

**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL**

**NEW DELHI BENCH**

**NEW DELHI**

**CA (CAA)-105 (ND)/2017**

**Present: SHRI R.VARADHARAJAN, MEMBER (JUDICIAL)**

**IN THE MATTER OF SECTIONS 230 OF THE COMPANIES ACT, 2013**

**In the matter of:**

Sections 230 and other applicable provisions of the Companies Act, 2013 read with Companies (Compromises, Arrangements, and Amalgamations) Rules, 2016.

**AND**

**In the matter of Scheme of Arrangement**

**OF**

**R SYSTEMS INTERNATIONAL LIMITED**

**(Applicant Company)**

**AND**

**Their Respective Shareholders and Creditors**



**MEMO OF PARTIES**

R SYSTEMS INTERNATIONAL LIMITED

Having registered office at:

B-104A, Greater Kailash Part-1

New Delhi-110091.....Applicant Company

Counsel for Applicant : Mr. Mahesh Agarwal, Advocate  
Mr. Rajeev Kumar, Advocate

**ORDER**

Order Delivered on: 08/12/2017

1. This is an application which is filed by the applicant company herein, namely R Systems International Limited (for brevity "Applicant Company"), under section 230 of Companies Act, 2013 read with Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 in relation to the Scheme of Arrangement which contemplates Reduction of Share Capital (hereinafter referred to as the "SCHEME") in relation to the applicant Company. The said Scheme is also annexed as Annexure "A" to the application. The applicant company it is stated is listed on the BSE and NSE and the stock Exchanges ~~and that the Exchanges~~ have given their 'No objection' letter to the scheme.

CA(CAA)-105(ND)/2017 R Systems International Limited

The applicant above named has preferred the instant application in effect for the following purpose as evident from the reliefs sought for in the Application, namely:

- I. Convening, Holding and conducting meeting of Equity Shareholders of the Applicant Company and directions for issue and publication of notices of the meeting in this regard.
- II. Dispense with the requirement of convening meetings of Un-secured Creditors of the Applicant Company and to dispense with the requirement of issue and publication of notices for the same.
- III. Dispense with the requirement of convening meetings of Secured Creditors of the Applicant Company and to dispense with the requirement of issue and publication of notices for the same.
- IV. Serving a copy of notice of the meeting to the Regional Director, Registrar of Companies, Official Liquidator, Jurisdictional Assessing Officer of the Applicant Company.
- V. Dispensing with the requirement of sending a copy of notice of meeting to stock exchanges, SEBI since the company has already obtained the approval of the stock exchanges and SEBI. The said approval provides, that the applicant company is not required to send notices to stock exchange under section 230 (5) of the Companies Act, 2013.
- VI. Permitting the filing of applications, petition, and other documents as may be required for the purpose of sanctioning the proposed scheme of Arrangement between R Systems International Limited and its shareholders and creditors.
- VII. Pass such order/further order (s) as this Hon'ble Tribunal may deem fit and proper.

2. Perusal of the application shows that the Applicant Company has filed this application under section 230 of the Companies Act, 2013 praying for reduction of share capital which is evidenced from the rationale of the Scheme as given in paragraph 12 of the application the relevant portion of which is extracted hereunder:

1. Xxxxx
2. R Systems has an employee welfare trust named as R Systems Employees Welfare Trust (hereinafter referred as "Trust") wherein certain employees had been specified as eligible beneficiaries to get the shares of R Systems on vesting and exercise of options granted to them as per R Systems International Ltd. Employees Stock Option Plan - Year 2001.
3. The Trust transferred shares of R Systems on exercise of options by the eligible employees prior to January 2006 and thereafter no options remained in force which could have been exercised subsequently. Hence, since January 2006 till date, there are no ascertained employees or beneficiaries of this Trust who are eligible to get the Trust Fund including the shares in R Systems as held by Trust.
4. As on the approval of this Scheme by Board, the Trust holds 738,980 shares of Re.1/- each in R Systems. Since there is no eligible employee or beneficiary of this Trust, hence Trustees are considering to wind up this Trust in near future post utilization or extinguishing the Trust Fund.
5. In this regard, the trustees of this Trust have also expressed their desire and recommended to R Systems to evaluate the possible option to utilize or extinguish the Trust Fund



including the winding-up this Trust and also initiate the necessary actions therefor.

6. The extinguishment of Trust Fund would result into cancellation of shares of R Systems held by this Trust. Therefore, in order to reflect the correct and true capital structure of R Systems, it has become imperative for R Systems to re-align and re-organize its share capital structure by cancelling the shares held by the Trust following the process of capital reduction.
  7. In view of the above, the Board has decided to reduce the paid up equity share capital of R Systems by cancelling and extinguishing the Equity Shares as held by the Trust as on the Effective Date of this Scheme.
  8. The proposed capital reduction would be beneficial for all the remaining shareholders of R Systems as it would improve the earnings per share and also enhanced the shareholders' value.
  9. Furthermore, Board has also considered that the proposed capital reduction would not have any adverse effect on the creditors of R Systems and the Company would honor its commitments and meet its obligations in the ordinary course of business and also there is no payout to the Trust pursuant to the proposed capital reduction.
3. It is pertinent to note that Reduction of Capital and sanction relating to the same has been prescribed separately elsewhere in Companies Act, 2013 and for the said purpose separate rules have also been framed by the Central Government. Thus reduction of capital requires separate set of procedure to be complied for which specific rules have been framed and hence cannot be

brought within the confines of Section 230 of the Companies Act, which is more for restructuring business. At the cost of repetition where a separate section deals in relation to the scheme contemplated by the applicant company and which also contains specific rules to be complied with it will be appropriate for the applicants to file the application under the relevant provision and not under the one presently under which, the application has been preferred.

4. Hence, the Tribunal is constrained to dismiss the application as provisions for exclusive reduction of share capital is provided elsewhere in Companies Act, 2013 and the applicant, if so advised may prefer under the said provision of the Act of 2013.

This application is accordingly dismissed.

No order as to costs.

- Sd/-  
08/12/17  
(R.VARADHARAJAN)  
MEMBER (JUDICIAL)

U.D Mehta  
08.12.2017