IN THE NATIONAL COMPANY LAW TRIBUNAL, BENGALURU BENCH
[Through Physical hearing/ VC Mode (Hybrid)]

Supplementary Cause List 01

ITEM No.01
C.P. No.128/BB/2025

IN THE MATTER OF:

India1 Payments Limited … Petitioner

Vs.

ROC, Karnataka … Respondent

Petition under Section 66 of Companies Act, 2013

Order delivered on: 18.09.2026

CORAM:

SHRI SUNIL KUMAR AGGARWAL
HON'BLE MEMBER (JUDICIAL)

SHRI RADHAKRISHNA SREEPADA
HON'BLE MEMBER (TECHNICAL)

COUNSELS PRESENT:

For the Petitioner : G.M Ganapathi PCS
For the Respondent : Appeared

ORDER

Vide separate Order, **Company Petition is disposed of.** File be consigned to record room.

-Sd-	**-Sd-**
RADHAKRISHNA SREEPADA	**SUNIL KUMAR AGGARWAL**
MEMBER (TECHNICAL)	**MEMBER (JUDICIAL)**

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<u>IN THE NATIONAL COMPANY LAW TRIBUNAL, BENGALURU BENCH, BENGALURU</u>

<u>(Through Physical Hearing/VC Mode (Hybrid))</u>

C.P No.128/BB/2025

<u>Under Section 66 of the Companies Act, 2013 and the Rules framed thereunder</u>

<u>IN THE MATTER OF:</u>

INDIA1 PAYMENTS LIMITED
Units No.801 to 810, 8th Floor,
Tower B, Diamond District,
#150, Old Airport Road,
Bengaluru -560008. **- Petitioner Company**

Versus

Registrar of Companies,
'E' Wing, 2nd Floor, Kendriya Sadan
Koramangala,
Bengaluru - 560034 ... Respondent

<u>Order delivered on: 18.09.2026</u>

<u>CORAM:</u> 1. Shri Sunil Kumar Aggarwal, Hon'ble Member (Judicial)
2. Shri Radhakrishna Sreepada, Hon'ble Member (Technical)

<u>PRESENT</u>:

For Petitioner : Shri Ganapati Bhat, PCS
For ROC/RD : Mr. R.J Reddy
For I.T Department : Shri Ganesh Ghale

<u>O R D E R</u>

<u>Per Radhakrishna Sreepada, Member(Technical):</u>

1. This petition is filed on 25.09.2025 by **India1 Payments Limited** (hereinafter referred as 'Petitioner Company') Under section 66 of the Companies Act, 2013 and Rules framed thereunder inter-alia seeking following reliefs:
   a) *That the reduction of capital resolved on 10.09.2025 by special resolution set out in para 13 above confirmed;*

a) *That to this end, all directions necessary and proper be made and given;*
b) *That the proposed minute at Annexure-M be approved;*
c) *Pursuant to the reduction of capital of the petitioner Company, the Petitioner Company may be exempted to add words "And Reduced" to its name as the last words thereof; and*
d) *That such further or other orders be made in the premises as the Tribunal shall deem fit in the interests and equity;*

2. The Petitioner Company was incorporated on 30th June 2006 at Mumbai under the Companies Act, 1956 as a private limited company with name "Banktech India Private Limited" and the registered office of Company was shifted from Mumbai, Maharashtra to Bengaluru, Karnataka with effect from 08.08.2009. Subsequently, the name of the Company was changed to "BTI Payments Private limited" with effect from 18.02.2013. Later pursuant to the conversion of the Company to a public limited company, the name of the Company was changed to "India1 Payments Limited" with effect from 02.09.2021. Presently the Petitioner Company conducting its business in the name of India1 Payment Limited bearing CIN: U93090KA2006FLC050581 having registered office at Unit No.801 to 810, 8th Floor, Tower B, Diamond District, #150, Old Airport Road, Bengaluru – 560008. The main objects of the Petitioner company are '*to carry on the business of deployment of Automatic Teller Machines (ATM), electronic ticketing machines, Cash dispensing machine, gaming machines etc*.,' A copy of Memorandum of Association and Articles of Association along with Certificate of incorporation is placed on record as **Annexure A** to the Petition.
3. Article 9.11 of Articles of Association empowers the Petitioner Company to reduce its Capital. The extracts of the said Article are given hereunder:

> *9.11 - The Company may, by special resolution reduce in any manner and with and subject to, any incident authorized and consent required by law,-*
> *(a) its share capital;*
> *(b) any capital redemption reserve account; or*
> *(c) any share premium account*

4. The authorized, issued and paid-up Share Capital of the Petitioner Company as on 31.08.2025, hereinafter referred as "cut-off date" is as follows:

Authorized Capital	**Amount (Rs)**
4,50,00,000 equity shares of Rs. 5/- each	22,50,00,000
Issued, Subscribed and Paid-Up Capital	**Amount (Rs)**
3,24,28,310 equity shares of Rs. 5/- each	16,21,41,550

5. The Board of Directors at their meeting held on 9.09.2025 proposed to provide a partial exit to the investor, subject to approval of shareholders and confirmation by Hon'ble Tribunal through process of reduction of capital by cancelling 45,16,129 equity shares of Rs.5/- each for a fair market value of Rs.155/- per share aggregating to Rs.69,99,99,995/-. The reduction of share capital does not involve extinguishment or reduction of any liability in respect of unpaid share capital or cancellation of any paid-up share capital which is lost or is unrepresented by available assets of the Petitioner company. The interest of the Creditors of the Petitioner company is not prejudicially affected in any way and manner, and they will be paid off in the ordinary course of business.
6. The Board of Directors of the Company at their meeting held on 09.09.2025 unanimously approved and proposed the resolution for the approval of the shareholders of the company.
7. Pursuant to the Board Meeting dated 09.09.2025 the Extraordinary General Meeting was held on 10.09.2025, wherein, the Shareholders of the Petitioner Company vide Special Resolution, have unanimously approved the proposed reduction as required under Section 66 (1) of the Companies Act, 2013, which inter alia reads as follows;

"RESOLVED THAT pursuant to the provision of Section 66 of the Companies Act, 2013 read with the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 and the applicable provisions of the National Company Law Tribunal (NCLT) Rules, 2016 (including any statutory modification(s), amendment or re-enactment thereof for the time being in force) and pursuant to Articles of Association of the Company, subject to the approval of the Hon'ble National Company Law Tribunal (NCLT), Bengaluru Bench or any other competent authority as may be specified in this regard and subject to such other approvals, permissions and sanctions as may be necessary and subject to such

conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the paid-up share capital of the Company be and is hereby reduced from Rs. 16,21,41,550/- (Rupees Sixteen Crores Twenty-One Lakhs Forty-One Thousand Five Hundred and Fifty Only) divided into 3,24,28,310 (Three Crores Twenty-Four Lakhs Twenty-Eight Thousand Three Hundred and Ten Only) to Rs. 13,95,60,905/- (Rupees Thirteen Crore Ninety-Five Lakh Sixty ThousandNine Hundred and Five Only) divided into 2,79,12,181 (Two Crore Seventy-Nine Lakh Twelve Thousand One Hundred Eighty-One) by cancelling, extinguishing and returning excess paid-up capital representing 45,16,129 (Forty-Five Lakh Sixteen Thousand One Hundred Twenty-Nine) equity shares of Rs. 5/- (Rupees Five Only) each fully paid up, which is not immediately required for the Company."

*"**FURTHER RESOLVED** THAT subject to approval of the Hon'ble National Company Law Tribunal (NCLT), Bengaluru Bench or such other authorities as may be applicable, approval of the shareholders be and is hereby given for providing partial exit to M/s. IDBI Trusteeship Company Limited, trustee for **India Advantage Fund S3 I**, managed by M/s. ICICI Venture Capital Funds Management Company Limited through reduction of share capital by cancelling, extinguishing and returning 45,16,129 (Forty Five Lakh Sixteen Thousand One Hundred Twenty Nine) equity shares of Rs. 5/- (Rupees Five Only) each fully paid up for a value of Rs. 155/- (Rupees One Hundred and Fifty-Five Only) per share aggregating Rs. 69,99,99,995/- (Rupees Sixty-Nine Crores Ninety-Nine Lakhs Ninety-Nine Thousand Nine Hundred and Ninety-Five Only) as per the Valuation report obtained from the Registered Valuer."*

*"**FURTHER RESOLVED THAT** Mr. Srinivas K, Executive Vice Chairman, or Mr. Sanjay Kumar Bajaj, Group CFO or Company Secretary be and are hereby severally and/or jointly authorised to sign and execute the necessary application, Petition, affidavit, declaration, undertakings, addendums or any other documents, forms etc., and to submit to the Hon'ble National Company Law Tribunal ('NCLT'), Regional Director ('RD'), Registrar of Companies ('ROC'), Reserve Bank of India ('RBI'), or any other competent authority as may be specified in this regard and for following the directions, if any, given by the National Company Law Tribunal, RD, ROC, RBI, or any other competent authority as may be specified in this regard, and filing of necessary forms with afore-mentioned authorities and during any other acts for effecting the reduction of capital in the manner mentioned above."*

8. The Company has reported to the Registrar of Companies about the special resolution passed by the Shareholders at EGM held on 10.09.2025 on 11.09.2025 and the same is taken on record. Further the proposed reduction of share capital is offered to M/s IDBI Trusteeship Company Limited, trustee for India Advantage Fund S3 I, for the reason that the investor has to comply the SEBI mandatory requirement of its liquidation being a close-ended VCF. This amounts to payout to a selective shareholder and hence the petitioner has obtained consent from all other shareholders stating that they do not have any objection for such selective payment and are not interested in participating the proposed reduction of capital.

9. It is submitted that the post-confirmation of the proposed reduction of equity share capital by this Hon'ble tribunal the share capital structure of the Company will be as follows:

Authorized Capital	Amount (in Rs.)
4,50,00,000 equity Shares of Rs.5/- each	22,50,00,000
Issued, Subscribed and fully paid-up capital	Amount in Rs.)
2,79,12,181 equity shares of Rs.5/- each	13,95,60,905

10. As on 31.08.2025 the outstanding balance of Secured Creditors amounting to Rs.270,83,24,024/- and Unsecured Creditors amounting to Rs.4,01,84,291 in the Company. As specified in the Para II.1 of the petition, the Company is engaged in the business of White Label ATMs (WLA) under authorization of Reserve Bank of India, operating of Automatic Teller Machines and this requires the company to replenish Cash in the ATM which is funded by secured borrowing. Such borrowing are used exclusively for replenishing cash at ATM and cash dispensed from ATM which remains receivable from National Payments Corporation of India (NPCI). The below table demonstrates the liquidity in the business in excess of the secured creditors.

Particulars	Amount (in Rs., Million)
A- Total Cash & cash equivalent including cash available in ATM and cash in transit subject to receivable from NPCI	6,111.28
B- (Less) Total Secured Creditors/Liabilities	2708.32
Surplus Cash available after meeting Secured Creditors/liabilities (A-B)	3,402.96

11. The Company shall ensure consent from all/majority of the secured financial creditors in aggregate amounting to Rs.270,83,24,024/- which is equivalent to 98.54% of the total creditors of the Company. Whereas the petitioner has 225 Operational creditors aggregating to Rs.4,01,84,291 which is equivalent to 1.46% of the total creditors. Considering the consent to be obtained from the Secured creditors and robust cash flow position, the Petitioner Company has ability to pay its creditors. Hence, the Tribunal may kindly dispense with or reduce the 90 days' notice period and publication of notice to creditors as permitted under Sub-rule 6 of Rule 3 of the NCLT (Procedure for Reduction of Share capital of company) Rules, 2016.
12. The Petitioner Company did not raise any deposits and there are no arrears in repayment of any deposits and/or interest payable thereon as on date of presenting this petition. The declaration made by the Director of the Company, that there are no arrears in repayment of any deposits or interest payable thereon is annexed as Annexure-Q to the petition.
13. The proposed reduction of capital is in compliance with the Accounting Standards in conformity with the Companies Act, 2013. The Auditors certificate certify the accounting treatment for reduction is in conformity with accounting standards under Section 133 is annexed as Annexure-S to the petition.
14. It is respectfully submitted that there is no winding up application pending against the Petitioner Company.
15. When the C.P was listed on 26.09.2025, Notice of the petition was issued to the RoC and simultaneously for public announcement in two newspapers and the matter was adjourned to 19.09.2025.:
16. In compliance to the said order, the Petitioner Company has filed Compliance Affidavit vide Diary No. 5880 and dated 28.10.2025 along with proof of paper publication, the Petitioner Company has also attached the postal receipts of

notices sent to the Secured and Unsecured Creditors of the Company and the copies of paper publications of the advertisement made for the proposed reduction.

17. The Petitioner has also filed Memo vide Dy.No. 6864 dated 15.06.2026 for submission of NoC received from all the Secured Creditor of the Company for the proposed reduction of capital of the Company and also justification on payment of proceeds of reduction of capital out of profits.

18. **REPORT of the RD and ROC**:

The Regional Director, South Eastern Region, Ministry of Corporate Affairs, Hyderabad have filed a Report vide Dairy No.1046 dated 02.03.2026 by inter alia observing **from Para-3** as under:

3. The main business activity of the Company is to carry on the business of deployment of Automatic Teller Machines (ATM), electronic ticketing machines, Cash dispensing machine, gaming machines and product dispensing machines and the provision of ongoing ATM services for banks and financial institutions, own and/or manage a network of ATMs and/or EFTPOS terminals throughout India, the provisions of ATM and EFTOPS Transactions processing services in India, and services related to other retail banking products and services.

4. That Clause 9.11 of the AOA permits for Reduction of Share Capital etc. by company and Company has the power to alter its share capital in any manner as may be required pursuant to the provisions prescribed by law and the Petitioner Company has passed special resolution on 10.09.2025 for reduction of capital under Section 66 (1) (b) of the Companies Act, 2013 which reads as under:

"The paid-up share capital of the Company be and is hereby reduced from Rs.16,21,41,550/- (Rupees Sixteen Crores Twenty-One Lakhs Forty-one Thousand Five Hundred and Fifty only) divided into 3,24,28,310 (Three Crores Twenty-Four Lakhs Twenty-Eighty Thousand Three Hundred and ten only) to Rs.13,95,60,905/- (Rupees Thirteen crore Ninety-Five Lakh Sixty Thousand Nine Hundred and Five only) divided into 2,79,12,181 (Tow crore Seventy-Nine Lakh Twelve Thousand One Hundred Eight-One) by

cancelling, extinguishing and retuning excess paid-up capital representing 45,16,129 (Forty-Five Lakh Sixteen Thousand One Hundred Twenty Nine) equity shares of Rs.5/- each fully paid up, which is not immediately required for the Company"

5. That the shareholders of the company approved payment of Rs.155 as share premium on each share while proposing reduction of the capital. In this regard, it is submitted that Section 52 of the Company Act, 2013 which deals with utilization of share premium states as under:

Section 52:

> *"(1) Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to a "securities premium account" and the provisions of this Act relating to reduction of share capital of a company shall, except as provided in this section, apply as if the securities premium account were the paid-up share capital of the company.*
> *(2) Notwithstanding anything contained in sub-section (1), the securities premium account may be applied by the company—*
> *(a) towards the issue of unissued shares of the company to the members of the company as fully paid bonus shares;*
> *(b) in writing off the preliminary expenses of the company;*
> *(c) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debenture of the company;*
> *(d) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the company; or*
> *(e) for the purchase of its own shares or other securities under section 68.*

6. The reduction of capital as envisaged under Section 66 of the Companies Act, 2013 is for reduction of capital and it is neither distribution of divided directly or indirectly nor is a buyback of shares. The reduction of capital is done by a company for several reasons and in the present case the reduction is for returning of excess capital but has been approved by shareholders to return it on premium. There are differing views of the various courts whether share premium can be used for reduction of capital.

In the matter of Firepro Systems Private Limited – NCLT, Bengaluru bench (17 Oct. 2025) it was held that

"……..while a company may reduce its paid-up share capital under Section 66 of the Companies Act, 2013 the Securities Premium Account be utilized to wipe out accumulated losses or for any other purpose not expressly permitted under Section 52 (2). Therefore, reduction of the securities premium as part of capital reduction was not permitted as it was barred by Section 52.

However, the above order is under challenge before NCLAT.

In the matter of Modern Hi-Rise Private Limited – NCLT Kolkata Bench 09-Sep-2025) held hat

"……..amounts in the Securities Premium Account cannot be reclassified to retained earnings for the purposes of redemption or capital reduction indicating that securities premium is a capital reserve which has its own statutory envelope and cannot be equated with free reserves……."

On the other hand the NCLAT, Principal Bench, in Company Appeal AT No.293 of 2019 in the matter of Brillo Technologies private Limited has held that securities premium may be considered as it paid-up capital under Section 52 (1) , this authority does not detract from the plain language of Sections 52 (2), nor from the strict statutory limits on utilization of the Securities Premium Account. Copy of the NCLT order in the matter of Firepro Systems Private Limited and NCLAT order in Brillio Technologies Private Limited are enclosed as Annexure 'A'.

7. As per clause 64 of section 2 of the Companies Act, 2013 which defines the paid up share capital as below

> *"paid-up share capital" or "share capital paid-up" means such aggregate amount of money credited as paid-up as is equivalent to the amount received as paid-up in respect of shares issued and also includes any amount credited as paid-up in respect of shares of the company, but does not include any other amount received in respect of such shares, by whatever name called"*

The definition is exclusive in nature and clearly excludes any other amount received in respect of such shares by whatever name called. Hence the Securities Premium is distinct from share capital and does not fall within the ambit of paid up share capital as contemplated under section 66 and therefore reduction of securities premium under the guise of reduction of capital may not be legally sustainable.

8. Further, the free reserves have been defined in section 2(43) of the Companies Act, 2013

> *"Free reserves" means such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend: Provided that—*
> *(i) any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise; or*
> *(ii) any change in carrying amount of an asset or of a liability recognised in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves*.

The above definition doesn't include the Securities premium as it is not free for distribution of dividends. Therefore, it is to submit that permitting reduction of Securities Premium may indirectly enable distribution of capital reserves to shareholders, which is expressly prohibited under section 52(2) read with section 2(43) and Section 123 of the Companies Act, 2013. However, this need to be read with Section 52(1) which states that the Share Premium can be utilised, except as provided in section 52(2), for the purpose of reduction of share capital of a company as if the Securities Premium Account were the paid up share capital of the company. The Hon'ble Tribunal may consider the above submissions regarding share premium.

9. Further, the company if it is opting for the buyback of shares than it has to pay tax of 20% on the total value minus the amount actually paid on each paid up share. Bringing reduction of capital along with the share premium account may have tax implication therefore, notice may be issued to the Income Tax Department.

10. That as per the petition filed by the petitioner company, the equity shareholders of the company having 100% shares have voted for the proposed reduction of capital and none voted against the scheme.

11. That this Directorate has received letter No. ROCB/Sec.66/CP No.128/BB/2025/INDIA1/2025 dated 18.11.2025 from the Registrar of Companies, Karnataka, Bangalore pointing out certain observations as under: —

a. That the Petitioner company INDIA1 PAYMENTS LIMITED was incorporated on 30/06/2006. The petitioner company has shifted its registered office from the address mentioned in the petition to 3rd Floor, Orion Building, Bagmane Constellation Business Park, Outer Ring Road, K.R. Puram Hobli, Mahadevapura, Bangalore, Bangalore North, Karnataka, India, 560048 with effect from 15.10.2025 as seen from Form INC-22 filed vide SRN AB8573118 dated 28.10.2025.

b. That the Petitioner Company has filed the statutory returns for the financial year ending up to 2023–2024 and the said forms were taken on record. The authorized, issued, subscribed and paid-up share capital of the Petitioner Company as per the petition is as follows:

Authorised capital	Amount (in Rs.)
50,00,000 Equity Shares of Rs.5/- each	22,50,00,000
Issued, Subscribed and Fully paid up	Amount (inRs.)
24,28,310 Equity Shares of Rs.5/- each	16,21,41,550

However, the Master Data and ROC records show its paid-up capital as Rs. 16,21,40,000. The petitioner may be directed to explain the discrepancy in the data furnished, which may require necessary amendment to the scheme of reduction.

c. That the Board of Directors of the Petitioner Company had considered and approved the proposal for the Reduction of Share Capital of the Company in the meeting held on 09.09.2025 and as per the Petition, the shareholders have approved the proposal of reduction by passing a special resolution in the EGM held on 10.10.2025, and the same has been filed by the Petitioner Company in Form No. MGT-14 vide SRN AB6730384.

d. That the form of the Minute proposed to be registered under Section 66(5) of the Companies Act, 2013 is as follows:

"The paid-up share capital of INDIA1 PAYMENTS LIMITED is henceforth Rs. 13,95,60,905/- (Rupees Thirteen Crore Ninety-Five Lakh Sixty Thousand Nine Hundred and Five only) divided into 2,79,12,181 (Two Crore Seventy-Nine Lakh Twelve Thousand One Hundred and Eighty-One only) Equity shares of Rs. 5/- (Rupees Five

only) each fully paid up, reduced from Rs. 16,21,41,550/- (Rupees Sixteen Crore Twenty-One Lakh Forty-One Thousand Five Hundred Fifty only) divided into 3,24,28,310 (Three Crore Twenty-Four Lakh Twenty-Eight Thousand Three Hundred and Ten only) of Equity shares of Rs. 5/- (Rupees Five only) each fully paid up."

e. That as per the Petition filed by the Company for Reduction of Share Capital, the Petitioner Company proposed to reduce 45,16,129 equity shares of Rs. 5/- each aggregating to Rs. 2,25,80,645 held by IDBI Trusteeship Services Limited (India Advantage Fund S3 I) (hereinafter referred to as the Investor), one of the shareholders of the company, at a premium of Rs. 155/- per share and the total capital to be returned to the shareholder aggregates to Rs. 69,99,99,995. The said reduction is proposed to be carried out by reducing the Equity Share Capital Account by Rs. 2,25,80,645 and the Securities Premium Account by Rs. 67,74,19,350, and is stated to be paid off through its cash and cash equivalents.

f. That it is the case of the petitioner that the Investor is a SEBI registered Venture Capital Fund and has entered into liquidation in 2018 and since then is under extended liquidation due to sole outstanding investment held in the petitioner company. In view of the Liquidation, the Investor has requested the petitioner company for an exit to avoid penal action from SEBI on non-compliance of SEBI Regulations on winding up of the Fund and the same has been accepted by the Board of the petitioner company.

g. That as per the shareholders list submitted by the petitioner company, it is noticed that the Investor is holding 27.92% stake in the company i.e. 90,55,144 equity shares of Rs. 5/- each. Out of which, in the petition now filed for reduction, only 45,16,129 equity shares of Rs. 5/- each aggregating to Rs.2,25,80,645 is proposed to be returned/paid off on the ground that the Investor is under liquidation and is required to receive its investment back to comply with SEBI Regulations in order to be liquidated. The scheme does not explain why the entire shareholding of the Investor is not paid off when it is under liquidation and holds 90,55,144 equity shares and why only 45,16,129 equity shares are proposed to be paid off and what purpose would be served by the Investor to still hold 45,27,572 equity shares in the company. Despite stating "liquidation of the Investor" as the main reason for pay-off, it is not sufficiently explained why approximately only half of the share capital of the Investor is being paid off. The Hon'ble Bench may direct the petitioner to explain the reasons.

h. That as per the financial statements of the company as at 31.03.2025 attached with the petition, the petitioner has disclosed a sum of 10,485.72 million under Cash and Cash Equivalents in Note No. 14. Out of the above, 850 million is shown under "Deposit Account" (with original maturity 3 months or less) against which in Note 15, a disclaimer is made that Deposits are held as lien with the banks, in order to obtain term loan, working capital loans and bank overdrafts. Also, in respect of Cash at ATM, it is stated that working capital loan is secured by pari passu charge on ATM. At Note 18, the petitioner company has disclosed a total borrowing of 8744.08 million towards Term loans, working capital loans and bank overdrafts, which are all secured by Fixed Deposit and Cash at ATM. Thus, the petitioner needs to provide complete details of all the deposits it holds under different categories under Cash and Cash Equivalents with the details of charge/lien held against each of them and how the pay-off is justified when almost all its Deposit accounts are held as security towards its overdraft, working capital loans and term loans. Also, the petitioner company should substantiate with necessary documentation its statement that "adequate surplus cash is available to pay off the investor through the process of reduction".

i. That the petitioner has attached Valuation Report dated 05.09.2025 from Sundae Capital Advisors Private Limited valuing the shares of the company at Rs.154.14 as on 30.06.2025 calculated based on DCF method under Income Approach. As per Article No.18 of the AOA under Part B (as per restated AOA adopted in EGM held on 04.09.2021), the shareholders' agreement calls for valuation to be determined as per Clause 18.1 to 18.2. However, the valuation report attached to the petition is silent regarding compliance of these articles and the process adopted in valuation. Also, the proposed reduction aiming pay-off is for Rs.155/- per equity share while the valuation arrived at is Rs.154.14 only. Hence Petition may be directed to explain the permissibility under law and how the reduction proposed is justified beyond the value arrived by the valuation report.

j. That as per the financial statements of the Company as at 31.03.2025 at Note No.8 the Company has disclosed that the "Intangible Assets under Development" amount to 1.24 million as at 31.03.2024 has been transferred to other intangible asset and hence as at 31.03.2025 shown as "Nil". However, there is no information in the financial statements whether impairment test was done before nullifying the amount as required under IND AS-38 or not. Also, in Note No.7, the petition has disclosed "Capital work in progress" of 21.15 million as at 31.03.2025 towards salaries of employees working on the project while also claiming that there are no material projects under CWIP. Capitalizing salaries without proper disclosures in the financial statements is in violation of IND-AS 16 r/w IND-AS 1. The Petitioner may be directed to explain how its financial statements are true and fair which appear to be in violation of Accounting Standards and file for compounding with the appropriate authority.

k. That as required under the Rule 2 (2) (a) of the National Company Law Tribunal (Procedure for Reduction of Share Capital of the company) Rules, 2016 the Petitioner Company has submitted the list of Creditors duly certified by the Directors of the Company as on 31.08.2025. As per the financial statements of the company as at 31.03.2025, in Note No. 22, the company has disclosed dues to MSME together with interest. The petitioner may be directed to identify these MSME trade payables in the List of Creditors submitted so as to secure these dues.

l. That as required under Rule 2(2)(b) of the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016, the Petitioner Company along with the Petition has attached a Certificate dated 11.09.2025 from the Auditor viz. M S K

A & Associates, Mr. Harsh Jain, Chartered Accountants, certifying that as on 31.08.2025, the List of Creditors furnished by the Directors as per the records of the Company is correct.

m. That as required under Rule 2(2)(c) of the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016, the Petitioner Company has attached a Certificate dated 11.09.2025 from the Auditor viz. M S K A & Associates, Mr. Harsh Jain, Chartered Accountants, and a declaration by the Directors of the Company stating that the Company is not in arrears in the repayment of deposits or interest thereon.

n. That as required under Rule 2(2)(d) of the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016, the Petitioner Company has submitted a Certificate from the Statutory Auditors, viz. M S K A & Associates, Mr. Harsh Jain, Chartered Accountants, dated 11.09.2025, stating that the accounting treatment for the proposed reduction of share capital is in conformity with the Accounting Standards specified under Section 133 or any other applicable provisions of the Companies Act, 2013.

o. That the Petitioner Company along with petition submitted to tis office, has not attached a copy of advertisement published in Newspaper/s for reduction of share capital. Hence, it is not known whether Petitioner Company has advertised or not. Therefore, the Hon'ble Tribunal may be pleased to seek clarification from the Petitioner Company about the compliance of Rule 3 (3) of the NCLT (Procedure for Reduction of Share Capital of Company) Rules, 2016.

p. That there are no open prosecution, technical scrutiny/inquiry inspection and investigation pending in this office against the Petitioner Company.

q. That upon examination of the petition, reply of the Company and report of the Registrar of Companies at Para 5 above, the observations of the Deponent are as under:

    i. The Petitioner Company is engaged in the business of White Label ATM's under the authorisation of RBI and has obtained license from RBI vide letter dated 12.02.2014 and perpetual letter dated 09.03.2022 and as per RBI regulations on WLA business, the Petitioner shall maintain the minimum net worth of Rs.100 crores and in order to comply with the RBI regulations, in the year 2013, ICICI Venture Funds management Company limited had Company Limited had invested through its fund "India Advantage S3-I, a SEBI registered Venture Capital Fund" vide Investment and Shareholders' Agreement on 20-06-2013. Whereas, the original tenure of the Fund ended in October 2016 and extended by SEBI in October, 2018 and since October, 2019 the fund has been in its extended liquidation period due to the sole outstanding investment held in the company. Further, as per SEBI circular dated 19-08-2024 established the framework for migration of VCFs that were registered with SEBI under the VCF Regulations that had not yet been wound up post their original liquidation period, to register as an Alternative Investment Fund. The above said circular initially provided additional liquidation period upto 19-07-2025 which was further extended till 19-07-2026 and hence, the fund therefore has been constrained to apply to SEBI for approval to migrate to SEBI's AIF as specified in relevant SEBI circulars and in this regard, the company vide letter dated 4-09-2025 requested for partial exit so as to avoid any penal action from SEBI on non-compliance of its regulations on winding-up of the Fund and hence, the Petitioner Company filed the present petition seeking reduction of capital u/s 66 of the Companies Act, 2013.

ii. That as seen from the Petition, India Advantage Fund S3 I holds 90,55,144 shares of Rs.5/- each having 27.92% of the total paid up capital and through the present scheme, the company sought partial reduction with a premium amount of Rs.150/- each and the total amount payable is Rs.69,99,99,995/- comprising of 45,16,129 equity shares of Rs.5/- amounting to Rs.2,25,80,645/- from the equity share capital and Rs.67,74,19,350/- (45,16,129 equity shares of Rs.150/-) as premium from the Securities Premium Account. In this regard, it is submitted that the total fund to be liquidated as per SEBI approval for migrating to AIF. However, the company has proposed only for partial reduction. In this regard, detailed justification may be called for, from the petitioner company.

iii. It is stated in the petition; the company intends to utilize the adequate surplus cash available which is in excess of the requirement of the company which is kept in the bank deposit exclusively for the utilization for payout to the investor.

iv. That all the members present i.e. 7 members holding 3,24,28,310 shares equivalent to 100% of the paid-up share capital voted in favour of the resolution and none voted against the scheme.

v. That as seen from the application, the outstanding balance of secured creditors is amount of Rs.270,893,24,024/- and unsecured creditors is to the tune of Rs.4,01,84,291/- as on 31-08-2025. It is stated that the total cash & cash equivalent including cash available in ATM and cash in transit subject to receivable from NPCI is Rs.6111.28 million and the total secured creditors liability is Rs.2708.32 million and the surplus cash available is Rs.3402.96 million. In this regard, the Petitioner Company may be directed to obtain and furnish NOC obtained from the secured creditors before the Hon'ble Tribunal.

vi. The proposed reduction of share capital is only to give partial exit to one shareholder and it is not across all the shareholders which may kindly be looked into, by this Hon'ble Tribunal.

vii. That as seen from the balance Sheet of the Petitioner Company as at 31.03.2025, the petition Company has shown an amount of Rs.3.04 million as outstanding balance as against the guarantee given by the Company and Rs.1.36 million as advance/loan. In this regard, the Petitioner Company may be directed to show the compliance of the provisions of Section 185/186 of the Companies Act, 2013 before the Hon'ble Tribunal.

viii. That as seen from the Balance Sheet of the Petitioner Company as at 31.03.2025, the Company has outstanding disputed statutory dues towards CGST and Income Tax. In this regard, the Petitioner Company may be directed to settle the dues as and when crystallised by the said statutory authorities and also be directed to furnish an undertaking before this Hon'ble Tribunal in this regard.

ix. That as seen from the valuation report, the value per share is shown as Rs.154.14/- whereas, the Petitioner Company proposed for reduction of Rs.155/- which includes paid up share capital and premium amount.

x. In view of the above, the Regional Director respectfully prays that this Hon'ble Tribunal may:
   1. Take this affidavit on record;
   2. Pass appropriate orders to safeguard the interest of the creditors and the public at large;
   3. May issue notice to the Income Tax Department to ascertain tax implications on distributions of Securities Premium;
   4. Pass such other order as it may deem fit and proper.

18.1. RESPONSE OF THE PETITIONER to THE RD & ROD REPORT:

The Petitioner Company in response to the Common Report of RD and ROC has filed a reply affidavit vide Diary No.1857 dated 13.04.2026 has inter alia stated as under:

1. The observations in Para 1 & 2 is noting for the Hon'ble Tribunal and Para 3 & 4 the Petitioner do not have any comment.
2. **Regarding Para 5 of the report**: the provisions of Section 52 (1) and 52 (2) of the companies Act, 2013 deals with utilization of share premium of the Company.
3. **Regarding sub-para (1) of Para 6 of the report: t**he petitioner accepts the statement made by the RD. The reduction of capital is intended to comply with the directions of the Securities Exchange Board of India (SEBI) to the investor which being a Venture Capital Fund shall wound-up within a specific time period or else convert into an Alternate Investment Fund (AIF). The decided cases referred by the Regional Director in its report are (a) *Firepro Systems Private Ltd., Hon'ble NCLT, Bengaluru Bench (order dated 17-Oct-2025), wherein an appeal is pending before Hon'ble NCLAT (b) Hon'ble NCLT Kolkata Bench (09 Sept 2025) in the case of Modern Hi-Rise Pvt. Ltd*. Whereas, the petitioner humbly submits that, the cited cases cannot be applied in the present

case. Because, in the case of Firepro Systems Private Limited, the securities premium account was proposed to be utilized to wipe out accumulated losses (for non-cash purposes) and in the case of Hi-Rise Pvt. Ltd., the securities premium account to be reclassified to retained earnings for the purposes of redemption or capital redemption (non-cash purposes)."

Whereas, in the present case, it is only to pay off to the shareholder which has invested its money in the capital of the Company, which was necessitated due to the directions of SEBI. Section 52(2) of the Companies Act, 2013, is only an indicative. It covers the situation wherein the Company, on its own, could utilize its share premium account. Whereas, Section 52(1) clearly states that the Hon'ble tribunal has the power to approve the reduction of share premium under Section 66 of the Companies Act, 2013 as if the reduction of share capital is made.

Regarding the matter referred in the case of *Modern Hi-rise Private Ltd – NCLT Kolkata Bench (09th Sept 2025*) may not be relevant in the present case because the point of contention was "transfer of Securities premium to General Reserves" so as to enable the Company to redeem the redeemable preference shares issued by the Company, which also attracts provisions of Section 55 of the Companies Act, 2013 relating to redemption of redeemable preference shares.

The Petitioner does agree that the order passed by the Hon'ble NCLAT, Principal bench in the case of *Brillio Technologies Private Limited*, categorically stated that the NCLT has power to permit utilization of share premium account for reduction of share capital under Section 52(1) of the Companies Act, 2013.

The petitioner further states that, in the case of Brillio Technologies Private Limited, in Company Appeal (AT) No. 293 of 2019, the Hon'ble NCLAT, expressed its view that Section 52(1) permits the reduction of Share Premium Account by following procedure laid down under Section 66 of the Companies Act, 2013 for the purposes other than stated in Section 52(2) of the Companies Act, 2013. While passing the order Hon'ble NCLAT has referred following clauses in the Judgm*ent of* Hon'ble High Court of Delhi in re. Nestle India Ltd. (Supra) it is held as under:

"19. At the outset, I consider it appropriate to analyse the relevant provisions of the Act on my own. The aspect of issue of shares at a premium or at a discount is dealt with in the Act in Sections 78, 79 & 79A. I am only concerned with Section 78 for the present. Section 78(1) states that the premium collected by the company while issuing shares shall be transferred to a separate account called the "Securities Premium Account". The manner in which the amount lying in the "Securities Premium Account" can be utilized and the purposes for which it can be utilized is also provided for by Section 78. Section 78(1) states that the "Securities Premium Account" would be regulated by the provisions of the Act, which deal with the aspect of reduction in the securities capital of a company. However, the provisions of the Act relating to reduction of securities capital would not apply to the "Securities Premium Account", when the same is utilized as provided in the Section itself. Section 78(2) enumerates four specific purposes for which the amount lying in the "Securities Premium Account" may be applied "notwithstanding anything in sub-Section (1)". This means that the provisions of the Act relating to the reduction of securities capital are not applicable where the application of the "Securities Premium Account" is for one or more of the four specific purposes enumerated in Section 78(2). A co-joint reading of Section 78(1) and 78(2) of the Act, therefore, leads to the inference that the amounts lying in the "Securities Premium Account", for their application, must comply with the provisions in the Act relating to reduction of securities capital of a company, except when the application of the "Securities Premium Account" is for one or more of the four specific instances enumerated in sub-Section (2) of Section 78. When the application of the "Securities Premium Account" is for one or more of the four specific purposes enumerated in Section 78(2), no further compliance with any of the provisions of the Act relating to reduction of securities capital of a company is necessary and the amount lying in the "Securities Premium Account" can be straightaway be applied for all or any of the said four specific purposes."

The argument of the Regional Director (NR) is that the "Securities Premium Account" can be applied only for the specific four purposes mentioned in Section 78(2) of the Act and for no other purpose. To support this interpretation, the learned counsel for the Regional Director, Ms. Manisha Dhir, heavily relies on the use of the expression "notwithstanding anything in sub-Section (1)" to submit that sub-Section (2) of Section 78 overrides everything stated in sub-section (1), in relation to the application of the "Securities Premium Account".

In my view, the interpretation advanced by learned counsel for the Regional Director (NR) is not correct. If the interpretation as advanced by the Regional Director (NR) is accepted, it would render otiose the provisions contained in sub-Section (1) of Section 78. The entire Section 78 has to be read as a whole and all the sub-Sections of this Section have to be read and interpreted so as to give a meaningful interpretation. Sub-Section (1) & (2) of Section 78 when read together clearly show that they form part of the same scheme. As aforesaid, the scheme is that the amounts collected as premium while issuing shares, which are required to be transferred to a separate account called the "Securities Premium Account" are governed by provisions of the Act relating to reduction of securities capital of a company. That is the general rule. However, an exception is carved out. The exception is that the provisions of the Act relating to reduction in securities capital would not apply "as provided in this section". Therefore, in respect of the specific applications of the "Securities Premium Account" provided in sub-section (2) of Section 78, the general procedure prescribed in sub-section (1) of Section 78 would not apply. If the submission of Ms. Manisha Dhir, Advocate, is accepted that the Securities Premium Account can be utilized only for the four specific purposes, which are enumerated in Section 78(2) and for no other purpose, it could lead to absurd situations. Take for instance, the case of a company which has issued shares at a premium and which does not have any unissued shares, which it proposes to issue as bonus share or any outstanding preliminary expenses which could be written off or any expenses towards commission or discount paid or allowed on issue of shares or debentures of the company, which could be written off and any obligation for payment of premium on redemption of any redeemable preference shares or debentures of the company. If the submission of the learned counsel for the Regional Director (NR) is accepted, it would mean that such a company, which does not have any outstanding obligation or liability of the kind enumerated in clause (a) to (d) of Section 78(2), can never hope to be able to apply the amount lying in the "Securities Premium Account", and that the same should continue to remain locked till a situation arises wherein the company can utilize it in terms of sub-Section (2) of Section 78. Such an interpretation would give rise to absurd and impracticable results. That does not appear to be the purpose of Section 78(2) of the Act. Sub-Section (2) of Section 78 is engrafted so as to provide greater flexibility to a company, and reduce the need to comply with the rigors of procedure provided for in sub-Section (1) of Section 78 in certain specific cases of application of the "Share Premium Account". The object of Section 78 does not appear to be to unnecessarily and unreasonably limit the flexibility that a company enjoys in dealing with the "Securities Premium Account" by limiting its application only to the four specific instances mentioned in sub-Section (2) of Section 78."

4. The petitioner also provides the order passed in Parrys Confectionery Limited (supra), wherein the petitioner company sought the confirmation by the Court to the reduction of the share premium account under Section 78 read with Section 101(1) of the Act. As on 31.03.2002, the petitioner company had a sum of Rs. 3319.52 Lacs standing to the credit of its Securities Premium Account. Consequent to financial restructuring, the petitioner proposed to apply its "Securities Premium Account" to firstly utilize an amount not exceeding Rs. 2500 Lacs out of the said account to set off three heads of losses/expenditure. The losses/expenditure which were: (i) loss not exceeding Rs. 700 Lacs upon the sale of assets, (ii) accumulated loss of Rs. 1642.20 Lacs incurred towards products withdrawal and the expenditure relating to the business method restructuring costs for the year ended 31.03.2000, (iii) voluntary retirement/separation expenditure to the tune of Rs.73 Lacs as on 31.03.2003. The proposed reduction in Securities Premium Account in that case also was opposed by raising a similar argument, that the Securities Premium Account can be used only for the specific purposes enumerated in Section 78(2) of the Act. On the other hand, the submission of the petitioner was the same as that advanced by the petitioner herein on the interpretation of Section 78 of the Act. The said submission reads as follows: -

"10. For which, the learned Counsel for Petitioner contends that Section 78(1) of the Act, specifies that the provisions of the Act relating to Reduction of Share Capital of the Company shall, except as provided in that Section, apply as if the Securities Premium Account were the paid up Share Capital of the Company. Section 78(1), the Securities Premium Account may be applied by the Company for the purposes set out therein, which are the purposes extracted in the affidavit of the Asstt. Registrar of Companies. Therefore, while reading the two Sub-sections together, the conclusion that would follow would be that where a Company proposes to apply its Securities Premium Account in the manner provided for in Sub-section (2), the provisions relating to reduction of Capital would not be attracted and the Company can do so without either being required to pass a special resolution or seek the confirmation of Court. Section 78(2) is however not exhaustive of the methods in which the Securities Premium Account can be applied by the Company and is only exhaustive of the methods in which such application can take place without following the reduction procedure. Where however, a Company proposes to apply its Securities Premium Account in a manner other than that contemplated in Sub-section (2), then the provisions relating to Reduction of Share Capital would have to be followed in respect of such application." aforesaid submission, as a matter of fact, the Madras High Court confirmed the reduction in the Securities Premium Account, even though the application of the Securities Premium Account did not strictly fall in either of the clauses (a) to (d) of sub-Section (2) of Section 78. The reasoning given by the Court for confirming the reduction of the Securities Premium Account was that it was a purely business decision arrived at by the shareholders on the basis of commercial principles and as the restructuring did not involve any cash outflow, the same would not effect the normal operations of the company or its ability to honour its commitments and pay off its debts in the ordinary course of business.

In the case of Hyderabad Industries Ltd in CP No. 169/2003, Hon'ble High Court of Hyderabad, decided the reduction of share premium account is permissible under Section 78(1) of the Companies Act, 1956 (Section 52 of the Companies Act, 2013).

"20. Reverting back to Section 78 again, Sub-section (1) thereof is in two parts. First part imposed a legal obligation for transferring the share premium to the account called share premium account. The second part says that except as provided in Section 78, the provisions relating to reduction of share capital would apply. Sub-section (2) of Section 78 contains a non-obstante clause. It lays down that notwithstanding Sub-section (1), share premium account may be applied in paying up unissued shares of the Company to be issued to the members as fully paid bonus shares; or writing off preliminary expenses of the Company; or writing off

the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; or providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company. The proviso to Sub-section (3) further clarifies that before commencement of the Act, if any share premium account is used as "identifiable part of the Company's reserves", the same shall be disregarded because as per Subsection (3), if any Company had issued shares at a premium, that money also must be transferred to share premium account. A conspectus of the three sub-sections of Section 78 would reveal that if the share premium account is to be applied to any of the purposes mentioned in sub-section (2), the Company need not seek approval/confirmation of the Company Court. If the Company desires to apply share premium account for any other purposes, it has to approach the Company Court for confirmation."

In the case of Alembic Limited, in CP No. 186/2007, Hon'ble High Court of Gujarat stated that,

"5. It is further pointed out in the petition that the proposed reduction does not involve diminution of any liability or repayment of paid up capital. In fact, no reduction is envisaged in the issued, subscribed or paid up share capital of the company. Since the share premium account forms the part of the capital in terms of Section 78 of the Companies Act, 1956, the utilization of the amount lying in this account also needs to be treated as reduction of capital. In view of this, while admitting the petition this Court granted dispensation of the procedure as required under Section 101(2) of the Act and under Rules 48 to 65 of the Companies (Court) Rules, 1959."

Hon'ble High Court of Rajasthan in the case of Vaibhav Global Ltd (Supra) held as under:-

"15. From a reading of Section 52 of the Act of 2013 it is apparent that this provision equates a Share Premium Account of a company to its paid up share capital. For specified purposes as set out in subsection (2) and (3), the Share Premium Account can be statutorily utilized without any approval of a court. For other purposes the provisions of Sections 100-104 of the Act of 1956 have to be adopted, and approval of the court sought for Company Appeal (AT) No. 293 of 2019 for the reduction of paid up share capital of the company. Section 52 of the Act of 2013 therefore does not disbar/prohibit application/utilization of the share premium account treated thereunder as paid up capital for purposes other than the purposes set out in clauses (a) to (e) of Section 52(2) and Section 52(3) of the Act of 2013. Contrarily it actively so permits as evident from its plain language. And when so done the reduction of the share premium account has to be compliant with Sections 100-104 of the Act of 1956.

The provisions for reduction of share capital presently obtaining are Section 100 to 105 of the Act of 1956. Section 100(1) of the Act of 1956 states that where the Articles of a company provide and where a special resolution of its equity shareholders has been passed a company can reduce its share capital in any way. This general power is followed by illustrative cases where the share capital can be reduced. The illustrations however do not negate reduction of share capital for other purposes. The special resolution for reduction of share capital passed by the requisite majority of equity shareholders has however to be approved by the court. As such where reduction of share capital of a company authorised by its Articles of Association is supported by a special resolution of equity shareholders, the court of which approval is sought is merely to evaluate whether it is reasonable, just and fair and not prejudicial to the interest of the shareholders, creditors or any other stakeholders of the company. If the aforesaid conditions are satisfied, it is not for the ROC or the company court to sit over the judgment of the requisite majority of shareholders as if in appeal.

In the instant case Article 10 of the Articles of Association of the petitioner company allows reduction of share capital in any manner. In the exercise of the aforesaid powers the equity shareholders with requisite majority have passed the special resolution for the purpose of adjustment of accumulated loss of the petitioner company as on 31-3-2015 against the company's Securities Premium Account which is treated as paid up share capital under Section 52 of the Act of 2013.

In the context of aforesaid legal position obtaining from the interpretation of Section 52 of the Act of 2013 and Sections 101-104 of the Act of 1956, I find wholly untenable the contention of Mr. K.J. Mehta appearing for the ROC that the share premium account albeit deemed to be part of paid up share capital as per Section 52 of the Act of 2013 cannot be utilized for the purpose of adjustment of accumulated loss of the petitioner company. The aforesaid conclusion as to utilisation of the Securities Premium Account for any purpose outside Section 52(2) of the Act of 2013 (old Section 78 of the Act of 1956) after due approval of the requisite majority of equity shareholders finds support from the judgment of the Andhra Pradesh High Court in the case of re: Hyderabad Industries Limited [2004 (3) ALD 832]. A similar view has been taken in the case of re: Prashanth Textiles (P) Ltd [(2015) 192 Company Cases 184 (Madras)]. So too in the case of re-Koyo Bearings India Private Limited [Manu (Ka) 3792/2015] and in the case of Tmeic Power Electronics Systems India Private Limited [Manu/Ka/2570/2014]. This legal position is also buttressed by the judgment in the case of re-DSM Anti Infective India Limited [Manu/PH/3561/2010], which followed the ratio in the case of Hindalco Industries Limited [(2009) 151 Company Cases 446] where the Bombay High Court held that since all the shareholders had consented for Company Appeal (AT) No. 293 of 2019, the utilisation of the securities premium account towards the BRR account, it could be so utilised as the purposes set out in then extant Section 78 of the Act of 1956 (new Section 52 of the Act of 2013) were in any event merely illustrative. Such was also the view of the Calcutta High Court in the case of Usha Comm India (P) Ltd. [(2006) 2 CHN 473] where the scheme for reduction of the securities premium account for the business reconstruction of the petitioner company was approved. Finally, in the case of re: Zee Telefilms Ltd. [2004(6) Bom. Comp. Cases 270] the Mumbai High Court having considered the scheme and purpose of reduction of share premium found no illegality or breach of any provision of law in approving its reduction where it was just, fair and proper and wholly within the framework of the law.

Hon'ble High Court of Gujarat whilst allowing the reduction of share capital by reducing the Share/Securities Premium Account in Re. Alembic Ltd. (2007) SCC Online Guj. 242 held as under:-

> *"6. It is further pointed out in the Petition that the proposed reduction does not involve diminution of any liability or repayment of paid-up capital. In fact, no reduction is envisaged in the issue, subscribed or paid-up share capital of the company. Since, the share premium account forms the part of the capital in the terms of section 78 of the Companies Act 1956, the utilization of the amount lying in this account also needs to be treated as reduction of capital. In view of this, while admitting the petition this court granted dispensation of the procedure as required under Section 101 (2) of the Act and under Rules 48 to 64 of the Companies (Court) Rules 1959."*

Hon'ble High Court of Delhi in Nestle India Ltd. (Supra) and Hon'ble High Court of Gujarat in Alembic Ltd. (Supra) dealt with Section 78 of the Companies Act, 1956 whereas Hon'ble High Court of Rajasthan in the case of Vaibhav Global Ltd. (Supra) dealt with Section 52 of the Companies Act, 2013. Section 78 of the Companies Act, 1956 and Section 52 of the Companies Act, 2013 both provisions are more or less same.

In the light of the aforesaid Judgments of various High Courts and Hon'ble NCLAT, the petitioner is of the view that the amount lying in Securities Premium Account can be utilized for making payment to shareholders through a reduction of capital procedure as stated in Section 52(1) of the Companies Act, 2013. The Contention of the Regional Director that the amount in SPA can be applied by the company only for the purposes which are specifically provided in sub-Section 2 of Section 52 of the Act and for no other purpose is not validly found considering the broader interpretation of the law.

5. **Regarding sub-para 3 of the para 6 of the report:** there is reference about clause 64 of Section 2 of the Companies Act, 2013 relating to the definition of "paid-up share capital" or "share capital paid-up". This is not relevant in the present context for the reason that, the petitioner is not disputing the status of share premium, which is not equivalent to "paid-up share capital". The Petitioner only states that as per Section 52(1) of the Companies Act, 2013, if a company wants reduce its share premium account, it shall follow the procedure laid down under Section 66 of the Companies Act, 2013 and in the four instances referred under Section 52(2) of the Companies Act, 2013 (or Section 78(2) of the Companies Act, 1956), the provisions relating to reduction of capital will not apply. Hence, the definition of "paid-up share capital" do not have any relevance to "Securities premium account".
6. In support of our contention, the petitioner provides following decided cases, which are attached as 'Annexure – I':
   a. *Brillio Technologies Private Limited – Company Appeal (AT) No. 293 of 2019 by the National Company Law Appellate Tribunal, Principal Bench.*

b. *Nestle India Limited – C.P. No.141 of 2007 by the High Court of Delhi.*
c. *Vaibhav Global Limited – C. P. No. 4/2016 by the High Court of Rajasthan, Jaipur Bench.*
d. *Alembic Limited – C.P. No 186 of 2007 by the High Court of Gujarat.*
e. *Hyderabad Industries Limited – C.P. No. 169 of 2003 by the High Court of Andhra Pradesh at Hyderabad Bench.*
f. *Parrys Confectionery Limited (supra), Hon'ble High Court of Madras, 23rd September 2003.*

7. **Regarding Para-7 of the report:** Section 2(43) of the Companies Act, 2013 relating to the definition of "Free Reserves" cannot be applied in the present case. Because reduction of capital is a capital receipt for the shareholders and hence it cannot be considered as "distribution of dividends". Regarding RD comments on prohibition under Section 52(2) read with Section 2(43) and Section 123 of the Companies Act, 2013 is not a liberal interpretation of the provisions of Section 52 of the Companies Act, 2013. Because, Section 52(1) of the Companies Act, 2013 is independent of provisions contained in Section 52(2) of the Companies Act, 2013.
8. **Regarding Para-8 of the report**, the petitioner is aware of the tax implications on the receipt of consideration by the shareholders. The petitioner undertakes to remit any legitimate tax liability arising consequent to the reduction of capital to the Tax Authorities. Further, the petitioner has already served the copy of the petition to the jurisdictional Income Tax Authorities.
9. **Regarding Para-9 of the report**, it is the fact stated in the report and we do not have any comments.
10. **Regarding Para-10 (a) of the report** the petitioner admits that it has changed its registered office to a new location and the same has been intimated to the Registrar of Companies, Karnataka and also been intimated to the Registry, Hon'ble NCLT, Bengaluru Bench.
11. **Regarding Para-10 (b) of the report**, it is submitted that, the paid-up capital of the Company is Rs.16,21,41,550/-. Whereas, in the MCA Master data was updated when the Company did file its latest financial statements. As per the provisions of Companies Act, the Company shall

show the financial figures in (,000) or (,00000). Hence that difference. After filing form MGT 7, the MCA portal shows the correct paid-up share capital.

12. **Regarding Para-10 (c) to (f) of the report**, the petitioner admits it is correct and does not have any comments.
13. **Regarding Para-10 (g) of the report**, the petitioner submits that, as per the conditions specified in the RBI license, the Company must maintain Rs.100 Crore net worth at all the time. If the proposed reduction of capital is considered by Hon'ble Bench, the company's net worth would get reduced from Rs.231 Crore to Rs.161 Crore. Following the execution of this partial capital reduction, the Investor intends to represent to the SEBI a structured exit strategy. This representation will outline a phased liquidation of the fund, initiated upon the investor's exit from the Company. To comply with the RBI guidelines, the petitioner proposed to give partial exit to the investor by way of capital reduction. The strategy would satisfy the RBI requirements of minimum Rs.100 Crores net worth as well as exit to the investor so as to comply the SEBI directions in a phased manner.
14. **Regarding Para-10 (h) of the report**, the petitioner submit that it has adequate cash flow available for utilization for the purpose of payout under the reduction of capital. Out of the Total funds available of Rs. 11,863.48 Mn, the secured loan is Rs.8916.71 Mn and the balance of Rs.2946.77 Mn is free cash flow available with the company as on 31st March 2025. Further, the Company has bank deposit of Rs.779.47 Mn as on 31st August, 2025 on which lien was created. For the purpose of the reduction of capital, the Company need not liquidate the Bank Deposit, as the surplus free cash of Rs.3,402.96 Mn as on 31st August, 2025 itself sufficient to pay off the proceeds of Rs.700 Mn for reduction of capital. The details funds flow statement as on 31.03.2025 is given under:

a. Break-up of Cash and Cash Equivalends and Bank deposits:

Particulars	31.08.2025	31.03.2025	Note
Bank deposits grouped under-			
Cash and Cash equivalents	-	850.00	No-Lien
Other Bank balances	66.25	93.75	Lien

Bank deposits with remaining maturity of more than 12 months and accrued interest	642.85	642.29	Lien
Bank deposits with remaining maturity of more than 12 months and accrued interest			
	779.47	**1,764.78**	

b. Availability of Free Cash for capital Reduction:

Particulars	Note	Amount as on 31.08.2025 (in Mn)	Amount as on 31.03.2025 (in Mn)
Cash and Cash equivalents	14	4,962.04	10,485.72
Other Bank balance	15	63.25	93.75
Bank deposits with remaining maturity of more than 12 month and accrued interest	9A	70.37	178.74
Bank deposits with remaining maturity of more than 12 month and accrued interest	9B	642.85	642.29
Cash dispensed recoverable from NPCI	9B	369.77	462.98
Total funds available for payment (A)		**6,111.28**	**11,863.48**
Less-			
Secured Creditors			
Non-Current Term Loan	18A	127.43	172.63
Current Maturities of Term Loan	18A	108.20	107.8
Working Capital demand loan and overdraft facility	18B	2,472.69	8,636.28
Total Secured Repayments (B)		**2,708.32**	**8,916.71**
Net Free cash (A-B)		**3,402.96**	**2,946.77**

From the above table, the petitioner states that, Rs. 6,111.28 Mn available for repayment of secured and unsecured liabilities and Net free cash of Rs. 3,402.96 Mn available (after considering the repayment for secured and unsecured liabilities) as on 31st August, 2025. Considering that, the adequate surplus cash is available to pay off the investor through the process of reduction, the petitioner proposed to reduce the capital by paying off Rs. 700.00 million from net free cash available.

15. **Regarding Para-10 (i) of the report**, it was stated that valuation report dated 05.09.2025 from Sundae Capital Advisors Private Limited, a Registered Valuer was obtained and it is not in compliance with the provisions of the Articles of Association of the Company. In this regard, we would like to state as under –
    a. The constitution of the Board of the Company, consist of 2 investor representative, 2 promoter representative, 1 executive director and 3 Independent Director. Both the representatives from investor and promoter directors have approved in Audit Committee and Board Meeting regarding valuation report received from the Registered Valuer.
    b. The proposal of reduction of Capital at a value of Rs. 155 per share was approved the EGM wherein representatives of promoter and investors have participated and proposal have been approved by 100% shareholders.
    c. The provisions relating to fair valuation mentioned in Article 18 of the Articles of Association is not applicable in the present case. Because, Article 18 shall be applicable only in cases where the Company and the investors & new Investors decide to go for a "strategic sale," which is more fully described in Article 12.4 of the Articles of Association of the Company. Hence, observations of Regional Director on non-adhering to the Article 18 of the Articles of Association does not arise as the valuation has been done with the consent of both promoter and investor and 100% shareholders of the Company. Reference under article 18 is pertaining to the clause 12 of the Articles of Association.

16. **Regarding Para 10(j) of the Report,** the impairment test was done as required under IND AS – 38 and the compliance of IND AS-16 with respect to IND AS-1 pertaining to disclosure of capitalizing the salaries and disclosure of Financial Statements in true and fair manner as on 31st March, 2025. In this regard, the Petitioner submit the following compliances pertaining to IND-AS applicability: --
    a. The amount of ₹1.24 million disclosed as "Intangible Assets under Development" as at 31 March 2024 pertained to the development of

an in house payment transaction processing product/platform. The said project was successfully completed and became operational (went live) in September 2024. Upon completion and commencement of commercial use, the amount was capitalized and reclassified under "Other Intangible Assets" in accordance with the applicable provisions of Ind AS 38. Accordingly, the balance under "Intangible Assets under Development" as at 31 March 2025 is rightly disclosed as Nil.

b. As per Ind AS 36, impairment testing is mandatorily required only for goodwill, intangible assets with indefinite useful life, or intangible assets not yet available for use. In all other cases, impairment testing is required only when there are indicators of impairment. In the present case:

    i. The asset has been completed and put to use in September 2024.
    ii. It is operational and forms part of the Company's business activities.
    iii. It is expected to generate future economic benefits.
    iv. The Company has carried out an assessment for impairment indicators, and no indicators were identified, considering.
    v. successful implementation of the project
    vi. continued usage in operations
    vii. no technological or economic obsolescence.

c. Further, the value of ₹1.24 million is not material in the context of the Company's revenue of ₹6,572.33 million. As per the principle of materiality under Ind AS 1, disclosures are required only where omission or misstatement could influence economic decisions. Accordingly, no separate impairment disclosure was warranted. It is further submitted that the aforesaid accounting treatment and assessment, including the conclusion that no impairment testing or provision is required, has also been examined and concurred with by the Company's statutory auditors during the course of audit.

d. The CWIP balance as at 31 March 2025 primarily represents employee costs (including salaries) directly attributable to ongoing projects, which are eligible for capitalization as per applicable accounting standards. The Company has capitalized such costs in accordance with:

a. Ind AS 16
b. Ind AS 1

e. The financial statements specifically disclose that in foot note (b) to Note 7 of audited financial statements as at 31 March 2025:

"There are no material projects under Capital Work-in-Progress whose completion is overdue or has exceeded its cost compared to its original plan."

Since, no project was overdue, and No project had exceeded its original cost estimate, no additional disclosure was required, and the statement reflects full compliance with applicable disclosure requirements.

In view of the above, there is no violation of IND-AS 16 r/w IND-AS 1 and hence there is not requirement of compounding of non-compliances of accounting standard.

17. **Regarding para 10(k) of the report**, it was stated that as per the requirement of Rule 2(2)(a) of the National Company Law Tribunal (Procedure for reduction of Share Capital of Company) Rules 2016, the petitioner has submitted the list of Creditors duly certified by directors. As on 31st August, 2025, there is outstanding amount of Rs.80,57,810 payable to the creditors classified under MSME out of Rs. 4,01,84,291/- of total unsecured creditors. Hence the company has adequate cash flow available to meet

18. **Regarding Para 10 (l) to (n), (p) & 11(i), (iv) of the RD report,** the petitioner does not have any comments.

19. **Regarding Para 10 (o) of the report**: Petitioner has complied with the regulations relating to advertisement of the reduction of capital as per Rule 3 (3) of the NCLT (Procedure for Reduction of Share Capital of Company) Rules, 2016.

20. **Regarding observation in para 11(ii) of the Report**, the petitioner submits that considering the present availability of funds, the company has provided for partial exit to the investor. The details justification is given in reply to Para (g) above.

21. **Regarding observation in para 11(iii) of the Report:** the amount required for reduction of capital payout is available in the form of cash and cash equivalent. Which is in liquid form could be made available

for exclusively for the utilisation of payout to investor within very short period. Hence, keeping the funds required for pay out under reduction of capital may not be required to be kept in Bank Deposit.

22. **Regarding observation in para 11(v) of the Report** the petitioner states that it has served the notice of reduction of capital to all secured and unsecured creditors in Form RSC-3. None of the secured creditors have objected to the proposed reduction of capital. Considering the free cash flow available with the Company, even after meeting the dues pertaining to secured and unsecured creditors, the Company could pay off the proceeds under the reduction of capital. Further, consent from creditors is not a mandator requirement under Section 66 of the Companies Act, 2013 read with rules thereunder. In view of this, the requirement of NOC from secured creditor may not be insisted upon. However, the consent from one of the secured creditors.

23. **Regarding observation in para 11(vi) of the Report,** it was stated that, the proposal of reduction of capital is only to give partial exit to one shareholder and it is not across all shareholders. In this regard, the petitioner submits that, the selective exit to one investor is either partial or full, is permitted under provisions of Section 66 of the Companies Act, 2013. Further, the proposal has been approved by 100% shareholders of the Company and the exit to the shareholder is necessitated to comply the directions of Securities Exchange Board of India (SEBI) to the Investor. Hence, the Hon’ble Tribunal may kindly consider the selective exit proposed in the reduction of capital by the petitioner.

The petitioner submits that, in the case of *Brillio Technologies Private Limited,* in Company Appeal (AT) No. 293 of 2019, Hon’ble NCLAT stated that –

> *53. Now we have considered whether selective reduction (non-promoter shareholders) of share capital of the Appellant Company is permissible. As per Section 66 of the Act, reduction of share capital can be done in ‘any manner’. Clause (a) & (b) of Section 66 of the Act, is mere illustration and not the only manner in which share capital may be reduced. For the purpose it is useful to refer the Judgment of Hon'ble Bombay High Court in the case of Sandvik Asia Ltd. (Supra). In this case the company had proposed a resolution for reduction of paid equity share capital. The Resolution was to the effect that the share capital of the Company be reduced*

by paying off/returning to the holders of equity share other than the promoters at rate of Rs. 850 per share i.e. Rs. 100 by way of face value plus Rs. 750 premium per share, whereby extinguishing all such share. The Petition was opposed by the Respondents who are non-promoter shareholders of the Company. Hon'ble Division Bench held as under:-

"8. Perusal of Section 100 further shows that a company can reduce its share capital in any way."

Hon'ble Bombay High Court in the case of Sandvik Asia Ltd. (Supra) dealt a petition in which the petition for reduction of share capital of the company be reduced by paying off/returning to the non-promoter shareholders of the company was dismissed by the Ld. Single Judge against that order appeal filed before the Division Bench the Petition was opposed by the Respondents who are non-promoter shareholders of the company, Division Bench held as under:-

"7. The law relating to reduction of share capital of a company is contained in Sections 100 to 105 of the Companies Act. Section 100 authorizes the company limited by shares having a share capital, if so, authorized by its Article of Association by special resolution to reduce its shares capital in any way. So a company can reduce its share capital, (i) if there is a provision in its Article of Association permitting it to do so. (ii) If it has passed a special resolution for that purposes and, (iii) if such a resolution sanctioned by the Court."

Hon'ble High Court of Delhi in the case of Reckitt Benckiser (India) Ltd. (Supra). After considering many Judgments held as under:-

21. The principles, which can be distilled from the aforesaid judicial dicta, are summarized as under:

i) The question of reduction of share capital is treated as matter of domestic concern, i.e. it is the decision of the majority which prevails.

ii) If majority by special resolution decides to reduce share capital of the company, it has also right to decide as to how this reduction should be carried into effect.

iii) While reducing the share capital company can decide to extinguish some of its shares without dealing in the same manner as with all other shares of the same class. Consequently, it is purely a domestic matter and is to be decided as to whether each member shall have his share proportionately reduced, or whether some members shall retain their shares unreduced, the shares of others being extinguished totally, receiving a just equivalent.

iv) The company limited by shares is permitted to reduce its share capital in any manner, meaning thereby a selective reduction is permissible within the framework of law (see Re. Denver Hotel Co., 1893 (1) Chancery Division 495).

v) When the matter comes to the Court, before confirming the proposed reduction the Court has to be satisfied that (i) there is no unfair or inequitable transaction and (ii) all the creditors entitled to object to the reduction have either consented or been paid or secured.

In the present case, admittedly requirements as contained in (i) to (iv) of para 21 stated in the case of *Reckitt Benckiser (India) Ltd. (Supra)* referred above have been complied with. Most of the arguments of the objectors stand answered in view of the principles of law laid down in the aforesaid judgments. It is clear that majority shareholders have decided to reduce the share capital. Normally, decision of the majority is to prevail. It is also their right to decide the manner in which the shareholding is to be reduced and in the process they can decide to target a particular group (of course it is to be seen that this is not with mala fide and unfair motive which aspect is discussed hereinafter).

The petitioner relies on the following judgments of Hon'ble NCLAT and High Courts on Selective reduction, which are attached as 'Annexure – VIII':

a. Brillio Technologies Private Limited – Company Appeal (AT) No. 293 of 2019 by the National Company Law Appellate Tribunal, Principal Bench.

b. Reckitt Benckiser (India) Ltd. – C.P. 206 of 2004 by the High Court of Delhi.

c. Sandvik Asia Limited v/s. Bharat Kumar Padamsi and others – Appeal No. 308 of 2004 by High Court of Bombay.

24. **Regarding observation in para 11(vii) of the Report,** the petitioner submit that it has complied with the provisions of Section 186 of the Companies Act, 2013. The Relevant copy of the Form MGT-14 and its receipt is attached as 'Annexure – IX'. Further, outstanding loan/advance amounting to Rs. 1.36 million pertaining to reimbursable

Salary & Travel Advance given to employees, hence such advance does not fall under the purview of Section 185 of the Companies Act, 2013.

25. **Regarding observation in para 11(viii) of the RD Report,** petitioner undertake to submit that the outstanding disputed statutory dues towards CGST and Income Tax as on 31st March 2025, once it is settled with the respective statutory authorities and crystalized.
26. **Regarding observation in para 11(ix) of the RD Report**, the petitioner submits that as per the valuation report, value per share was determined as Rs.154.14/- per share. Whereas, the petitioner has proposed Rs.155/- per share for the purpose of Reduction of capital. This has been made only to rounded off to next full integer... Rs.155/. Moreover, there is no restriction under the provisions of Section 66 of the Companies Act, 2013 that the payout per share shall be the same as the value per share arrived by the Registered Valuer. This amount will not affect the paid-up share capital as this would be absorbed from share premium account.
27. In view of the averments and responses given to the report of the Regional Director (SER), Ministry of Corporate Affairs, Hyderabad, Hon'ble Tribunal may kindly take on record this compliance affidavit and pass appropriate orders accordance.

18.2 The RD has filed an Additional Report vide Dy.No. 6906 dated 17.6.2026 stating as under:

a) Regarding Para 5 of the Affidavit of RD, the Petitioner Company in its rejoinder at Para 6 as agreed with the comments of the RD.
b) Regarding Para 6 of the affidavit of RD, the Petitioner Company furnished its reply at Para 7 to 19. Further, it is to submit that orders passed by the Hon'ble Tribunal Bengaluru Bench and Hon'ble NCLT, Kolkata Bench cannot be applied in the present case. Because in the case of Firepro Systems Private Limited the Securities Premium Account was proposed to be utilized to wipe out accumulated losses and in the case of Modern Hi-Rise Private Limited the securities premium account to be reclassified to retained earnings for the purpose of redemption or capital redemption. Whereas, in the present case, it is only to pay off to the shareholder which has invested its money in the capital of the company which was

necessitated due to the direction of SEBI. However, in the case of Firepro Systems Private Limited appeal is pending before Hon'ble Appellate Tribunal, Chennai filed against the impugned order dated 17.10.2025 passed by Hon'ble NCLT, Bengaluru Bench in CP No.52/BB/2024. Further petitioner is stating that the matter referred in the case of Modern Hi-Rise Pvt Ltd may not be relevant in the present case because the point of contention was "transfer of Securities Premium to general reserve" so as to enable the company to redeem the redeemable preference shares issued by the company, which also attracts provisions of Section 55 of the Companies Act, 2013 relating to redemption of redeemable preference shares. As regards clause 64 of Section 2 of the Companies Act, 2013, Petitioner is stating that the definition of paid up share capital do not have any relevant to Securities Premium Account, which may be adjudicated by the Hon'ble NCLT.

c) Regarding Para 7 of the Affidavit of RD(SER), Petitioner Company in its rejoinder at para 20 has furnished his reply. Further, it is to submit that as petitioner has stated that Section 2(43) of the Companies Act, 2013 relating to definition of free reserves cannot be applied in the present case. Because reduction of capital is a capital receipt for the shareholders and hence, it cannot be considered as distribution of dividends.

d) Regarding Para 8 of the affidavit of RD, the Petitioner in its rejoinder at Para 21 furnished the proof of notice served to the I.T Department.

e) Regarding Para 9 of the affidavit of RD, the Petitioner in its rejoinder at Para 22 stated the facts stated in the affidavit and they have no comments.

f) Regarding Para 10 of the affidavit, Petitioner at Para 23 admitted that it has changed its registered office to a new location and the same has been intimated to the Registrar of Companies, Karnataka and the same has also been intimated to the Registry, Hon'ble NCLT, Bengaluru bench.

g) Regarding para 10 (b) of the affidavit of RD (SER): Petitioner Company in its rejoinder at para 24 has furnished the clarification and the same is now updated in MCA Master Data.

h) Regarding Para 10 (c) (d), (e) & (f) of the Affidavit of RD: Petitioner Company in its rejoinder at Para 25 to 28 admits the contention of the affidavit of RD and stated that he does not have any comments.
i) Regarding para 10 (g) of the affidavit of RD: Petitioner at Para 29 of the rejoinder furnished the reasons for pay off.
j) Regarding Para 10 (h) of the affidavit of the RD: Petitioner at Para 30 furnished the detailed break up of cash and cash equivalents and availability of free cash for capital reduction.
k) Regarding Para 10 (i) of the affidavit of RD, Petitioner Company furnished the reply along with Articles of Association at Para 31.
l) Regarding Para 10 (j) of the affidavit of RD, petitioner Company in its rejoinder at Para 32 furnished the reply, no comments.
m) Regarding Para 10(k) of the affidavit of RD the Petitioner Company in its rejoinder at Para 33 furnished the list of MSME creditors hence no further observations.
n) Regarding Para 10 (l) to 10 (p), 11 (i) & 11 (4) of the affidavit of RD, Petitioner Company in its rejoinder at Para 34 to 36, 38, 39 & 42 admits the contentions and stated he does not have nay comments.
o) Regarding Para 10 (o) of the affidavit, Petitioner Company at para 37 of the rejoinder furnished the copy of the advertisement of the reduction of capital as per Rule 3 (3) of the NCLT (Procedure for reduction of share capital of company) Rules, 2016.
p) Regarding para 11 (ii) of the Affidavit, the Petitioner Company in its rejoinder at Para 40 furnished the clarification, hence no comments.
q) Regarding Para 11 (iii) of the RD affidavit, Petition Company in its rejoinder at para 41 given clarification only for utilization of payout to investor but not clarified about the surplus cash available which is in excess of the requirement of the company.
r) Para 11 (v) of the Affidavit of RD, the Petitioner Company in this rejoinder at para 43 stated that the Petitioner Company served the notice of the reduction of the capital to all secured and unsecured creditors in form RSC-3. None of the secured creditors have objected to the proposed reduction of capital. Petitioner Company along with its rejoinder has only enclosed the e-mail dated 10.10.2025 of Mr. Saranjeet S, Chhabra stating as Vice President and Team Lead of

Kotak Mahindra Bank Limited stating that consent to the proposed capital reduction. Whereas company has not furnished the consents/NOCs from the other secured creditors amount to Rs.27,08,93,24,024(except Kotak Mahindra Bank amounting to Rs.175,00,00,000) and Unsecured amounting to Rs.4,01,84,291/-. Further as per provisions of Section 66 (3) of the Companies Act, 2013 states that the debt or claim of every creditors of the company has been discharged or determined or has been secured or is consent is obtained, make an order confirming the reduction of share capital. As the Secured Creditors are amounting to Rs.27,08,93,24,024/- and Unsecured Creditors amounting to Rs,4,01,84,291/- which are on the very higher side, the Hon'ble Tribunal may be pleased to direct the Petitioner Company to furnish the copies of the consents/NOCs with respect to the Secured Creditors and Unsecured Creditors before the capital reduction is allowed by the Tribunal.

s) Regarding Para 11 (vi) of the Affidavit, the petitioner Company in its rejoinder at Para 44 to 48 has furnished necessary clarification, hence no comments.

t) Regarding Para 11 (vii)of the Affidavit of RD, the petitioner Company in its rejoinder at Para 49 furnished MGT-14 along with Board Resolution, hence no comments.

u) Regarding para 11 (viii) of the Affidavit of RD, the Petitioner Company in its rejoinder at Par 50 undertaken to settle the dues as and when crystalized.

v) Regarding Para 11 (ix) of the affidavit of RD, the Petitioner Company in its rejoinder at para 51 submits clarification, hence no further observation.

w) In view of the above, the RD prays that the Hon'ble NCLT

   i. Take the additional reply to this Directorate on record.
   ii. Pass appropriate orders to safeguard the interest of the creditors and the public at large.
   iii. Pass such other orders as it may deem fit and proper.

19. **<u>REPORT OF THE INCOME TAX DEPARTMENT</u>**:

Income Tax Department has filed its report vide Dy.No.7121 dated 25.06.2026 stating as under:

a) The allowability of the reduction under Company act, will be considered arise:

   i. Distribution arising from capital reduction and accumulated profits
      The Petitioner company does not have to pay DDT on Deemed Dividend arising out of distribution of capital reduction. However, the Petitioner company should deduct TDS u/s 195 of the I.T Act before making payment shareholders.
   ii. Distribution of attributable to capital
   iii. Reduction of share capital by a company and paying the balance to shareholders would result in extinguishment of rights in the shares held by shareholder and capital gains would arise. The Petitioner and the shareholders should compulsorily file their return of income to declare the income arising from the said transactions.

Before payment of amount to the shareholders, the Petitioner should deduct tax as above.

19.1. REPLY TO THE INCOME TAX REPORT:

In respect of the Report received from the Income Tax Department, the Petitioner has undertaken to comply the directions given in their report. Further:

b) Regarding para No.2 of the I.T Report, it is true that the Company is proposing to cancel and partially extinguish paid up capital of the Company to one shareholder i.e., India Advantage Fund S3 I (IDBI Trusteeship Services Limited). The Assesse company thus proposes to reduce share capital to the tune of Rs. 69,99,99,995/- under Section 66 of the Companies Act, 2013.
c) Regarding Para No.3 (i) of the I.T report, the Petitioner agree that the Petitioner company does not have to pay DDT on Deemed dividend arising out of distribution of capital on capital reduction Company.
   The shareholder India Advantage Fund S3 I (IDBI Trusteeship Services limited) is domestic venture capital fund and hence deduction of TDS under 195 is not applicable. However, if required, the Petitioner company comply with the provisions of 195 of the I.T act, as applicable.

d) Regarding Para 3 (ii) of the I.T report, the Petitioner do agree that the reduction of share capital by a company and paying the balance to shareholder would result in extinguishment of rights in the shares held by shareholder and capital gains would arise. Further, the Petitioner undertake that the Petitioner and shareholder shall file return of Income after the proposed of scheme of reduction is approved by the Hon'ble NCLT.

20. The Petitioner has filed a compliance affidavit on the comments made by the Reserve Bank of India vide Dy. No. 6928 dated 17.06.2026 interalia stating that the Company received comments from Reserve Bank of India on the proposed reduction of share capital vide email dated 28.11.2025 for maintaining net worth of Rs.100 crores at all times. The Petitioner Company undertakes maintain the networth of Rs.100 crores at all times and comply with the RBI guidelines as applicable to the Company.

21. Heard the learned PCS for the Petitioner and Learned Counsel for ROC/RD and I.T Department. We have carefully perused the pleadings of the parties and extant provisions of the Companies Act 2013 and Rules made thereunder.

22. We have gone through the Board Resolutions and the Petition filed and note that in the Board Resolution no mention is made of any Payment being made using the Share Premium account. Only at Para 23 of the petition it is mentioned that the reduction of capital will be adjusted against the Share Capital Account and the Share premium account. It is also stated that the Payments are being made out of the excess funds available.

23. Further, on pointed questions of this Authority, documents were filed vide DY no 8650 on 10.09.2026 to prove that the Investments made India Advantage Fund S3 were made in 2013 to 2016 and were at Premium. The Average Issue price per share was worked out at Rs 287.13 per share of face value Rs 10. These shares were subdivided in to shares of Face value of Rs 5. On such sub division, the Value per share comes to Rs 143.56. These are now proposed to be repaid at Rs 155 per share. Since the Capital reduction is being undertaken in

compliance to the directions of SEBI and the same is being met out of the excess funds available, we deem it proper to accept the proposal.

24. The Petitioner Company is availing the option of reduction of paid-up share capital which is in consonance with Section 66 of the Companies Act, 2013.

25. It is noticed, as per the discussion above, the necessary compliance of the requirements of Sub- section (1), (2) and (3) of Section 66 of the Act have been made/satisfied by the Petitioner. In the circumstances, it is hereby ordered that the reduction of share capital of the Petitioner Company under Section 66 of the Companies Act, 2013 is hereby confirmed by approving the Minutes of EGM dated 10.09.2025.

The form of the minutes approved are;

"The paid-up share capital of "India1 Payments Limited" is henceforth Rs.13,95,60,905/- (Rupees Thirteen Crore Ninety Five Lakh Sixty Thousand Nine Hundred and Five only) divided into 2,79,12,181 (Two Crore Seventy Nine Lakh Twelve Thousand One Hundred and Eight one only) Equity shares of Rs.5/- (Rupees five only) each fully paid-up reduced from Rs.16,21,41,550/- (Rupees Sixteen Crore Twenty One Lakh Forty One Thousand Five Hundred Fifty only) divided into 3,24,28,310 (Three Crore Twenty Four Lakh Twenty Eight Thousand Three Hundred and Ten only) of equity shares of Rs.5/- (Rupees Five only) each fully paid up."

26. The copy of the minutes approved along with this order shall be delivered to the ROC by filing the e-Form INC 28, within 30 days of the receipt of the copy of the order. Accordingly, the Registry shall prepare an order in form No.RSC-6 as per National Company Law Tribunal (Procedure for Reduction of share capital of the company) Rules, 2016 and issue to the Petitioner Company. The Petitioner Company shall publish this order of confirmation in "*Business Standard*", English daily, Bengaluru edition and "*Vishwavani*" Kannada daily, Bengaluru edition, expeditiously and not later than 30 days from the receipts of copy of the order, as required under Section 66(4) of the companies Act, 2013.

27. Consequent to the reduction in share capital, the amount which will consider for payment shall be subject to the compliance of FEMA and RBI as are applicable. Further compliance also should be made to the provisions of I.T. Act with regard to such payment, if any.
28. Accordingly, the prayer made in the Petition is **allowed** and the **C.P. No.128/BB/2025** is **disposed of**. File be consigned to the Records.

-Sd-	**-Sd-**
RADHAKRISHNA SREEPADA **MEMBER (TECHNICAL)**	**SUNIL KUMAR AGGARWAL** **MEMBER (JUDICIAL)**