



December 27, 2021

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 051 BSE – 500495	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai - 400 051 NSE – ESCORTS	Delhi Stock Exchange Limited DSE House, 3/1, Asaf Ali Road, New Delhi -110 002 DSE – 00012
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Dear Sir,

Subject: Intimation under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015

This is in furtherance to our earlier intimation dated March 20, 2020, July 15, 2020 and December 23, 2021 in relation to the scheme of capital reduction of Escorts Limited for reduction of issued, subscribed and paid-up equity share capital of the Company by cancelling and extinguishing 1,22,57,688 (One Crore Twenty Two Lakhs Fifty Seven Thousand and Six Hundred and Eighty Eight) equity shares of INR 10 (Indian Rupees Ten only) each, held by the Escorts Benefit and Welfare Trust ("EBWT" or the "Trust"), without payment of any consideration to the aforesaid Trust, subject to the provisions of Section 66, Section 52 and other applicable provisions of the Companies Act, 2013 (hereinafter referred to "Scheme of Capital Reduction").

In this regard, we enclose herewith certified true copy of the order dated December 23, 2021, passed by the Hon'ble NCLT Bench ("Order"), Chandigarh ("NCLT"), received by the Company on December 27, 2021, approving the said Scheme of Capital Reduction. Order of the NCLT has already been filed with jurisdictional Registrar of Companies on December 27, 2021.

Upon effectiveness of the Scheme of Capital reduction, share capital of the Company stands reduced from INR 1,34,83,45,660 (Indian Rupees One Hundred Thirty Four Crore Eighty Three Lakh Forty Five Thousand Six Hundred and Sixty) divided into 13,48,34,566 (Thirteen crore forty eight lakh thirty four thousand five hundred and sixty six) equity shares of INR 10 (Indian Rupees Ten) each to INR 1,22,57,68,780 (Indian Rupees One Hundred and Twenty Two Crore Fifty Seven Lakh Sixty Eight Thousand Seven Hundred and Eighty) divided into 12,25,76,878 (twelve crore twenty five lakhs seventy six thousand eight hundred and seventy eight) equity shares of INR 10 (Indian Rupees Ten).

ESCORTS LIMITED

Phone: +91-129-2250222

Email: corpsl@escorts.co.in; Website: www.escortsgroup.com

Registered Office: 15/5, Mathura Road, Faridabad – 121 003, Haryana

CIN: L74899HR1944PLC039088



ESCORTS

This is for your information and records.

Thanking you.

Yours faithfully,
For **Escorts Limited**



Company Secretary & Compliance Officer

Place: **Faridabad**

Date: **December 27, 2021**

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CIN: L74899HR1944PLC039088

**National Company Law Tribunal,
Chandigarh Bench
Corporate Bhawan, Plot No.4-B,
Ground Floor, Sector 27-B, Madhya Marg,
Chandigarh**

Ref: NCLT/Chd/Reg/ 699

Dated: 27/12/2021

CP No. 38/Chd/Hry/2021

In the matter of:
Escorts Limited

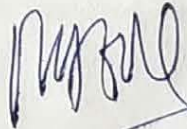
...Petitioner Company

To,

Escorts Limited
Regd. Office at: 15/5, Mathura Road,
Faridabad, Haryana- 121003

Please find enclosed herewith a certified copy order dated
23.12.2021, for your information and necessary action.

Encl: Copy of order


27.12.21.
Designated Registrar
NCLT, Chandigarh Bench

**THE NATIONAL COMPANY LAW TRIBUNAL
CHANDIGARH BENCH, CHANDIGARH
(through web-based video conferencing platform)**

CP No.38/Chd/Hry/2021

**Under Section 66 read with
Section 52 of the Companies
Act, 2013**

IN THE MATTER OF:

Escorts Limited

having its registered office at
15/5, Mathura Road, Faridabad, Haryana – 121003
CIN No.L74899HR1944PLC039088
PAN:AAACE0074B

..... Petitioner Company

Judgment delivered on: 23.12.2021

**Coram: HON'BLE MR. HARNAM SINGH THAKUR, MEMBER (JUDICIAL)
HON'BLE MR. SUBRATA KUMAR DASH, MEMBER (TECHNICAL)**

Present through Video Conferencing :-

For the Petitioner Companies: 1) Mrs. Munisha Gandhi, Senior Advocate
2) Mr. Vaibhav Sharma, Advocate
3) Ms. Salina Chalana, Advocate
For Income Tax Department: 1) Mr. Yogesh Putney, Senior Standing Counsel

Per: SUBRATA KUMAR DASH, MEMBER (TECHNICAL)

JUDGMENT

The Petitioner Company was incorporated on October 17, 1944, in Lahore under the provisions of the Companies Act, 1913, under the name 'Escorts (Agents) Limited'. Further, consequent to the fresh Certificate of Incorporation dated January 18, 1960, issued upon change of name by the Registrar of Companies, Delhi and Haryana, the name of the Petitioner Company was changed to 'Escorts Limited'. The shares of the Petitioner Company are listed on BSE Limited ("BSE"), the National Stock Exchange of India Limited ("NSE") and the Delhi Stock Exchange Limited ("DSE"). The registered office of the Petitioner



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Company is currently situated at 15/5, Mathura Road, Faridabad - 121003, Haryana, India. A certified true copy of the Certificate of Incorporation is annexed in the main petition and marked as Annexure-A.

2. The Petitioner Company is engaged in the business of manufacturing, developing, designing, improving, hiring, repairing, buying, selling, dealing in importing and exporting ferrous and non-ferrous castings and of all kinds and all machinery, implements, spare parts, appliances, apparatuses, lubricants and all other things capable of being used therewith or in manufacture, maintenance and working thereof.

3. The petitioner company submits that the proposed preferential issue and allotment has been approved by the Board of Directors of Company keeping in view the future outlook of the Company, its growth targets and prospects, additional funding requirement for the purpose of further expansion of its agri-machinery business. And also with the aim of attracting a globally reputed player such as the Investor in the Petitioner Company to meet its business objectives and at the same time to ensure that there is no dilution in shareholding of the existing shareholders (including public shareholders) of the Petitioner Company in the long run. The same has been submitted in para 13 of the petition.

4. The Petitioner Company submits that by Article 8 of the Articles of Association of the Petitioner Company, it is provided that the Petitioner Company may, from time to time, by Special Resolution, reduce its share capital in any manner permitted by law. Article 8 of the Articles of Association is reproduced below:-

"8. The Company may (subject to the provisions of Section 52, 55, 66 and any other provisions of the Act) from time to time by Special Resolution, reduce its capital and any Capital Redemption Reserve Fund or other premium account in any manner for the time being authorised by law."



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5. The background, reasons/rationale, commercial justification of the reduction of share capital by the Petitioner Company is as under (Annexure-Q of the petition):-

- i. The proposed reduction of the equity share capital of Company is being undertaken in accordance with the provisions of Section 66 read with Section 52 of the Act and the rules made thereunder and specifically the Rules, which permit a company to undertake a reduction of its share capital in any manner, read with the Listing Regulations (as defined hereinafter) and the SEBI Circular (as defined hereinafter).
- ii. Pursuant to the orders dated August 9, 2012 and September 5, 2012 issued by the High Court of Punjab and Haryana ("**High Court**"), the High Court had approved the scheme of arrangement and amalgamation of Escorts Construction Equipment Limited, Escotrac Finance and Investment Private Limited, Escorts Finance Investments and Leasing Private Limited with the Company ("**2012 Scheme**").
- iii. Upon effectiveness of the 2012 Scheme, inter alia, 3,73,00,031 (three crore seventy three lakh and thirty one) equity shares of the Company were issued / vested with EBWT (as defined hereinafter) for the sole benefit of the Company and its successors in interest. As on the date of the approval of this Scheme by the Board of Directors of the Company, EBWT holds 3,37,00,031 (three crore thirty seven lakh and thirty one) equity shares of the Company amounting to 27.49% (Twenty Seven Point Forty Nine percent) of the total issued and paid up share capital of the Company ("**Trust Shares**").
- iv. The Company has entered into a Share Subscription Agreement dated March 20, 2020 with Kubota Corporation, a company duly organised and existing under the laws of Japan and having its principal office at 2-47, Shikitsu Higashi 1-chome, Naniwa-ku, Osaka 556-8601, Japan ("**Investor**") and certain specified promoters of the Company (as confirming parties), whereby the Investor has agreed to subscribe to 1,22,57,688 (one crore twenty two lakhs fifty seven thousand six hundred and eighty eight) equity shares of face value INR 10 (Indian Rupees Ten) ("**Subscription Shares**") at INR 850 (Indian Rupees Eight Hundred and Fifty)- per share amounting to 9.09% of the post-issue share capital of the Company, subject to compliance with the provisions of the Act.



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- v. The proposed preferential issue and allotment was approved by the Board of Directors of the Company keeping in view the future outlook of the Company, its growth targets and prospects, additional funding requirement for the purpose of further expansion of its agri machinery business.
- vi. With the aim of attracting a globally reputed player such as the Investor in the Company to meet its business objectives and at the same time to ensure that there is no dilution in shareholding of the existing shareholders (including public shareholders) of the Company in the long run, the Company has agreed, subject to compliance with applicable laws, receipt of necessary regulatory approvals and allotment of the Subscription Shares to the Investor, to selectively reduce 1,22,57,688 (one crore twenty two lakhs fifty seven thousand six hundred and eighty eight) equity shares of face value INR 10 (Indian Rupees Ten) per equity share held by EBWT, without payment of any consideration to the EBWT ("**Capital Reduction**").
- vii. The Board of Directors of the Company in its meeting held on March 20, 2020, inter alia, provided an in-principle approval to consider reducing the share capital of the Company by such number of equity shares which is equal to the number of Subscription Shares, by cancelling and extinguishing 1,22,57,688 (one crore twenty two lakhs fifty seven thousand six hundred and eighty eight) equity shares held by EBWT, without payment of any consideration to the EBWT.
- viii. The preferential allotment of equity shares to the Investor has already been approved by the equity shareholders of the Company on April 22, 2020 with requisite majority and the approval of Competition Commission of India has been received by Investor on July 10, 2020. In terms of the understanding agreed to between the Investor and the Company, the Board of Directors of the Company in its meeting held on July 15, 2020 has now approved the cancellation of 1,22,57,688 (one crore twenty two lakh fifty seven thousand six hundred and eighty eight) equity shares of INR 10 (Indian Rupees Ten) each of the Company held by EBWT without payment of any consideration to EBWT, subject to the allotment of the equity shares to the Investor.
- ix. The proposed reduction of equity share capital of the Company would not have any adverse effect on the creditors of the Company or the Company's ability to fulfil its commitments or meet its obligations in the ordinary course of business as there is no payout resulting from the proposed capital reduction.



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- x. *The reduction of capital in the manner proposed would be beneficial to all the shareholders of the Company as the same shall ensure that the total equity share capital of the Company remains unchanged even after the preferential allotment to the Investor."*

6. The Petitioner Company submits that the Board of Directors of the Petitioner Company in its meeting held on March 20, 2020, inter alia, provided an in-principle approval to consider reducing the share capital of the Petitioner Company by cancelling and extinguishing 1,22,57,688 (One Crore Twenty Two Lakhs Fifty Seven Thousand Six Hundred and Eighty Eight) equity shares held by EBWT, without payment of any consideration to EBWT and in its meeting held on July 15, 2020, has approved cancellation and extinguishment of 1,22,57,688 (One Crore Twenty Two Lakhs Fifty Seven Thousand Six Hundred and Eighty Eight) equity shares held by EBWT, without payment of any consideration to EBWT. Certified true copy of the Board Resolution dated March 20, 2020, and July 15, 2020, passed by the Board of Directors of the Petitioner Company is annexed with the main petition and marked as **ANNEXURE "E"**.

7. The Petitioner Company submits that the list of Equity shareholders (in the format as per Regulation 31 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015) as on March 5, 2021 duly certified by Chartered Accountant is annexed in the main petition and marked as **ANNEXURE "H"**.

8. The Special Resolution passed by the Equity shareholders by e-voting is reproduced herein below:

"RESOLVED THAT pursuant to Sections 66, Section 52 and other applicable provisions, if any, of the Companies Act, 2013



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("Act") and the rules made thereunder including the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 ("NCLT Rules") and any other applicable provisions of law (including any statutory amendment(s), modification(s) or re-enactment(s) thereof for the time being in force), Article 8 of the articles of association of the Company and subject to the confirmation by the Hon'ble National Company Law Tribunal, Chandigarh Bench ("NCLT"), and such other approvals, consents, permissions and sanctions as may be required to be obtained from appropriate Governmental authorities, departments, offices, institutions, bodies, agencies and/ or third parties, and subject to the terms and conditions, as may be prescribed while granting such approvals, consents, permissions and sanctions by the NCLT and/ or any other appropriate Governmental authorities, departments, offices, institutions, bodies, agencies and/ or third parties and which may be agreed to by the Board of Directors of the Company ("Board") (which term shall be deemed to mean and include one or more committee(s) constituted/to be constituted by the Board), the approval of the shareholders of the Company ("Members") be and is hereby accorded to the Scheme as submitted to the BSE Limited, designated stock exchange, and National Stock Exchange of India Limited for observations ("Scheme") and to reduce the issued, subscribed and paid-up equity share capital of the Company from INR 1,34,83,45,660 (Indian Rupees One Hundred Thirty Four Crores Eighty Three Lakhs Forty Five Thousand Six Hundred and Sixty only) (divided into 13,48,34,566 (Thirteen Crore Forty Eight Lakhs Thirty Four Thousand Five Hundred and Sixty Six) equity shares of INR 10 (Indian Rupees Ten only) each) to INR 1,22,57,68,780 (One Hundred Twenty Two Crores Fifty Seven Lakhs Sixty Eight Thousand Seven Hundred Eighty only) (divided into 12,25,76,878 (Twelve Crores Twenty Five Lakhs Seventy Six Thousand Eight Hundred and Seventy Eight) equity



shares of INR 10 (Indian Rupees Ten only) each) by cancelling and extinguishing 1,22,57,688 (One Crore Twenty Two Lakhs Fifty Seven Thousand and Six Hundred and Eighty Eight) fully paid up equity shares of INR 10 (Indian Rupees Ten only) each, which are currently held by Escorts Benefit and Welfare Trust ("EBWT" or the "Trust"), and having a value of investment aggregating to INR 113,21,25,002 (Indian Rupees One Hundred and Thirteen Crores Twenty One Lakhs Twenty Five Thousand and Two), without payment of any consideration to the aforesaid Trust ("Capital Reduction") and making corresponding adjustments by way of debit to: (i) the outstanding paid-up equity share capital for INR 12,25,76,880 (Indian Rupees Twelve Crores Twenty Five Lakhs Seventy Six Thousand Eight Hundred and Eighty); and (ii) the securities premium account of the Company for INR 100,95,48,122 (Indian Rupees One Hundred Crore Ninety Five Lakhs Forty Eight Thousand One Hundred and Twenty Two), on the terms and conditions as contained in the Scheme."

"RESOLVED FURTHER THAT upon the confirmation of the Scheme by NCLT and the aforesaid authorities and becoming effective and operative, without any further act or deed by the equity shareholders (including but not limited to sending appropriate instructions to the depository participants), the abovementioned 1,22,57,688 (One Crore Twenty Two Lakhs Fifty Seven Thousand Six Hundred and Eighty Eight) equity shares of the Company held by the Trust shall stand cancelled, extinguished and rendered invalid without any obligations and consequences of whatsoever nature to the Trust and the Company."

"RESOLVED FURTHER THAT subject to confirmation of the Scheme by NCLT and all other approvals from any other appropriate authorities, the Company shall not be required to add the words "And Reduced" to its name subsequent to such reduction of capital of the Company."



"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, proper or desirable to give effect to the resolution and the Scheme, including, making any modifications to the Scheme, statutory form filings, making application to authorities, regulatory or otherwise and to settle any matter, question, difficulty or doubt that may arise in regard to the Scheme as it may deem necessary, proper, desirable or expedient without requiring any further approval of the Members and that the Members shall be deemed to have given their approval thereto expressly by the authority of this Resolution and acts and things done or caused to be done shall be conclusive evidence of the authority of the Company in so doing and any such acts and things done or caused to be done prior to the date hereof are hereby ratified, confirmed and approved as the acts and deeds of the Company, as the case may be."

"RESOLVED FURTHER THAT the Board be and is hereby authorized, in its absolute discretion, to bring into effect the abovementioned resolution on such other terms and conditions as it may consider appropriate and to accept such other conditions and modifications as may be prescribed by the NCLT and other appropriate bodies / authorities while according their sanction or consent to the Capital Reduction or to suspend, withdraw or revive the proposal for Capital Reduction from time to time as may be specified by any statutory authority or as the Board may suo-moto decide in its absolute discretion."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred, to a committee of the Board or any such persons as it may deem fit in its absolute discretion, with the power to take such steps and to do all such acts, deeds, matters and things as they may deem fit and proper for the purposes of the Scheme and settle any questions or difficulties that may arise in regard to the Scheme."



9. It can be seen that the Petitioner Company avails the option of cancellation and extinguishment of paid-up equity share capital is in consonance with Section 66 of the Companies Act, 2013. Following are the provisions :-

"66. Reduction of Share Capital:

(1). Subject to confirmation by the Tribunal on an application by the Company, a company limited by shares or limited by guarantee and having a share capital may, by a special resolution, reduce the share capital in any manner and in particular, may-

(a) extinguish or reduce the liability on any of its shares in respect of the share capital not paid-up; or

(b) either with or without extinguishing or reducing liability on any of its shares,-

(i) cancel any paid-up share capital which is lost or is unrepresented by available assets; or

(ii) pay off any paid-up share capital which is in excess of the wants of the company, alter its memorandum by reducing the amount of its share capital and of its shares accordingly:

Provided that no such reduction shall be made if the company is in arrears in the repayment of any deposits accepted by it, either before or after the commencement of this Act, or the interest payable thereon."

10. The Petitioner Company submits that the certified true copy of the Special Resolution passed by the Equity shareholders of the Petitioner Company through e-voting concluded on February 21, 2021 is annexed in the main petition and marked as **ANNEXURE "I"**.

11. The Petitioner Company states that the results of the said in the EGM e-voting are as follows:-

Particulars	No. of Members	No. of Votes
Total E-voting received	588	9,65,55,279

Mode	Voted in Favour			Voted Against		
	Members	Votes	Voting%	Members	Votes	Voting%
E-voting	548	9,63,73,815	99.99	33	739	0.0008



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Mode	Voted less		Abstained	
	Members	Votes	Members	Votes
E-voting	2	50,644	8	1,80,725

12. The Petitioner Company submits that the issued, subscribed and paid-up share capital of the Petitioner Company pre and post the reduction of capital shall be:-

Particulars	Amount
(PRE CAPITAL REDUCTION)	
Issued, Subscribed and Paid-up share capital 13,48,34,566 equity shares of Rupees 10/- each	1,34,83,45,660
Total	1,34,83,45,660
(POST CAPITAL REDUCTION)	
Issued, Subscribed and Paid-up share capital 12,25,76,878 equity shares of Rupees 10/- each	1,22,57,68,780
Total	1,22,57,68,780

13. The Petitioner Company entered into a Share Subscription Agreement dated March 20, 2020 with Kubota Corporation, a company duly organized and existing under the laws of Japan ("Investor") and certain specified promoters of the Petitioner Company (as confirming parties), whereby the Investor agreed to subscribe to 1,22,57,688 (One Crore Twenty-Two Lakhs Fifty-Seven Thousand Six Hundred and Eighty-Eight) equity shares of face value Rs.10/- (Rupees Ten) each ("Subscription Shares").

14. The Petitioner Company does not have any deposit as covered under the provisions of Sections 73 to 76 of the Companies Act, 2013 and the Rules made thereunder. Hence the Petitioner Company has no arrears in the repayment of any deposits, either before or after the commencement of the Companies Act, 2013, or the interest payable thereon, as on the date of filing of this Petition before this Hon'ble Tribunal. The certificate of Statutory Auditors of the company



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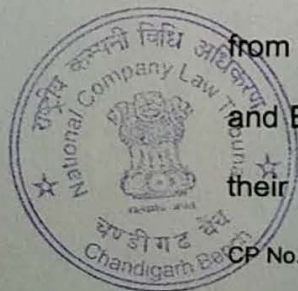
further confirms that there are no deposits issued by the Company and is attached in the main petition and marked as **ANNEXURE "P"**.

15. The Petitioner Company submits that it has 2 (Two) secured creditors and 7,546 (Seven Thousand Five Hundred and Forty Six) unsecured creditors as on February 28, 2021 with the total outstanding amount of INR 15,00,30,785/- and INR 10,03,29,02,336.48 respectively. The list of creditors duly certified by Managing Director of the Petitioner Company, along with certificate from Statutory Auditors, as true and correct is annexed in main petition and marked as **ANNEXURE "K"**.

16. The Net-worth of the Petitioner Company as on March 31, 2020 is INR 4,413.08 crore and that the Petitioner Company is a solvent company with sound financial position capable of meeting all its outstanding debts. A Net-worth certificate issued by a practicing Chartered Accountant is annexed in main petition and marked as **ANNEXURE "L"**. The said certificate demonstrates that the Petitioner Company has sufficient liquidity to pay all its outstanding creditors as per the commercial terms agreed with them.

17. The present scheme envisages no pay-out in the proposed capital reduction of the Petitioner Company, and as such creditors will not be adversely affected by the said scheme.

18. The Petitioner Company submits that the equity shares of the Petitioner Company is listed on the NSE and BSE, pursuant to Regulation 37(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended from time to time, the Petitioner Company had filed the draft Scheme with NSE and BSE on September 30, 2020 and September 29, 2020 respectively, to seek their observations on the Scheme. It is submitted that the BSE and NSE,



pursuant to their observation letters dated January 5, 2021 issued to the Petitioner Company have indicated their no-objection to the filing of the Scheme before this Hon'ble Tribunal. Copies of the observation letters dated January 5, 2021 received from the BSE and NSE, are annexed in the main petition and marked as **ANNEXURE "F"**.

19. The Petitioner Company also submitted that the proposed accounting treatment had also been confirmed and certified by the Statutory Auditors of the Company. The same is attached with main petition and marked as **ANNEXURE "O"**.

20. A perusal of the report/observation filed by the Regional Director made some observations in relation to proposed reduction of equity share capital of the Petitioner Company, below mentioned observations which was duly responded by the Company vide its reply dated 27.10.2021 -

- a) *It has been observed that the Auditors in their Report to the Balance Sheet as at 31.03.2021 has reported inter-alia that the following dues are outstanding in respect of income-tax, sales-tax, service-tax duty of customs duty of excise and value added tax account to any dispute:*

Petitioner Company submitted that it is an operating listed company on the stock exchanges in India. Dues which have been observed in the report of Regional Director are on account of routine business operation of the Petitioner Company and pending at various authorities level. Petitioner Company also submitted that it is a solvent company with net-worth of INR 4,413.08 crore as on March 31, 2020. Further, proposed capital reduction doesn't envisage any payment from the Company to shareholders and hence there is no adverse impact on the creditors of the Petitioner Company.



Petitioner Company submitted that post effectiveness of the Scheme, it shall continue as going concern, and undertook that all statutory dues shall be paid in full as and when due and finalized by the Statutory authorities in compliance of the applicable Law.

- b) *Since the Petition is silent about giving effect of reduction of share capital and security premium account against corresponding adjustment of asset of the company, which is clarified by the Company in their reply dated 26.10.2021, it is prayed before the Hon'ble Tribunal to direct the Petitioner Company to make such reply (Accounting Treatment on post confirmation of the petition to give corresponding effect of reduction value of share capital and security premium) as part of the petition for considering confirmation of the Petition for reduction of share Capital and Security premium amount as prayed in the Petition."*

Petitioner Company stated that vide letters dated September 14, 2021 and October 26, 2021, it submitted its response to the query raised by the Regional Director, wherein the Petitioner Company explained that the capital reduction shall be given effect to in the books of Petitioner Company in accordance with para 8 of the Scheme which states as under:

"Upon the Scheme becoming effective, investment, aggregating to the value of investment representing 1,22,57,688 (one crore twenty two lakhs fifty seven thousand six hundred and eighty eight) equity shares of the Company recorded as non-current investment in the books of the Company as 'Sole beneficiary interest in Escorts Benefit and Welfare Trust' i.e. INR 113,21,25,002 (Indian Rupees One Hundred and Thirteen Crore Twenty One Lakh Twenty Five Thousand and Two) shall be cancelled, with corresponding adjustment by way of debit to: (i) the outstanding paid-up equity share capital for INR 12,25,76,880 (Indian Rupees Twelve Crores Twenty Five Lakhs Seventy Six Thousand Eight Hundred and Eighty); and (ii) the securities premium account of the Company for INR 100,95,48,122 (Indian Rupees One Hundred and Nine Crores Ninety Five Lakhs Forty Eight Thousand One Hundred and Twenty Two)) in



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compliance with the generally accepted accounting principles in India."

The petitioner company submitted that the abovementioned accounting treatment as is provided in para 8 of the Scheme had also been provided in Para 28 of the Petition submitted with Hon'ble Tribunal wherein the accounting proposed in the books of Escorts Limited i.e. aggregate value of investment representing 1,22,57,688 (one crore twenty two lakhs fifty seven thousand six hundred and eighty eight) equity shares of the Company recorded as non-current investment in the books of the Company as 'Sole beneficiary interest in Escorts Benefit and Welfare Trust' i.e. INR 113,21,25,002 (Indian Rupees One Hundred and Thirteen Crore Twenty One Lakh Twenty Five Thousand and Two) shall be cancelled, with corresponding adjustment by way of debit to: (i) the outstanding paid-up equity share capital for INR 12,25,76,880 (Indian Rupees Twelve Crores Twenty Five Lakhs Seventy Six Thousand Eight Hundred and Eighty); and (ii) the securities premium account of the Company for INR 100,95,48,122 (Indian Rupees One 12 Hundred Crore Ninety Five Lakhs Forty Eight Thousand One Hundred and Twenty Two)

Petitioner Company also submitted that the above mentioned proposed accounting had also been confirmed and certified by the Statutory Auditors of the Company.



21. The Hon'ble Tribunal vide its order dated 24.11.2021 made the below observations against which the Company filed its affidavit on 01.12.2021 as under –

"b) In the affidavit filed by the RD, it is mentioned that the petition is silent about the details of the accounting treatment of the company's asses / liabilities to give the corresponding effect of the reduction of share capital and security premium, both amounting to Rs. 113.21 crores. The RD has also prayed that the petitioner company be directed to make the reply (accounting treatment of assets on post confirmation of the petition to give the corresponding effect of the reduction value of share capital and premium) as part of the petition for considering confirmation of the petition for reduction of share capital and security premium amount. This aspects need further clarification from the Petitioner Company.

In this regard, Petitioner Company referred to para 8 of the Scheme which states as under:

"Upon the Scheme becoming effective, investment, aggregating to the value of investment representing 1,22,57,688 (one crore twenty two lakhs fifty seven thousand six hundred and eighty eight) equity shares of the Company recorded as non-current investment in the books of the Company as 'Sole beneficiary interest in Escorts Benefit and Welfare Trust' i.e. INR 113,21,25,002 (Indian Rupees One Hundred and Thirteen Crore Twenty One Lakh Twenty Five Thousand and Two) shall be cancelled, with corresponding adjustment by way of debit to: (i) the outstanding paid-up equity share capital for INR 12,25,76,880 (Indian Rupees Twelve Crores Twenty Five Lakhs Seventy Six Thousand Eight Hundred and Eighty); and (ii) the securities premium account of the Company for INR 100,95,48,122 (Indian Rupees One 12 Hundred Crore Ninety Five Lakhs Forty Eight Thousand One Hundred and Twenty Two)) in compliance with the generally accepted accounting principles in India."

The abovementioned accounting treatment as is as provided in para 8 of the Scheme had also been provided in Para 28 of the Petition submitted with Hon'ble Tribunal wherein the accounting proposed in the books of Escorts Limited i.e. aggregate value of investment representing 1,22,57,688 (one crore twenty two lakhs fifty seven thousand six hundred and eighty eight) equity shares of the



Company recorded as non-current investment in the books of the Company as 'Sole beneficiary interest in Escorts Benefit and Welfare Trust' i.e. INR 113,21,25,002 (Indian Rupees One Hundred and Thirteen Crore Twenty One Lakh Twenty Five Thousand and Two) shall be cancelled, with corresponding adjustment by way of debit to: (i) the outstanding paid-up equity share capital for INR 12,25,76,880 (Indian Rupees Twelve Crores Twenty Five Lakhs Seventy Six Thousand Eight Hundred and Eighty); and (ii) the securities premium account of the Company for INR 100,95,48,122 (Indian Rupees One 12 Hundred Crore Ninety Five Lakhs Forty Eight Thousand One Hundred and Twenty Two).

The Petitioner Company also submitted that the above mentioned proposed accounting treatment had also been confirmed and certified by the Statutory Auditors of the Company.

- c) *The Petitioner is silent on the issue of whether they have obtained the no objection / consent from both the secured and unsecured creditors.*

In this regard, the Petitioner Company gave reference to the provisions of Section 66(2) of the Companies Act, 2013 wherein it is provided that Tribunal, amongst others, shall give notice to of every application made under Section 66 of the Companies Act, 2013 to creditors of the Company and shall take into consideration the representations, if any, made to it by the Creditors within a period of three months from the date of receipt of the notice. It further states that where no representation has been received from the creditors within the said period, it shall be presumed that they have no objection to the reduction.



Petitioner Company submitted that in compliance with the directions of the Hon'ble Tribunal vide order dated July 16, 2021, Petitioner Company dispatched copy of the notice to each of the respective persons whose names, addresses and descriptions appear in the list of secured creditors filed on 28.02.2021 by delivering such copies by hand to their respective addresses appearing in the said list on 23.07.2021. Further, Petitioner Company dispatched copy of the notice to each of the respective persons whose names, addresses and descriptions appeared in the list of unsecured creditors filed on 28.02.2021 by sending such copies by Courier to their respective addresses appearing in the said list on 22.07.2021. Courier receipts and acknowledgement of above notices were submitted with Hon'ble Tribunal.

Further, the Petitioner Company vide its affidavit dated 27.10.2021 confirmed that the Petitioner Company had not received any objection from the creditors of the Petitioner Company.

In terms of the provisions of Section 66 of Companies Act, 2013, it was submitted that in absence of any representation from creditors of the Petitioner Company within three months from the date of receipt of notice i.e. 22.07.2021, it shall be presumed that the creditors of the Petitioner Company have no objection to the proposed scheme of capital reduction.

Notwithstanding above, Petitioner Company also submitted that it is a solvent company with net-worth of INR 4,413.08 crore as on March 31, 2020. Further, proposed capital reduction doesn't envisage any payment from the Company to shareholders and



hence there is no adverse impact on the creditors of the Petitioner Company.

- d) *More information is required on the nature of enquiry pending under section 206(4) of the Companies Act, 2013, and whether it has a bearing on the present application.*

In this regard, Petitioner Company submitted that it had received an enquiry under section 206(4) of the Companies Act, 2013 with regard to merger of Escorts Tractors Limited with Escorts Limited in the year 1995. Petitioner Company had received an enquiry letter dated 21.03.2018 from then Deputy Registrar of Companies requiring information/documents with regard to abovementioned merger which was duly responded by Petitioner Company along with requisite documents/information on 29.03.2018.

Petitioner Company submitted that the Company had not received any communication from the office of Registrar of Companies since its submission dated 29.03.2018. Further, the Petitioner Company undertook that any further enquiry/notice received by the Company shall be responded by the Petitioner Company in compliance with the provisions of Companies Act, 2013.

- e) *The JD MCA states that the letter of BSEs Ltd. and NSE Ltd. dated 05.01.2021 has a bearing on the present application. The applicant may be requested to place on record said letter dated 05.01.2021.*

In this regard, Petitioner Company submitted that BSE Limited and NSE Ltd. vide their letter dated 05.01.2021 had provided their observation on the proposed scheme of capital reduction and have indicated their no objection to the filing of the Scheme before



Hon'ble NCLT. Copies of the observation letter dated 05.01.2021 had already been submitted with Hon'ble Tribunal.

22. The present position of law, while dealing with the provisions of Section 66 is that if none of the shareholders are objecting for the proposed reduction, then after considering the merits of the case as also connected facts and circumstances such petition normally deserves to be admitted. In the case of ***Elpro International Limited (Company Petition No.288 of 2007) order dated 22.06.2007 reported in MANU/MH/1414/2007: [2009] 149 Comp Cas 646 (Bom)***, Hon'ble Bombay High Court has expressed that the question of reduction of share capital is the matter of domestic concern of the company. Further observed that decision for reduction is based on commercial consideration undertaken by the businessmen who are in the best position to know of the necessities and interests of the company concerned, in the absence of serious allegations as regards the bona fides of the proposed Scheme, the Courts are of the view that no interference in such decisions are acquired. It has also been observed that considering the commercial aspect of the decision it is not permissible for the Court to come to the conclusion that the exit opportunity offered is inequitable and unjust. Likewise, in the case of ***Reckitt Benckiser (India) Ltd. (Company Petition No.206 of 2004) Order dated 31.05.2005 reported in 2005 SCC Online Del 674***, after due consideration of the pre and post reduction, admittedly selective one, it was held that if majority by a special resolution decides to reduce share capital of company, it has also right to decide as to how this reduction should be carried into effect.

23. In the light of discussion forgoing, it is ordered to confirm the reduction of share capital of Petitioner Company by approving the minutes of the EOGM commenced on 23rd January 2021 and concluded on 21st February 2021,



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wherein the members of the Petitioner Company resolved for the reduction of share capital of the Company, as prescribed U/s 66 of the Companies Act, 2013, to reduce issued and paid up share capital from INR 1,34,83,45,660 (Indian Rupees One Hundred Thirty Four Crores Eighty Three Lakhs Forty Five Thousand Six Hundred and Sixty only) (divided into 13,48,34,566 (Thirteen Crore Forty Eight Lakhs Thirty Four Thousand Five Hundred and Sixty Six) equity shares of INR 10 (Indian Rupees Ten only) each) to INR 1,22,57,68,780 (One Hundred Twenty Two Crores Fifty Seven Lakhs Sixty Eight Thousand Seven Hundred Eighty only) (divided into 12,25,76,878 (Twelve Crores Twenty Five Lakhs Seventy Six Thousand Eight Hundred and Seventy Eight) equity shares of INR 10 (Indian Rupees Ten only) each) by cancelling and extinguishing 1,22,57,688 (One Crore Twenty Two Lakhs Fifty Seven Thousand and Six Hundred and Eighty Eight) fully paid up equity shares of INR 10 (Indian Rupees Ten only) each, which are currently held by Escorts Benefit and Welfare Trust ("EBWT" or the "Trust"), and having a value of investment aggregating to INR 113,21,25,002 (Indian Rupees One Hundred and Thirteen Crores Twenty One Lakhs Twenty Five Thousand and Two), without payment of any consideration to the aforesaid Trust ("Capital Reduction") and making corresponding adjustments by way of debit to: (i) the outstanding paid-up equity share capital for INR 12,25,76,880 (Indian Rupees Twelve Crores Twenty Five Lakhs Seventy Six Thousand Eight Hundred and Eighty); and (ii) the securities premium account of the Company for INR 100,95,48,122 (Indian Rupees One Hundred Crore Ninety Five Lakhs Forty Eight Thousand One Hundred and Twenty Two), on the terms and conditions as contained in the Scheme.

24. In terms of the above, the necessary alteration shall be made in the Memorandum of Association by the Petitioner Company for reduction of the



amount of its share capital and of its shares, the copy of the altered Memorandum of Association and the minutes approved along with the order shall be delivered to the ROC by filing the E form INC, within 30 days of the receipt of copy of the Order. Accordingly, the Registry shall prepare an Order in FORM No. RSC-6 as per the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 and issue to the Applicant.

Ordered Accordingly. To be consigned to the Records.

Form of Minutes

The issued, subscribed and paid-up capital of Escorts Limited is henceforth INR 1,22,57,68,780 (Indian Rupees One Hundred and Twenty Two Crore Fifty Seven Lakh Sixty Eight Thousand Seven Hundred and Eighty) divided into 12,25,76,878 (twelve crore twenty five lakhs seventy six thousand eight hundred and seventy eight) equity shares of INR 10 (Indian Rupees Ten) each reduced from INR 1,34,83,45,660 (Indian Rupees One Hundred Thirty Four Crore Eighty Three Lakh Forty Five Thousand Six Hundred and Sixty) divided into 13,48,34,566 (Thirteen crore forty eight lakh thirty four thousand five hundred and sixty six) equity shares of INR 10 (Indian Rupees Ten) each.

Sd/-

(Subrata Kumar Dash)
Member (Technical)



Sd/-

(Harnam Singh Thakur)
Member (Judicial)

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OF THE ORIGINAL

FREE OF COST COPY