IN THE NATIONAL COMPANY LAW TRIBUNAL
AHMEDABAD
COURT – 2

ITEM No.303
CP/8(AHM)2025

Proceedings under Section 66 of Co.Act,2013

IN THE MATTER OF:
Padmanabh Industries Limited **.....Applicant**

.....Respondent

Order delivered on: 29/10/2026

Coram:
Mrs. Chitra Hankare, Hon'ble Member(J)
Dr. Velamur G Venkata Chalapathy, Hon'ble Member(T)

ORDER

This case is fixed for pronouncement of order

The order is pronounced in open court vide separate sheet

SD/- SD/-

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

CHITRA HANKARE
MEMBER (JUDICIAL)

NATIONAL COMPANY LAW TRIBUNAL
DIVISION BENCH,
COURT-II, AHMEDABAD

CP/8(AHM) 2025

(Under Section 66 of Companies Act, 2013)

Padmanabh Industries Limited
(CIN No: L17110GJ1994PLC023396)
having its registered
Office at 203, Abhishek Complex
Mamta Park Society,
B/h, Nav Gujarat College,
Ashram Road,
Ahmedabad-380014 ....Petitioner Company

Order pronounced on 29.10.2026

CORAM:

MRS. CHITRA HANKARE
HON'BLE MEMBER (JUDICIAL)

DR. V.G. VENKATA CHALAPATHY
HON'BLE MEMBER (TECHNICAL)

Appearance:

Petitioner:	Mr. Pranjal Patel, Advocate
ROC:	Ms. Ishani Pandya, Dy. RoC
Income Tax Department:	Mr. Aman Mir, Advocate
Regional Director:	Mr. Shivpal Singh

J U D G E M E N T

1. The present petition is filed under Section 66 of the Companies Act, 2013 for confirming the reduction of share capital of Padmanabh Industries Limited, a company incorporated on 24th October, 1994 under the Companies Act, 1956. The registered office of the company is situated at 203, Abhishek Complex, Mamta Park Society, B/h Nav Gujarat College, Ashram Road, Ahmedabad-380014.

2. The Petitioner Company prayed for following relief:

(a) *That, the "reduction of Equity Share Capital of Rs. 6,07,75,000 (Rupees Six Crores Seven Lakhs Seventy Five Thousand Only) represented by 60,77,500 (Sixty Lakh Seventy Seven Thousand Five Hundred) Equity Shares of Rs. 10 (Rupees Ten only) each to Rs. 12,15,500/- (Rupees Twelve Lakhs Fifteen Thousand Five Hundred Only) represented by 1,21,550 (One Lakh Twenty One Thousand Five Hundred Fifty) Equity Shares of Rs. 10/- each by cancelling 98% holding of Equity Shareholders of the Company as approved by the Shareholders of the Petitioner Company at their AGM held on 30.9.2024 be confirmed"*

3. The main object of the Company as set out in the clause (A) of Memorandum of Association of the Petitioner Company briefly reproduced as under;

   i. To produce, manufacture, refine, manipulate, use, buy, import or otherwise acquire, use, sell, distribute, export deal in and dispose of dyes and chemicals (synthetic or non-synthetic) coal-tar, dyes, dyes intermediates and dyes of all other types and description pharmaceutical surface-active agents.

   The details of Memorandum of Association of the Company appended with the application.

4. That the share capital of the Petitioner Company as on March 31, 2024 is as under:

AUTHORISED SHARE CAPITAL	AMOUNT (In Rupees)
75,00,000 equity shares of Rs 10 /- each	7,50,00,000
ISSUED, SUBSCRIBEED AND PAID UP SHARE CAPITAL	
50,77,500 Equity Shares of Rs. 10/- each	6,07,75,000
Total	6,07,75,000

5. That The Petitioner Company has accumulated losses of Rs. 13,78,98,712/- as per its audited financial statements as at 31st March 2024,

substantially eroding its share capital and securities premium. Accordingly, the Company proposes to write off the accumulated losses against the securities premium and reduce the paid-up share capital to the extent possible, so as to reflect the true financial position of the Company.

6. The proposed restructuring is intended to facilitate fresh infusion of funds and revival of the business operations of the Petitioner Company by cleaning up the accumulated losses to the extent possible. The Board of Directors has accordingly proposed reduction of the paid-up equity share capital by 98%.

7. The proposed reduction would enable the Company to rationalise its capital structure in accordance with its existing business and assets and make its balance sheet leaner and more reflective of its actual financial position.

8. The proposed reduction is intended to benefit the Company, its shareholders, creditors and other stakeholders by enabling the Company to overcome its financial difficulties and improve its operations and shareholder value.

9. Upon implementation of the proposed reduction will result in making its balance sheet leaner and downsized.

10. The reflection of the true financial statement of the company would ensure the company to attract a new source of revenue. The proposed scheme will enable to overcome its financial difficulties and improve its work in the future and enhance of its shareholder's value. It will help the Company to reflect better its operational efficiency and improvements in the future and reflect the share value.

11. The proposed restructuring of capital by reduction of capital under section 66 of the Companies Act, 2013 shall be reflected in the books of accounts of the company in the following manner as on the effective date;

Particulars	Pre-Capital Reduction		Post Capital Reduction	
	No. of shares	Amount(INR)	No. of shares	Amount(INR)
Authorized Share Capital	75,00,000	7,50,00,000	75,00,000	7,50,00,000
Issued, Subscribed and Paid-up Share Capital	60,77,500	6,07,75,000	1,21,550	12,15,500

The Shareholding pattern of the company pre and post reduction shall be as under:

Category	Pre-reduction of Capital (Equity Shares of Rs. 10/- each)		Pre-reduction of Capital (Equity Shares of Rs. 10/- each)	
	No. of shares	Percentage	No. of Shares	Percentage
Promoters and Promoter group	1,34,600	2.21	2,692	2.21
Non – Promoter(Public)	59,42,900	97.79	1,18,858	97.79
Total	60,77,500	100	1,21,550	100

That, the proposed reduction is subject to confirmation by this Hon'ble Tribunal, and such other approvals, permissions and registrations as may be required under applicable law.

12. Article 5(c) of the Articles of Association of the Petitioner Company expressly provides that the Petitioner Company may, in accordance with the provisions of the Companies Act, reduce its share capital in any manner permissible under law.

13. The audited financial statements of the Petitioner Company as at 31st March 2024 have been placed on record. The said financial statements reflect total assets of Rs. 15,325.16 lakhs, as against total equity of (Rs. 623.71) lakhs and corresponding liabilities.

The financial position of the Petitioner Company, as reflected in the audited financial statements, has been considered for the purposes of the present proceedings. A certified true copy of the audited financial statements as at 31 March 2024 forms part of the record.

14. That there is no pending inspection, inquiry or investigation against the petitioner company under the Companies Act, 2013.

15. That the Petitioner Company filed present application for confirming the reduction of Issued, Subscribed and Paid-up Equity Share Capital of the Petitioner company from Rs. 6,07,75,000(Rupees Six Crores Seven Lakhs Seventy Five Thousand Only) represented by 60,77,500 (Sixty lakh Seventy Seven Thousand Five Hundred) Equity Shares of Rs. 10/- each to Rs. 12,15,500/- represented by 1,21,550/- (One lac twenty One Thousand Five Hundred Fifty) equity shares of Rs. 10/- each by cancelling and extinguishing in aggregate, 98% of the total issued, subscribed and paid-up equity share capital of the Applicant, comprising 59,55,950 (Fifty Nine Lacs

Fifty Five Thousand Nine Hundred Fifty) equity shares of Rs. 10 each held by the members of the Company.

16. That the Board of Directors of the Petitioner Company, at their meeting held on 30.6.2023 proposed to carry out the reduction of capital by cancelling / extinguishing the subscribed capital of the Petitioner Company.

17. The Petitioner submits that, upon reduction of capital, the Carried Forward Losses will be adjusted against the Securities Premium, if any, and the Reduced Paid-up Capital of the Company. The Net Worth of the Company shall remain unchanged. The Statutory Auditor, S.K. Bhavsar & Co., Chartered Accountants, has certified the Net Worth before and after the proposed reduction vide certificate dated 17.12.2024.

18. The Petitioner submits that its shares are listed on BSE and that the draft Scheme was submitted to SEBI/BSE in compliance with the applicable SEBI Circulars, LODR Regulations and Section 66 of the Companies Act, 2013. Pursuant to SEBI's comments

dated 12.07.2024, BSE vide letter dated 15.07.2024 confirmed that it had no adverse observations on the Scheme in relation to listing requirements, enabling the Petitioner to approach this Hon'ble Tribunal for sanction of the proposed Scheme.

19. The Petitioner submits that its Board of Directors is of the view that the proposed cancellation/reduction of share capital is in compliance with the applicable provisions of the Companies Act, 2013 and SEBI Regulations and is legally tenable.

20. The Petitioner submits that the Board issued notice dated 05.09.2024, along with the explanatory statement under Section 102 of the Companies Act, 2013, convening the AGM of the equity shareholders on 30.09.2024. The notice contained the requisite disclosures and justification for the proposed reduction of share capital. In the same meeting with requisite majority it was approved the proposed reduction of share capital by passing a special resolution as required in terms of Section 66(1) of the Act.

21. The Petitioner submits that the list of equity shareholders as on 30.03.2024 and the list of shareholders whose shares are proposed to be cancelled are annexed. The Petitioner has duly filed e-Form MGT-14 vide SRN No. AB1647326 dated 25.10.2024 with the Registrar of Companies.

22. Upon the Scheme becoming effective, the reduction of capital shall be accounted for in accordance with the Companies Act, 2013, applicable Accounting Standards and Indian GAAP. Accordingly, the paid-up Equity Share Capital shall be reduced from Rs. 6,07,75,000 divided into 60,77,500 Equity Shares of Rs. 10 each to Rs. 12,15,500 divided into 1,21,550 Equity Shares of Rs. 10 each. The accumulated loss of Rs. 13,78,98,712 shall be adjusted against the Securities Premium of Rs. 7,65,00,000 and the reduction in paid-up capital of Rs. 5,95,59,500, leaving a debit balance of Rs. 18,39,212 in the Profit and Loss Account. The certificate from the statutory auditor of the petitioner company certified that the accounting treatment specified in paragraph 18 is in accordance with the prescribed accounting standards

under section133 of the Companies Act. Form of Minute proposed to be registered under Section 66(5) of the Act are filed.

23. The Petitioner submits that it has no secured creditors and only unsecured creditors, whose list has been verified and certified by the Managing Director and Statutory Auditor. The proposed reduction will not adversely affect the creditors, as there is no reduction in the amount payable to them and no compromise or arrangement with creditors is proposed. Further, the Petitioner has not accepted any deposits under Section 73 of the Companies Act, 2013 and has no arrears in repayment of deposits or interest thereon. The requisite declaration and auditor's certificate confirming the same.

24. That there is no winding up proceedings or insolvency proceedings have been filed or are pending against the petitioner company under the Companies Act, 2013. The registered office of the petitioner company is within the jurisdiction of this Tribunal and it is well within the limitation period.

25. That the Petitioner Company undertakes to publish notice of registration of order confirming reduction of capital and minutes thereof in two local newspapers in which notice of hearing of application is published within 14 days of registration.

26. This Tribunal vide order dated 06.03.2025, *inter-alia* directed to Applicant to issue notice to Creditors, RD, Income Tax Department & ROC and other Stakeholders as per provision of law. In pursuance of the same, the Applicant has filed an Affidavit of service before this Tribunal on 03.05.2025 in relation to the directions contained in the aforesaid order.

27. Consequent, thereto the Income Tax Department vide its report dated 31.12.2025 has clearly stated that the Income Tax Department has no objections to the reduction as prayed for in the petition.

The ROC Reply:

28. The Registrar of Companies had, based on the complaints of the shareholders filed a report objecting to the proposed reduction. That subsequently when the complaints by the shareholders were withdrawn this Tribunal directed

the Registrar of Companies to file a fresh report in view of the withdrawal of the complaints by the shareholders. The Registrar of Companies vide its affidavit dated 7.7.2026 has acknowledged that the said complaints filed by the shareholders have .been withdrawn but has indicated that the Regional Director (Ministry of Corporate Affairs) has directed the Registrar of Companies to inquire into the complaints made by the shareholders irrespective of the subsequent withdrawal of the said complaints. The Registrar of Companies has offered no independent views of objections to the proposed reduction of capital in its report dated 7.7.2026.

Regional Director Report:

29. RD's submitted in its report that based on the complaints of the shareholders filed a report objecting to the proposed reduction. That subsequently when the complaints by the shareholders were withdrawn this Tribunal directed the Regional Director to file a fresh report in view of the withdrawal of the complaints by the

shareholders. The Regional Director vide its affidavit dated 30.9.2026 has acknowledged that the said complaints filed by the shareholders have been withdrawn but has indicated that the said complaints would nonetheless have to be investigated by the Regional Director, irrespective of the subsequent withdrawal of the said complaints. It is submitted that this Directorate is not in a position to express its view at this stage.

30. In rebuttal of RD's reply the petitioner Company has filed its response submitting that as far as the complaint/objection of the Regional Director in respect of the difference in the debit balance of the Profit and Loss account, it is submitted that the Board of Directors had approved the proposal for reduction of share capital as per the financial statements of the Applicant as on 31.3.2023 wherein the debit balance of the profit and loss stood at Rs. 6,08,26,584/- (Rupees Six Crores Eight Lacs Twenty Six Thousand Five Hundred Eighty Four only). That, thereafter upon receipt of the approval of the stock exchange and the shareholders the present petition

was filed and at that point in time the debit balance of the profit and loss account stood at Rs. 6,13,98,712/-(Rupees Six Crores Thirteen Lacs Ninety Eight Thousand only). It is submitted that it is obvious that as the losses of the Applicant would increase/decrease with every passing year the said debit balance would also fluctuate and therefore this objection of the Regional Director in opposing the scheme of reduction is absolutely unfounded. In fact on the contrary it is the duty of the Applicant to point out the exact debit balance at any given point in time which the Applicant has done in an absolutely fair manner. For which the Applicant has also filed the balance sheet for the year 2025-26.

31. The Applicant Company has no secured creditor and the Managing Director of the Applicant Company has issue a certificate to that effect and further the statutory auditors of the Applicant Company also have given a certificate to that effect. It is also submitted that there are no real concerns or genuine objections to the proposed reduction of issued. Hence, Applicant prayed for allowing this application.

32. Heard Ld. Counsels for parties and perused the material available on record.

33. Observations:

a) It appears from the documents that the applicant has not made either BSE or SEBI as a party and has merely stated that the BSE has given its consent to the scheme. However, a perusal of the letter dated July 15, 2024 of BSE reveals that the observations made on the scheme of reduction of share capital between the Company and its promoters necessitates various compliances. The applicant has merely stated that the BSE has not given any adverse comments. There is no proof or document submitted of such compliances, especially when more than 97.79% of the shareholding is held by non-promoter group.

b) From the abridged financial statements, it is observed that net worth of the company is eroded, there are borrowings to the tune of Rs, 6099,36,000 and an amount of Rs.9202,91,000 payables to MSME entities. The submission

made by the applicant is that it has only unsecured borrowers who are not affected by the scheme of reduction, while we find that the entire capital is eroded and there are huge trade receivables of amounting to Rs.114,11,13,000 status of which is not submitted.

c) RD has made various observations on the financial affairs of the company and has not given a concurrence to the scheme, asking the tribunal to be satisfied with various documents due to irregularities including stated write off of loans. Various complaints filed against the company are stated to be withdrawn but the RD is still open to investigation. However, in his report he has not sought for any investigation to be done under Section 130 of the Companies Act, if such irregularities are to be examined and appropriate action initiated.

d) The full details of the subsidiary entities whose borrowings from applicant have been written off is not provided. There could be irregularities in the company, but the company is a listed entity

and majority shareholders are other than the promoter group. If there are large unsecured creditors who are unpaid, with no assets of the company, and if the equity stands reduced(irrespective of losses) this effectively transmits the losses to those unsecured creditors. The applicant has not submitted as to how by seeking reduction of capital to set off the losses will help in reviving the company to pay off the debts, for which a composite scheme should have been submitted. The fairness opinion report submitted apparently is not satisfactory as it does not give a clear picture, apparently camouflages the actual losses. The proposed reduction does not improve the net worth of the company.

f) We also observe that on the resolution proposed in the meeting held in the 30th AGM of the company held on 30 Sept 2024, there were 24 shareholders who cast their vote with value of 9,62,642 shares against the total issued shares of 60,77,500. We are not satisfied with

documents whether a transparent process of calling the AGM and conducting the meeting especially when the applicant is a listed company was done. Reports of complaints subsequently withdrawn and the RD still insisting on investigation, does not merit consideration of the scheme.

g) The option before the company is to fully provide all documents satisfactorily and the need to get a positive concurrence from the BSE, SEBI and RD/ROC. Income tax has merely gone on the tax returns/balance sheet and provided a report which does not adequately consider merits of allowing the scheme, which both directly and indirectly affects other stake holders including the unsecured creditors. Either the company has to be wound up, de listed or the company should come with a composite scheme for revival through capital reduction. The RD/ROC has not also suggested any further action, but has left it to this adjudicating authority to

examine documents, which is not in order and they may decide the facts of the performance of the company based on financial statements submitted and the complaints received and they have adequate powers under Companies Act provisions 2013. Further, BSE may also initiate action under their powers if any, if the application is pursued compromising the interests of the shareholders of the listed company and if there is non-compliance to their directions/SEBI regulations. In view of the above we pass the following Order :

O R D E R

CP/8(AHM)2025 is rejected and stands disposed of.

SD/- **SD/-**

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

CHITRA HANKARE
MEMBER (JUDICIAL)

vc