

**IN THE NATIONAL COMPANY LAW TRIBUNAL,
HYDERABAD BENCH AT HYDERABAD**

C. A. (CAA) No.132/230/HDB/2017
U/s 230 and 232 of the Companies Act, 2013

In the matter of

M/s. Pyro Networks Private Limited
Srinilaya Cyber Spazio, West wing, First Floor,
8-2-269/A/2/1 to 6, Road No. 2, Banjara Hills
Hyderabad, Telangana - 500034

... Applicant/
Transferor Company (3)



Versus

The Regional Director
South Eastern Region
Corporate Bhavan, Bandlaguda
Nagole, Ranga Reddy District
Hyderabad - 500068

...Respondent

Date of order: 27.10.2017

Coram:

Hon'ble Shri Rajeswara Rao Vittanala, Member (Judicial)

Parties /Counsels

For the Applicant : Mr. V.B. Raju, Advocate

Per: Rajeswara Rao Vittanala, Member (Judicial)

ORDER

1. The present Company Application bearing CA No. 132/230/HYD/2017 is filed by M/s Pyro Networks Private Limited (Applicant/Transferor Company-3 herein), by inter-alia, seeking directions to dispense with the meetings of the equity shareholders, secured creditors and unsecured creditors of the Applicant / Transferor Company-3.

2. Brief facts, leading to filing of the present Company Application, are as follows:-

- i. M/s. Pyro Networks Private Limited (Transferor Company 3) was originally incorporated as a private limited company on 13th day of February, 2008 in the then State of Andhra Pradesh under the name and style of Pyro Telecommunications Private Limited. The said company has changed its name to its present name i.e., Pyro Networks Private Limited and has obtained a fresh certificate of incorporation subsequent to the change of name from Registrar of Companies, Andhra Pradesh on 3rd February 2014 after complying with the necessary formalities under the Companies' Act, 1956.
- ii. The main objects of the Transferor Company 3 are set out in the Memorandum of Association which are briefly to carry on the business as developers of networking, electronic recharging and printing of postpaid and prepaid vouchers for various telecom operators in India and abroad etc. The Transferor Company-3 is, inter-alia engaged to carry on the business as developers of networking for various telecom operators in India and abroad.
- iii. The authorized, issued, subscribed and paid-up share capital of the Transferor Company-3 as on 31st March 2016 is as under:



PARTICULARS	AMOUNT (INR)
Authorized Share Capital:	
3,000,000 equity shares of INR 10 each	30,000,000
TOTAL	30,000,000
Issued, Subscribed and Paid-up Capital:	
1,999,700 equity shares of INR, 10 each	19,997,000
TOTAL	19,997,000

- iv. The Transferor Company 3 closes its financial every year on 31 March. The audited financial statements of the Transferor Company-3 as on 31 March 2016 is as under:

Particulars	Amount in INR
EQUITY AND LIABILITIES	
Shareholder's Funds	
Share Capital	19,997,000
Reserves and Surplus	20,554,408
	40,551,408
Non-Current Liabilities	
Long-term borrowings	16,630,792
	16,630,792
Current Liabilities	
Trade payables	13,171,686
Other current liabilities	35,895,545
Short-Term Borrowings	24,854,015
Short-Term Provisions	1,144,147
	75,065,393
Total:	132,247,593
ASSETS	
Non-current assets	
<u>Fixed assets</u>	
Tangible assets	22,244,053
Non-current Investments	1,349,357
	23,593,410
Current Assets	
Trade receivables	91,011,996
Cash and bank balance	1,602,801
Short term loans and advances	16,039,386
	108,654,183
Total	132,247,593

A copy of the audited Balance Sheet as at 31st March, 2016 and provisional Balance sheet as at 31st March, 2017 of the Transferor Company 3.

- v. M/s. Pyro BKP Telecom Consultants Private Limited (Demerged Company or Transferee Company-1) was registered as a private limited company on 21st day of May, 2008 in the then State of Andhra Pradesh.



vi. The main objects of the Demerged Company or Transferee Company-1 are set out in the Memorandum of Association which are briefly to carry on in India or elsewhere the business and to act as a consultant, advisor, representative, signatory liaison, agent, service man and other similar subjects and to make feasibility studies, techno economic feasibility studies, project reports, forecasts and to run, maintain, provide, operate, manage, supervise, arrange services, facilities, conveniences, equipment of Radio frequency engineering services. The Resulting Company or Transferee Company-2 is, inter-alia, engaged in the business of investment services.

vii. The authorized, issued, subscribed and paid-up share capital of the Demerged Company or Transferee Company 1 as on 31st March 2016 is as under:

Particulars	Amount in INR
Authorized Share Capital:	
70,00,000 equity shares of INR 10 each	7,00,00,000
TOTAL	7,00,00,000
Issued, Subscribed and Paid-up Capital:	
68,67,746 equity shares of INR 10 each	6,86,77,460
TOTAL	6,86,77,460

viii. The Demerged Company or Transferee Company 1 closes its financial every year on 31 March. The audited financial statements of the Demerged Company or Transferee Company-1 as on 31 March 2016 is as under:

Particulars	Amount in INR
EQUITY AND LIABILITIES	
Shareholder's Funds	
Share Capital	68,677,460
Reserves and Surplus	(118,971,510)
Securities Premium	104,295,655
	54,001,605



Non-Current Liabilities	
Long-term borrowings	2,100,536
	2,100,536
Current Liabilities	
Trade payables	2,859,490
Other current liabilities	15,618,466
	18,477,956
Total:	74,580,097
ASSETS	
Non-current assets	
Fixed assets	
Tangible assets	14,605,876
	14,605,876
Current Assets	
Trade receivables	16,112,498
Cash and bank balance	248,162
Short term loans and advances	43,613,561
	59,974,221
Total	74,580,097



- ix. M/s. Pyro Holdings Private Limited (Resulting Company or Transferee Company 2) was registered as a private limited company on 3rd day of November, 2006 in the then State of Andhra Pradesh.
- x. The main objects of the Resulting Company or Transferee Company-2 are set out in the Memorandum of Association which are briefly to be engaged in the business of being an investment company, investment consultants & portfolio management in all its branches and without prejudice shares, stocks, debentures, debenture stock, bonds, obligations and securities issued or guaranteed by any company constituted or carrying on business in India or elsewhere.
- xi. The authorized, issued, subscribed and paid-up share capital of the Resulting Company or Transferee Company-2 as on 31st March 2016 is as under:

Particulars	Amount in INR
Authorized Share Capital:	
50,000 equity shares of INR 10 each	5,00,000
TOTAL	5,00,000
Issued, Subscribed and Paid-up Capital:	

10,000 equity shares of INR 10 each	1,00,000
TOTAL	1,00,000

- xii. The Resulting Company or Transferee Company 2 closes its financial every year on 31 March. The audited financial statements of the Resulting Company or Transferee Company 2 as on 31 March 2016 is as under:

Particulars	Amount in INR
EQUITY AND LIABILITIES	
Shareholder's Funds	
Share Capital	100,000
	100,000
Non-Current Liabilities	
Long term borrowings	3,717,733
	3,717,733
Current Liabilities	
Other current liabilities	40,264
	40,264
Total:	3,857,997
ASSETS	
Non-current assets	
Fixed assets	
Long term loans and advances	3,812,328
	3,812,328
Current Assets	
Cash and bank balance	45,669
	45,669
Total	3,857,997

- xiii. M/s. Pyro Mobile Private Limited (Transferor Company 1) was originally incorporated as a private limited company on 12th day of March, 1999 in the then State of Andhra Pradesh under the name and style of Abacus Web (India) Private Limited. The said company has changed its name to its present name i.e., Pyro Mobile Private Limited and has obtained a fresh certificate of incorporation subsequent to the change of name from Registrar of Companies, Andhra Pradesh on 13th August



2005 after complying with the necessary formalities under the Companies' Act, 1956.

- xiv. The main objects of the Transferor Company 1 are set out in the Memorandum of Association which are briefly as to carry on the business as developers of mobile networking, mobile technology and telecommunications, tool processing of imports and exports of such developed turnkey systems those include the customized installation activities as business for delivery of required software as hardware devices.
- xv. The authorized, issued, subscribed and paid-up share capital of the Transferor Company 1 as on 31st March 2016 is as under:



Particulars	Amount in INR
Authorized Share Capital:	
50,000 equity shares of INR 10 each	5,00,000
TOTAL	5,00,000
Issued, Subscribed and Paid-up Capital:	
10,000 equity shares of INR 10 each	1,00,000
TOTAL	1,00,000

- xvi. The Transferor Company-1 closes its financial every year on 31 March. The audited financial statements of the Transferor Company 1 as on 31 March 2016 is as under:

Particulars	Amount in INR
EQUITY AND LIABILITIES	
Shareholder's Funds	
Share Capital	100,000
Reserves and Surplus	3,837,302
	3,937,302
Non-Current Liabilities	
Long-term borrowings	132,679
	132,679
Current Liabilities	
Trade payables	3,521,782
Short-Term Borrowings	30,615
	3,552,397
Total:	7,622,378

ASSETS	
Non-current assets	
Fixed assets	
Tangible assets	62,444
	62,444
Current Assets	
Trade receivables	4,552,744
Cash and bank balance	121,631
Short term loans and advances	2,885,559
	7,559,934
Total	7,622,378

xvii. M/s Pyro Telecom Solutions Private Limited (Transferor Company-2) was originally incorporated as a private limited company on 15th day of May, 2002 in the then State of Andhra Pradesh under the name and style of Pyro Networks Private Limited. The said company has changed its name to its present name i.e., Pyro Telecom Solutions Private Limited and has obtained a fresh certificate of incorporation subsequent to the change of name from Registrar of Companies, Andhra Pradesh on 11thDecember 2013 after complying with the necessary formalities under the Companies' Act, 1956.



xviii. The main objects of the Transferor Company-2 as set out in the Memorandum of Association is to carry on the business as developers of networking for telecommunications tool processing of imports and exports of such developed turnkey systems. Those include the customized installation activities as business for delivery of required software as hardware devices, otherwise termed as IT enabled service business and offer, host, provide and render off-line services including planning, designing and implementation services, internet, intranet business promotion, branding, marketing, training project consultancy and other consultancy services in relation

thereto and stablish, promote, operate, run and carry on business of Networking applications and implementation of turnkey network solutions and sourcing in India and abroad and to provide educational, training in all types of computer software and hardware courses in the technical fields of engineering, information management, financial, personal investment, marketing, production, sales, accounting and managerial, data processing machine service to all types of individuals, firms, companies, and any other form of organization.

- xix. The authorized, issued, subscribed and paid-up share capital of the Transferor Company 2 as on 31st March 2016 is as under:



Particulars	Amount in INR
Authorized Share Capital:	
2,510,000 equity shares of INR 10 each	25,100,000
TOTAL	25,100,000
Issued, Subscribed and Paid-up Capital:	
1,847,500 equity shares of INR 10 each	18,475,000
TOTAL	18,475,000

- xx. The Transferor Company-2 closes its financial every year on 31 March. The audited financial statements of the Transferor Company 2 as on 31 March 2016 is as under:

Particulars	Amount in INR
EQUITY AND LIABILITIES	
Shareholder's Funds	
Share Capital	18,475,000
Reserves and Surplus	333,597,996
	352,072,996
Non-Current Liabilities	
Deferred tax Liability (net)	1,525,114
Long-term borrowings	8,379,862
	9,904,976
Current Liabilities	
Trade payables	139,893,385

Other current liabilities	94,804,530
Short-Term Borrowings	106,035,779
Short-Term Provisions	1,326,570
	342,060,264
Total:	704,038,236
ASSETS	
Non-current assets	
<u>Fixed assets</u>	
Tangible assets	39,095,080
Long term loans and advances	16,514,893
Non-current Investments	129,830,123
	185,440,096
Current Assets	
Trade receivables	431,219,485
Cash and bank balance	4,637,521
Short term loans and advances	13,519,753
Other Current Assets	69,221,381
	518,598,140
Total	704,038,236



3. RATIONALE FOR THE PROPOSED SCHEME

The circumstances that have necessitated or justified the proposed composite scheme and its main benefits are *inter alia*, summarised as under:

- (i) To rationalise/simplify the group structure which would enable the management to have focused attention towards its business which would enable better growth.
- (ii) To achieve strengthened leadership in the industry, in terms of the consolidated asset base, consolidated revenues of the combined entity.
- (iii) To achieve consolidation, greater integration and financial strength and flexibility which will maximize overall shareholders' value and improve the competitive position of the combined entity.
- (iv) To achieve greater efficiency in cash management and unfettered access to cash flows generated by the combined entity, which can be deployed more

effectively to fund organic and inorganic growth opportunities.

- (v) The Scheme of Arrangement will result in reduction of multiplicity of entities, thereby reducing compliance cost of multiple entities viz., statutory filings, regulatory compliances, labour law/ establishment related compliances.

4. In view of the aforesaid benefits, the Board of Directors of the Applicant/ Transferor Company-3 vide its meeting dated 5th June, 2017 approved the Composite Scheme of Arrangement between Pyro BKP Telecom Consultants Private Limited, Pyro Mobile Private Limited, Pyro Holdings Private Limited, Pyro Telecom Solutions Private Limited and Pyro Networks Private Limited and their respective shareholders and creditors, subject to approval of NCLT. Hyderabad, etc.



5. The following are brief terms of the proposed scheme:-
- (a) The Appointed date for the purpose of this scheme is 01.04.2016.
- (b) Upon the Scheme becoming effective, all properties and liabilities, etc., of Transferor Company 2 & Transferor Company 3 respectively shall stand transferred to and vested in or deemed to be transferred to and vested in the Transferee Company 2 with effect from the appointed date, becomes the properties of the Transferee Company 2 by virtue of the Arrangement.
- (c) After the appointed date, any proceedings taken against the Transferor Company-2 & Transferor Company-3 is pending, the same shall not abate or be discontinued or in any way be prejudicially affected by reason of this amalgamation or by anything contained in this Scheme, but the same may be continued,

prosecuted and enforced by or against the Transferee Company-2 in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against the Transferor Company-2 and Transferor Company-3 as if the Scheme had not been made.

- (d) Upon the Scheme becoming effective, all staff, workmen and employees on the payrolls of the Transferor Company-2 and Transferor Company-3 respectively, in service on the Effective Date shall be deemed to have become staff, workmen, and employees of Transferee Company-2 on such date without any break or interruption in their service and on the terms and conditions of their employment not less favourable than those subsisting with reference to Transferor Company-2 and Transferor Company-3 as on the said date.



- (e) Upon the coming into effect of this Scheme and in consideration of the transfer and vesting of the Transferor Company-2 and Transferor Company-3 respectively into the Transferee Company-2 pursuant to the Scheme, the Transferee Company-2 shall without any further application, act, instrument or deed, issue and allot to the respective equity shareholders of the Transferor Company-2 and Transferor Company-3, whose names are registered in the register of members of Transferor Company 2 and Transferor Company-3 on the Record Date equity shares of Rs. 10/- (Rupees Ten only) each, credited as fully paid up of the Transferee Company-2, in the ratio of one equity share of the face value of Rs. 10/- (Rupees Ten only) each of the Transferee Company-2 for every one equity share of the face value of Rs. 10/-

(Rupees Ten only) each credited as fully paid-up held on the Record Date by such equity shareholders or their respective legal heirs, executors or administrators or, as the case may be, successors in the Transferor Company-2 and Transferor Company-3 respectively.

- (f) Upon the Scheme becoming effective, Transferee Company 2 shall record the assets and liabilities of the Transferor Company-2 and Transferor Company-3 transferred to Transferee Company 2 pursuant to this Scheme at their respective fair values and account for the amalgamation of the Transferor Company-2 and Transferor Company-3 pursuant to the Scheme in accordance with AS 14 notified by the Companies (Accounting Standards) Rules, 2006, as amended from time to time, under purchase method. Any difference, whether surplus or shortfall, in the recorded value of assets and liabilities in the books of accounts of the Transferee Company-2 and the value of the equity shares allotted thereof by the Transferee Company-2, in case of surplus, shall be credited to "Capital Reserve Account" and the same can be utilized by Transferee Company-2 for the purposes of issue of bonus shares to its shareholders. (which for all intents and purposes shall be considered as part of net worth of the Amalgamated Company) or, in case of shortfall, shall be debited to "Goodwill Account", as the case may be.



The amount of goodwill, if any, arising on account of the said amalgamation, shall represent goodwill purchased by the Transferee Company-2 pursuant to the amalgamation. The purchased goodwill will be allocated across intangible assets by the Transferee

Company-2. This will be recorded in the books of the Transferee Company-2 as at the Appointed Date in compliance with the applicable accounting standards. The goodwill, if any, shall be depreciated as per the generally accepted Indian accounting principles.

To the extent there are inter-corporate loans or balances between the Transferor Company 2 and Transferor Company-3 and the Transferee Company 2 the obligations in respect thereof shall come to an end and corresponding effect shall be given in the books of accounts and records of the Transferee Company-2 for the reduction of any assets or liabilities, as the case may be.

(g) On the Scheme becoming effective, the Transferor Company-2 & Transferor Company-3 shall stand dissolved, without going through the process of winding up.

6. It is stated that no investigation or proceedings have been instituted or are pending against the Demerged Company or Transferor Company-1, Resulting Company or Transferee Company-2, Transferor Company-1, Transferor Company-2 and Transferor Company-3. Transferor Company-3 is an unlisted Company.
7. There are only 5 (five) Shareholders in the Applicant/Transferor Company-3 as per details given below:-

S.No	Name of Equity Shareholder	No. of equity shares	Total paid up value (in Rs.)	% of share-holding
1	S.M.Reddy	1,10,750 equity shares of Rs.10/- each	1,10,7500	55.38%
2	D.C.Archana	6,43,125 equity shares of Rs.10/-	6,43,125	32.16%



		each		
3	S.P.Reddy	157,190 equity shares of Rs.10/- each	15,71,900	7.86%
4	T.Chandrashekar	91,875 equity shares of Rs.10/- each	9,18,750	4.59%
5	Rakesh Poovadan	10 equity shares of Rs.10/- each	100	0.00%
Total		19,99,700	1,99,97,000	100%

All of them have given their consent to the proposed scheme of Arrangement by means of affidavits dated 09.09.2017.

It is further submitted that there are 10 secured creditors as per details given below.



Sl.No	Name of the Creditor	Amount
01.	Andhra Bank	2,87,236
02.	Bank of India	2,04,93,155
03.	Bank of India Vehicle Loan	72,855
04.	Capital First Limited	5,12,507
05.	FULLERTON INDIA LIMITED	7,87,318
06.	HDFC Car Loan	49,79,619
07.	HDFC Vehicle Loan	19,956,647
08.	Loan from Bank of India	9,44,572
09.	Reliance Capital Ltd	22,75,775
10.	Religare Finvest Ltd	5,23,480
	Grand Total	3,28,72,164

All the above secured creditors have given their no-objection to the proposed scheme of Arrangement. There are 43 Unsecured creditors in the Applicant / Transferor Company 3 to the value of Rs. 8,03,32,685/-. All have given their consent by way of affidavits.

8. It is further submitted that a similar application is being filed by the Demerged Company or Transferee Company-1, Resulting Company or Transferee Company-2, Transferor Company-1 and Transferor Company-2 seeking dispensation of the meeting of Equity Shareholders and Creditors before the Tribunal.

9. Heard Shri V.B. Raju, Learned Counsel for the Applicant Company. As per the directions of the Tribunal on 24.10.2017, the Learned Counsel for the Applicant Company issued notice to the Regional Director, Registrar of Companies vide letter dated 25.10.2017.



10. I have considered pleadings of the Learned Counsel for the Applicant Company and all the material papers filed in support of the application, and satisfied that the Company is stated to be following all provisions of Company Act, 2013, and rules made there under, and the scheme in question prima facie satisfies fundamental requirements for its sanction, however subject to approval of its shareholders, secured/unsecured creditors, all stake holders and finally NCLT. Therefore, the Company is entitled for dispensation of meeting of its Shareholders as they have already given their consent by way of sworn affidavits.

11. In the result, the Company Application bearing CA (CAA) No.132/230/HDB/2017, is disposed of by dispensing with conducting of the meeting of the Equity Shareholders, Secured creditors and unsecured creditors of the Applicant Company / Transferor Company 3.

Sd/-

RAJESWARA RAO VITTANALA
MEMBER (JUDICIAL)

प्रमाणित प्रति
CERTIFIED TRUE COPY
दस्तावेज संख्या
CASE NUMBER CA(CAA) No. 132/230/HDB/2017
दस्तावेज तैयार किया गया तारीख
DATE OF JUDGEMENT 27-10-2017
प्रमाणित तैयार किया गया तारीख
COPY MADE READY ON 30-12-2017

Asst. Regr./Asst. Regr./Court Officer
National Company Law Tribunal, Hyderabad Bench