOCIATION OF 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 provisions of section 14 of the Companies Act, 2013 (including any amendments thereto or re-enactment thereof) (the “Act”) read with the respective rules made thereunder, approval of the shareholders of the Company, be and is hereby accorded to alter the existing Articles of Association of the Company by inserting the additional clause related with the appointment of the Nominee Director **as Article No. 80 (iii)** which read as follows:

“Notwithstanding anything to the contrary contained in these Articles, so long as any money shall be owing by the Company to any financial institutions, corporations, banks or such other financing entities or through Debenture Trustees or so long as any of the aforesaid banks, financial institutions or such other financing entities hold any shares/debentures in the Company as a result of subscription or so long as any guarantee given by any of the aforesaid entities in respect of any financial obligation or commitment of the Company remains outstanding in terms of payment of interest or repayment of principal amount, and on the Company committing a default in repayment of the loan or interest thereon or any default of any of the terms of the loan agreement, then in that event any of the said financial institutions or Debenture Trustees or such other financing entities shall, subject to an agreement in that behalf between it and the Company, have a right but not an obligation, to appoint one Director on the Board of Director as a nominee representing through the consortium as a whole to the Board of Company in accordance with the applicable laws. The aforesaid

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financial institutions or Debenture Trustees or such other financing entities may at any time and from time to time remove the Nominee Director appointed by it and may in the event of such removal and also in case of the Nominee Director ceasing to hold office for any reason whatsoever including resignation or death, appoint other or others to fill up the vacancy. Such an appointment or removal shall be made in writing by the relevant institution and shall be delivered to the Company and the Company shall have no power to remove the Nominee Director from office. Such Nominee Director shall be entitled to attend all General Meetings and Board Meetings and he or she and the financial institutions or such other financing entities appointing him shall also be entitled to receive notice of all such meetings in accordance with the applicable laws. The Nominee Director so appointed shall hold the said office only so long as any moneys remain owing by the Company to the financial institutions, corporations, banks or such other financing entities and the Nominee Director so appointed in exercise of the said power shall ipso facto vacate such office immediately on the repayment of the moneys owing by the Company to such financial institutions, corporations, banks or such other financing entities.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, Mr. Brij Mohan Khanna (DIN: 00062514), Chairman and Whole Time Director, Mr. Rahul Khanna (DIN: 00067173), Managing Director and Ms. Priyanka (M. No. A54843), Company Secretary of the Company, be and are hereby severally authorized to file, sign, verify, and to execute all such eforms, papers, and to give all such directions and to do all such acts, deeds, matters and things as may be necessary and/or expedient in that behalf.”

ITEM NO. 2:

TO GRANT APPROVAL FOR FINANCIAL ASSISTANCE OF RS. 1,200 CRORES FROM BANKS / LENDERS / FINANCIAL INSTITUTION FOR CONVERSION OF LOAN INTO EQUITY SHARES IN CASE OF DEFAULT MADE BY 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 62 and other applicable provisions, if any, of the Companies Act, 2013, and the relevant rules made thereunder and other applicable laws, if any, and in terms of the draft facility agreement entered /proposed to be entered into by the Company and various banks / lenders / financial institution, approval be and is hereby granted to the

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Company for financial assistance aggregating to Rs. 1,200/- Crores (Rupee One thousand Two Hundred Crores only) consisting of various term loans amounting to Rs. 450/- Crores (Rupees Four Hundred Fifty Crores) (hereinafter referred to as the "**Term Loans**") from various banks/lenders and working capital amounting to Rs. 750.00 Cr (Rupees Seven Hundred Fifty Crores) (hereinafter referred to as the "**Working Capital**") from working capital consortium comprising of various banks. (Term Loans along with Working Capital shall hereinafter be known as "**Facility(ies)**"), on the following terms:

- (i) On the Company committing a default of payment of interest or repayment of loan or interest thereon or any default of any of the terms of the loan agreement, the Company to provide, inter alia, to the Lender the right to convert, at its option an amount corresponding to the defaulted amounts of the loans and other amounts due and payable, either in part or full into fully paid-up equity shares of the Company, at par or at a price to be determined as per prevalent SEBI guidelines or in conformity with the provisions of Applicable Laws ("Conversion Right") in the manner specified in a notice in writing to be given by the Lender(s) to the Company ("Notice of Conversion"). In such Notice of Conversion, the Lender(s) shall stipulate the amount which it intends to convert into equity as also the date on which such conversion shall take place ("Date of Conversion").
- (ii) On receipt of the Notice of Conversion, the Company shall issue and allot the requisite number of fully paid-up equity shares to the Lender(s) from the Date of Conversion and the Lender(s) shall accept the same in satisfaction of the amount so stipulated in the Notice of Conversion. The amount so converted shall cease to carry interest and/or further interest as from the Date of Conversion and the amount of the loans and other amounts due and payable shall stand correspondingly reduced. The equity shares so issued and allotted to the Lender(s) shall carry, from the date of Conversion, the right to receive proportionately the

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dividends and other distributions declared or to be declared in respect of the equity capital of the Company and the said equity shares so allotted to the Lender(s) shall rank pari-passu with the existing equity shares of the Company in all respects.

- (iii) The Conversion Right may be exercised by the Lender(s) on one or more occasions, as mentioned herein above, during the currency of the loans at its sole discretion.

RESOLVED FURTHER THAT the Board of Directors ("Board") of the Company be and are hereby authorized to finalize on behalf of the Company the drafts of said loan agreements and such other undertakings or documents that may be required by the Lender(s) and execute the same.

RESOLVED FURTHER THAT the Board be and is hereby authorized to accept such modifications and to accept such terms and conditions as may be imposed or required by the Lender(s) arising from or incidental to the aforesaid terms providing for such option and do such acts and things as may be necessary to give effect to the above resolution."

ITEM NO. 3:

APPROVAL OF MEASURES FOR FINANCIAL RECOVERY, CORPORATE GOVERNANCE SAFEGUARDS AND LEGAL PROCEEDINGS DUE TO ALLEGED FRAUDULENT MISAPPROPRIATION BY DIRECTORS

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

WHEREAS the shareholders of Khanna Paper Mills Limited ("the Company") have come to know of and are deeply appalled by the fraudulent misappropriation and siphoning off of the Company's funds by Mrs. Renu Khanna and Mr. Saurabh Khanna, either individually or in concert, which constitutes a severe breach of fiduciary duty, and has caused significant financial loss and reputational damage to the Company.

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AND WHEREAS, the shareholders are further distressed by the continuous obstructive actions undertaken by Mrs. Renu Khanna and Mr. Saurabh Khanna to hinder the proper investigation and resolution of this serious misconduct, which not only undermines the interests of the Company and its stakeholders but also poses a threat to the integrity and governance standards that the Company adheres to;

NOW, THEREFORE, BE IT RESOLVED THAT the shareholders of Khanna Paper Mills Limited, in light of the severity of the misconduct, strongly recommend the Board of Directors to take immediate and decisive action to recover all funds that have been fraudulently misappropriated or siphoned off by Mrs. Renu Khanna and Mr. Saurabh Khanna, either acting individually or in concert. The Board is urged to employ all legal, regulatory, and procedural mechanisms available under the Companies Act, 2013, and other applicable laws to ensure the recovery of the Company's assets;

RESOLVED FURTHER THAT the shareholders express their full and unequivocal support to the Board of Directors in taking any and all legitimate steps, including but not limited to, initiating civil lawsuits, criminal complaints, and proceedings before appropriate courts, tribunals, and regulatory authorities such as the Ministry of Corporate Affairs (MCA), and any other bodies empowered to assist in the recovery process;

RESOLVED FURTHER THAT the shareholders, in their collective capacity, denounce and disapprove of the unethical, dishonest, and obstructive acts of Mrs. Renu Khanna and Mr. Saurabh Khanna, and affirm their trust and confidence in the Board's ability to take all necessary actions to not only recover the misappropriated funds but also to prevent any further such activities that may cause damage to the financial and operational well-being of the Company;

RESOLVED FURTHER THAT the shareholders express their grave concern over the significant damage caused to the Company's reputation and corporate image, both within the business community and among its stakeholders, as a result of the fraudulent actions of Mrs. Renu Khanna and Mr. Saurabh Khanna. The shareholders hereby direct the Board to undertake all necessary measures to restore and protect the corporate image of the Company. This includes engaging with stakeholders, investors, and regulators to reinforce the Company's commitment to the highest standards of transparency, ethics, and corporate governance;

RESOLVED FURTHER THAT the shareholders are committed to upholding the integrity of the Company and call upon all officers, employees, and stakeholders to support the Board's efforts in

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safeguarding the Company's interests and ensuring that similar misconduct does not occur in the future;

RESOLVED FURTHER THAT the shareholders direct the Board of Directors to report back to the shareholders at regular intervals on the progress of recovery actions, in accordance to law and the Articles of Association of the company, and the steps being taken to mitigate any further risks arising from the aforementioned fraudulent activities. The Board is also instructed to take necessary action to prevent any interference or further obstruction by Mrs. Renu Khanna and Mr. Saurabh Khanna, including securing interim orders or injunctions from appropriate courts, if required;

RESOLVED FURTHER THAT a copy of this resolution be formally communicated to all relevant authorities, including the Ministry of Corporate Affairs (MCA), and any other relevant regulatory or judicial bodies, along with a request for their intervention and support in the recovery of the misappropriated funds and restoration of the Company's reputation;

FURTHER RESOLVED THAT any of the Executive Director, Managing Director and Company Secretary of the Company, be and are hereby severally authorized to file all necessary forms, documents, and resolutions with the Registrar of Companies, MCA, and other statutory or regulatory bodies as required, and to take any further actions as per law and in accordance to the Articles of Association of the company, that may be necessary to give effect to this resolution, including but not limited to appointing legal advisors, investigators, or other professionals to assist in the recovery process."

**By order of Board of Directors of
Khanna Paper Mills Limited**


Brij Mohan Khanna
DIN: 00062514
Chairman and Whole Time Director

Place: Amritsar
Date: October 17, 2024



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NOTES:

1. Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 with respect to the Special Business to be transacted at the Extra Ordinary General Meeting (EGM) is annexed hereto.
2. Pursuant to the provisions of the Companies Act, 2013, a Member entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote on his/her behalf and proxy need not be a Member of the Company. Since, the EGM is being held through VC facility, the facility to appoint a proxy to attend and cast vote for a Member will not be available for the EGM. Accordingly, proxy form and attendance slip are not annexed to the Notice of EGM.
3. The attendance of the shareholders attending the EGM through EGM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
4. Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the Company, a certified copy of the Board Resolution authorizing their representative to attend and vote in their behalf at the meeting.
5. The Company is providing VC facility to its Members/Shareholders for joining/participating at the EGM. Members may join the EGM through Desktop/ Laptop/ Smartphone/ Tablet. Further, Members are requested to use internet with a good speed to avoid any disturbance during the Meeting. Please note that participants connecting via mobile hotspot may experience Audio/ Video loss due to fluctuation in their respective cellular network. It is therefore recommended to use stable WiFi or LAN connection to mitigate any glitches.
6. The facility for joining the EGM shall open 15 minutes before the time scheduled for EGM.
7. The route map for the EGM Venue is provided at the end of this notice.



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Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 read with Secretarial Standards on General Meetings

Item No. 1

The members are informed that the Articles of Association (AoA) of the Company presently do not contain a provision that explicitly allows the appointment of a Nominee Director by financial institutions, banks, or other financing entities where the Company has outstanding financial obligations toward them. As the Company has entered into certain loan agreements and/or other financial arrangements with such institutions and may continue to do so, it is deemed appropriate to alter the existing Articles of Association to include a specific clause enabling the appointment of a Nominee Director under certain conditions.

The proposed alteration involves inserting a new clause under Article No. 80 i.e. Article No. 80 (iii), to allow financial institutions, debenture trustees, or other such financing entities to appoint a Nominee Director to the Board of the Company under circumstances where the Company is indebted to these entities and in the event of default, if any, made by Company in repayment of loan or interest thereon or any default of any of the terms of the loan agreement. This clause will ensure that these entities have a representative on the Board, who will have the right to attend and participate in the meetings of the Board and General Meetings, allowing for greater oversight and protection of their financial interests.

The main features of the proposed Article No. 80 (iii) include the following:

1. The Nominee Director may be appointed by any financial institution, bank, or other financing entity if the Company has any outstanding financial obligation to it and a default occurs on payment terms or other conditions.
2. The Nominee Director shall have the right to attend all Board and General Meetings and receive notices of such meetings.
3. The Company shall have no authority to remove the Nominee Director once appointed. This Director shall vacate the position only when the Company has repaid its obligations in full.



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4. This appointment and removal shall be made through written notice from the financing entity, and such notice shall be binding on the Company.

The Board believes that this addition to the Articles is essential to enable the Company to maintain favorable relationships with its financiers and allow for future financing opportunities if needed. Additionally, this change aligns the Company's Articles with common practices for corporate governance in India, particularly for companies that rely on institutional financing.

The Board of Directors recommends passing the proposed resolution as a Special Resolution.

None of the Directors, Key Managerial Personnel, or their relatives, except to the extent of their shareholding in the Company, if any, are deemed to be concerned or interested in this resolution.

Item No. 2

The Company is seeking approval from its shareholders for financial assistance aggregating to Rs. 1,200 Crores, comprising term loans amounting to Rs. 450 Crores and working capital funding of Rs. 750 Crores from various banks, lenders, and financial institutions. This financial arrangement is crucial for supporting the Company's working capital requirements and long-term strategic initiatives.

To facilitate this financing, the Company intends to provide the lenders with an option to convert their outstanding loans into equity shares in the event of default. Such a mechanism allows lenders the right to convert the unpaid amount into fully paid-up equity shares at par or as per SEBI guidelines. This option, commonly known as a "Conversion Right," can be exercised by lenders at their discretion should the Company failing to make timely payments as per the loan agreement.

Key Terms of the Facility:

1. Default and Conversion Right:

- (i) If the Company defaults on the payment of interest or principal as per the loan agreement, the lenders will have the option to convert the defaulted amount into equity shares.
- (ii) The lenders can exercise this Conversion Right by issuing a "Notice of Conversion" specifying the amount to be



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converted and the date of conversion ("Date of Conversion").

2. Issuance and Allotment of Equity Shares:

- (i) Upon receiving the Notice of Conversion, the Company will allot fully paid-up equity shares to the lenders on the specified Date of Conversion.
- (ii) These shares will carry the same rights as existing equity shares, including entitlement to dividends and other distributions, ranking pari-passu with existing shares.
- (iii) Following conversion, the converted loan amount will no longer accrue interest.

3. Flexibility for Lenders:

- (i) Lenders may exercise the Conversion Right on multiple occasions during the term of the loan, at their sole discretion, providing them with greater flexibility in managing their exposure to the Company.

Rationale for the Resolution:

The conversion option is a standard arrangement when securing substantial financing, as it provides a safety net for lenders by reducing financial risk. This mechanism enhances the Company's financial flexibility by attracting potential lenders who may view the conversion option as an additional layer of security. The conversion into equity also aligns the interests of the Company and the lenders, as both will benefit from the Company's growth and financial stability.

Approval of this resolution under Section 62 and other applicable provisions of the Companies Act, 2013, is required to enable the Company to grant such conversion rights to its lenders. The Board of Directors recommends passing the proposed resolution as a Special Resolution.

The Board also seeks authorization to finalize and execute the necessary agreements, including accepting any modifications that may be required by the lenders to effectively implement the conversion mechanism.

None of the Directors, Key Managerial Personnel, or their relatives, except to the extent of their shareholding in the Company, if any, are deemed to be concerned or interested in this resolution.



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Item No. 3

It has been reported that Mrs. Renu Khanna (DIN: 01794291), Whole Time Director and Mr. Saurabh Khanna (DIN:00062737), Former Director of Khanna Paper Mills Limited either acting individually or in concert, have engaged in the misappropriation and diversion of the Subsidiary Company's funds for personal benefit. Such actions constitute a betrayal of the trust placed in them by the shareholders and have compromised the Company's financial integrity, adversely affecting its standing among stakeholders.

The shareholders are further troubled by actions taken by Mrs. Renu Khanna and Mr. Saurabh Khanna to obstruct the Company's efforts to investigate and resolve these issues. These obstructive measures have hindered the Company's attempts to identify and address the full scope of the misconduct. These actions represent a severe breach of fiduciary duty and have resulted in significant financial losses and reputational damage to the Company. This resolution seeks to empower the Board of Directors to take all necessary legal and procedural steps to recover the funds misappropriated by these individuals and to prevent any recurrence of such conduct.

In light of the severity of the misconduct and the detrimental impact on the Company's financial position and reputation, the Board believes it is crucial to take decisive action to address these issues. The Board recommends that the shareholders pass this resolution as an Ordinary Resolution, thereby granting the Board the necessary authority to pursue legal and regulatory remedies to protect the Company's interests.

None of the Directors, Key Managerial Personnel, or their relatives, except those involved in the resolution process as per their fiduciary duties, are deemed to have any direct interest in this resolution, except to the extent of their shareholding in the Company, if any, are deemed to be concerned or interested in this resolution.

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Route map to the venue of the 02nd EGM of Khanna Paper Mills Limited

