



**IN THE NATIONAL COMPANY LAW TRIBUNAL**  
**AHMEDABAD**  
**COURT - 2**

ITEM No.302  
CP/8(AHM)2023

**Order under Section 66 of Co. Act, 2013**

**IN THE MATTER OF:**

Mahan Industries Limited

.....Applicant

.....Respondent

**Order delivered on: 12/11/2024**

**Coram:**

Mrs. Chitra Hankare, Hon'ble Member(J)

Dr. Velamur G Venkata Chalapathy, Hon'ble Member(T)

**ORDER**

The case is fixed for pronouncement of order.

The order is pronounced in open Court vide separate sheet.

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**DR. V. G. VENKATA CHALAPATHY**  
**MEMBER (TECHNICAL)**

-sd-

**CHITRA HANKARE**  
**MEMBER (JUDICIAL)**

**IN THE NATIONAL COMPANY LAW TRIBUNAL  
AHMEDABAD (COURT - II)**

**CP 8 of 2023  
(Under Sec 66 of Companies Act, 2013)**

**In the matter of:**

Mahan Industries Limited  
CIN: L91110GJ1995PLC024053  
Having Registered Office at:  
D K House, 3rd Floor,  
Nr Mitha-Khali Under Bridge,  
Navrangpura, Gujarat-380006

..... Petitioner Company

**Order pronounced on: 12.11.2024**

**Coram:**

**MRS. CHITRA HANKARE  
HON'BLE MEMBER (JUDICIAL)**

**MR. VELAMUR G VENKATA CHALAPATHY  
HON'BLE MEMBER (TECHNICAL)**

**Appearance:**

For the Applicant : Mr. Nipun Singhvi, Adv. a.w. Ms. Pragati  
Tiwari, Adv., Mr. Abishek Chhajed, PCS  
& Ms. Sejal Palan, PCS

For the RD : Mr. Shiv Pal Singh

For the Income Tax : Ms. Kinjal Vyas, Adv. For Ms. Maithili  
Mehta, Adv.



## **JUDGEMENT**

1. This is an application filed under Section 66 of the Companies Act, 2013 seeking confirmation in the reduction of share capital of Mahan Industries Limited approved by the Shareholders by the Special Resolution.
2. The main objects of the Company as set out in the Clause of the Memorandum of Association of the Company are briefly reproduced as under;
  - i. To carry on business of trading investment, business of financial company, to undertake all types of leasing and hire purchase rental business relating to all kinds of machinery, plant equipment, ships, vehicles, air craft's, buildings, houses, Syndicate leasing or hire purchase business, to undertake bill discounting business, and to finance housing Business and to finance for working Capital.

The details of the Memorandum of Association and Articles of Association of the Company are appended as Annexure - A.

3. The Authorized Share Capital of the Applicant Company as on 31.03.2021 is Rs.37,30,00,000/- divided into 3,73,00,000 Equity Shares of Rs.10/- each and the Issued, subscribed



and Paid up Capital of the Company as on 31.03.2021 is Rs.36,00,00,000/- divided into 3,60,00,000 Equity Shares of Rs.10/- each. Subsequent to 31.03.2021, there has been no change in the Authorized share capital of the Petitioner Company. However Issued, Subscribed and Paid up Share Capital of the Petitioner Company is changed from Rs.36,00,00,000/- to Rs.3,60,00,000/- as on 20.12.2022.


4. The Applicant Company submitted that under Article 4 of the Articles of Association of the Petitioner Company, it is provided that the Company may from time to time, by Special Resolution, reduce its capital in any manner for the time being authorised by law and in particular, capital may be paid off on the footing that it may be called upon again or otherwise.
5. It is submitted that there are no proceedings/investigations pending against the Petitioner Company under Sections 210 - 217, 219, 220, 223, 224, 225, 226 & 227 or any other provisions of the Companies Act, 2013. There are no qualifications, reservations or adverse remarks or disclaimers made by the auditor in his report.



6. Rationale or Object of the Capital Reduction is submitted by the Petitioner Company as under:
- a. The proposed reduction of the equity share capital of the Company is being undertaken in accordance with the provisions of Section 66 read with Section 52 of the Act and the rules made thereunder and specifically the Rules along with the observation letter by recognised stock exchange - BSE which is attached herewith as Exhibit – K which permit a company to undertake a reduction of its share capital in any manner, read with the Listing Regulations and the SEBI Circular.
  - b. In view of the accumulated carry-forward losses that the Company's Balance Sheet is not reflecting at its actual value and with the future prospect of growth and value addition to the shareholders, the Company has proposed to clean its books thereby enabling the Company to raise future resources considering the expansion program that has been considered for development would need huge amount of investment both in terms of equity as well as debt.



- c. Continuous Losses have substantially wiped off the value represented by the Share Capital thus the financial statements do not reflect the correct picture of the health of the Company. This has given rise to the need to re-adjust the relation between capital and assets and to reflect the liabilities and assets of the Company accurately and fairly in its books of accounts. The Company has evaluated the effect of this upon the Company's functioning and has carefully examined different options available to the Company. After detailed deliberations, the Board of Directors of the Company is of the view that reduction of capital in accordance with section 66 of the Companies Act, 2013 read with National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016, is the only practical and economically efficient legal option available to the Company. In order to reflect its assets and liabilities at their real value and maximize its business value, the Company proposes to reduce the equity share capital of the company in accordance with Section 66 of the Companies Act, 2013 read with



National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016.

- d. The Scheme of Reduction of Share Capital is presented with a view to achieve Restructuring of the Company which would result in reducing of the accumulated losses of the Company and improvement in financial health as more business activities shall be brought into the Company thereby preventing it from becoming a sick Company.
7. The reduction and cancellation of Equity Shares of the Petitioner Company is divided in the following Manner which are approved by shareholders of the Company under section 66 of the Companies Act, 2013:
- a. To reduce and cancel the issued, subscribed and paid-up Equity Share Capital of the Company amounting to Rs. 32,40,00,000/- (Thirty-Two Crore Forty Lacs) divided into 3,24,00,000 (Three Crore Twenty-Four Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each fully paid up, on proportionate basis (other than Equity Shares held by the nominee shareholders) against debit



balance of Profit and Loss Account in Surplus Account without payment of any consideration;

8. The above-mentioned capital reduction is executed on account of the following intentions of stakeholders':
  - a. Reduction of Equity share capital is carried out to eliminate or wipe off the accumulated losses in the Reserve and Surplus Account and debit balances as on 31st March, 2021 amounting to Rs. 33,61,63,365/- (Rupees Thirty-Three Crores Sixty-One Lacs Sixty Three Thousand Three Hundred Sixty Five Only).
9. It is submitted that the Unsecured Financial Creditors will not be affected by the proposed reduction since post-reduction, the assets of the Petitioner Company will be sufficient to discharge its liabilities. The proposed Capital Reduction neither involves diminution of liability in respect of unpaid capital nor did payment to any shareholder of any paid-up capital. Moreover, there is no payment involved as a consideration and thus consent from the creditors is not required.
10. Further, the Certificate issued by the Chartered Accountant with regard to the Confirmation of Accounting Treatment as



per Section 133 of the Companies Act, 2013 is also annexed as Annexure - G.

11. It is seen from the Application and the annexures filed therewith, that the shareholders of the Petitioner Company have approved the scheme of Reduction of Capital in the Extra ordinary General Meeting held on 21.09.2021 by way of Special Resolution, passed at this meeting.
12. The net worth positions of the Petitioner Company pre and post reduction based on unaudited provisional financial statements of the Petitioner Company as on 20th day of December, 2022 is as under:

<b>Particulars</b>	<b>Pre-reduction of Capital (Rs.)</b>	<b>Post reduction of Capital (Rs.)</b>
Total Paid up share capital	3600	360
Add: Capital Reserve	90	90
Debit Balance in Profit & Loss Account	(3376.35)	(136.35)
Net Worth as on 20.12.2022	313.65	313.65



13. The Regional Director, the Registrar of Companies and the Income Tax Department submitted no objection to the scheme of reduction of share capital.
14. In view of the same, this Tribunal is of the view that it is just and proper to confirm the Reduction of Share capital of the Petitioner Company as resolved by the members of the Company by passing a special resolution and by way of the consent in the form of affidavit.
15. If there is any deficiency found or violation committed qua any enactment, statutory rule or regulation, the sanction granted by this Tribunal will not come in the way of action being taken, albeit, in accordance with law, against the persons concerned, directors and officials of the applicant.
16. It is clarified that this order should not be construed as an order in any way granting exemption from payment of stamp duty, taxes or any other charges, if any payment is due or required in accordance with law or in respect to any permission/ compliance with any other requirement which may be specifically required under any law.
17. All compliances as are required to be done by the Applicant Company upon this order confirming the reduction of share



capital and security premium reserve shall be duly complied with in relation SEBI, FEMA and Income Tax laws as may be applicable.

18. Accordingly, we pass the following order:

**ORDER**

- I. CP 8 of 2023 is allowed.
- II. The proposed form of Minutes is approved. The petitioner company is directed to get it registered under section 66(5) of the Companies Act, 2013.

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**DR. V. G. VENKATA CHALAPATHY**  
**MEMBER (TECHNICAL)**

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**CHITRA HANKARE**  
**MEMBER (JUDICIAL)**

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