

BEFORE THE NATIONAL COMPANY LAW TRIBUNAL

COURT NO. VI, NEW DELHI

CA(CAA) – 41/ND/2024

**IN THE MATTER OF SECTIONS 230-232 OF THE COMPANIES ACT,
2013**

Sections 230-232 and other applicable provisions of the Companies Act, 2013 read with Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.

IN THE MATTER OF SCHEME OF ARRANGEMENT

M/s STESALIT LTD

Registered Office at: 712-A, 7th Floor, Shakuntala Apartment, 59, Nehru Place, New Delhi-110 019

... Applicant Company No 1/Transferor Company

AND

M/s RIVER ENGINEERING PVT LTD

Registered Office at: 912, 9th Floor, Devika Tower, 6, Nehru Place, New Delhi- 110019;

... Applicant Company No 2/Transferee Company

CORAM:

SH. MAHENDRA KHANDELWAL, MEMBER (JUDICIAL)

SH. RAHUL BHATNAGAR, MEMBER (TECHNICAL)

For the Applicants: Mr. Kartikeya Goel, Adv and Mr. Praveen Kumar Bharti, Adv.

ORDER

PER – MAHENDRA KHANDELWAL, MEMBER (JUDICIAL)

Order Delivered on: 18.04.2024

1. This is first motion application filed jointly by the Applicant Companies No 1 & 2 under Section 230-232 of Companies Act, 2013 read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, the National Company Law Tribunal Rules, 2016, and other applicable provisions in relation to the Scheme of Arrangement by way of Amalgamation (hereinafter referred to as the “SCHEME”) proposed between the applicants.
2. That the Transferor Company and Transferee Company under the Scheme of Arrangement are having their respective registered office in the NCT of Delhi and hence are under the jurisdiction of the National Company Law Tribunal, Bench at New Delhi.
3. The Applicant Company No.1– M/s Stesalit Limited (CIN: U35204DL1981PLC405383), was incorporated under the provisions of the Companies Act, 1956 as a Private Limited Company vide Certificate of Incorporation dated 12.09.1995, having its registered office at 712-A, 7th Floor, Shakuntala Apartment, 59, Nehru Place, New Delhi-110019;
4. The Applicant Company No.2 – M/s River Engineering Private Limited (CIN: U74140DL2007PTC166854), was incorporated under the provisions of the Companies Act, 1956 as a Private Limited Company vide Certificate

of Incorporation dated 09.08.2007, having its registered office at 912, 9th Floor, Devika Tower, 6, Nehru Place, New Delhi- 110019.

5. The Board of Directors of the Transferor Companies and the Transferee Company in their respective meetings held on 18.03.2024, considered and unanimously approved the proposed Scheme of Amalgamation. Copies of the said Resolutions passed in the said Board Meetings have been placed on record.
6. The benefits of the proposed amalgamation, inter alia, are as follows: -
 - i. **Operational integration and better facility utilisation:** The amalgamation in accordance with this Scheme will provide an opportunity for reduction of operational costs through transfer of intermediary products between the companies, better order loads for the business through pooling of orders, synergies from sales and production planning across the businesses. The Transferee Company has much larger and advanced infrastructure which may be gainfully utilised for business of the Transferor Company
 - ii. **Efficient raw material procurement and reduced procurement costs:** Synergy of operations will be achieved as a result of sustained availability of raw materials as well as reduced procurement costs for Transferor Company and the Transferee Company. Combined sourcing of raw materials by both the Transferor Company and the Transferee Company would result in reduction in overall costs of procurement for the combined entity. Besides, certain requirements of the Transferor Company such as switchgear items, machined

components and assemblies, electrical panel assemblies, etc., are currently supplied by the Transferee Company. Post-amalgamation, all these requirements will be met within the Transferee Company itself.

- iii. **Operational Efficiencies:** The amalgamation would result in synergy benefits arising out of single value chain thereby reducing costs and increasing operational efficiencies, centralization of inventory, from raw material to finished goods and spares, may enable better efficiency, utilization and overall reduction in working capital. The proposed amalgamation would likely result in optimized power consumption, reduced costs, sharing of best practices, cross-functional learnings, better utilisation of common facilities and greater efficiency in debt and cash management.
- iv. **Rationalization of Procurement & Logistics costs:** Consolidation and optimization of spares and stores, deployment of After-sales Service and Support Teams could significantly reduce logistics cost for both the Transferor Company and the Transferee Company.
- v. **Enhancing Value in Marketing:** With an overlap in products across the Transferor Company and the Transferee Company, the combined entity would be better positioned to service customer needs. The Transferor Company could expand its existing core market using the strong R&D and production facilities of the Transferee Company. Further, the Transferor Company could also have access to the Transferee Company's product portfolio and technical capabilities. The Transferee Company would benefit from complementary product

offerings of the Transferor Company and production facilities, resulting in a strong presence across market segments. The proposed amalgamation will result in access to new markets and product offerings as well as increased sales volumes.

vi. **Improving Customer Satisfaction and Services:** The proposed amalgamation would make it easier to address needs of customers by providing them uniform product and service experience, on-time supplies, improved service levels thereby improving customer satisfaction.

7. It has been stated that the Applicant Company No 1 / Transferor Company has 7 Shareholders. Certificate from the Chartered Accountant certifying list of Shareholders was annexed. All the Shareholders have given their respective consents by way of affidavits, which were annexed to the application. It was further represented that the Applicant Company No 1 has 2 Secured Creditors. Certificate from the Chartered Accountant certifying list of creditors was annexed. The Applicant Company No 1 has 296 Unsecured Creditors. Certificate from Chartered Accountant certifying list of creditors was annexed. In relation to the Shareholders, it seeks to dispense with the holding/convening of the meetings as their consent affidavits were placed on record. With respect to the Secured and Unsecured Creditors, the Applicant Company is praying to hold separate meeting of Secured and Unsecured Creditors on 31.05.2024.

8. It has been stated that the Applicant Company No 2/ Transferee Company has 2 Shareholders. Certificate from the Chartered Accountant certifying

list of Shareholders was annexed. Both the Shareholders have given their respective consents by way of affidavits, which were annexed to the application. It was further represented that the Applicant Company No 2 has 3 Secured Creditors. Certificate from the Chartered Accountant certifying list of creditors was annexed. The Applicant Company No 2 has 226 Unsecured Creditors. Certificate from Chartered Accountant certifying list of creditors was annexed. In relation to the Shareholders, it seeks to dispense with the holding/convening of the meetings as their consent affidavits were placed on record. With respect to the Secured and Unsecured Creditors, the Applicant Company is praying to hold separate meeting of Secured and Unsecured Creditors on 31.05.2024.

9. The Applicant Companies have stated that the provisions relating to the accounting treatment for the proposed scheme were in conformity with the applicable provisions of the Companies Act, 2013. Certificates from the Statutory Auditor of the Applicant Companies on the accounting treatment, as proposed in the Scheme, were annexed to the application and it is clearly stated that the accounting treatment is in conformity with that prescribed under Section 133 of Companies Act, 2013.

10. The Appointed Date, as specified in the Scheme is 01.04.2023.

11. Taking into consideration the submissions and the documents filed therewith, the following directions are issued forthwith in respect of convening/holding or dispensing with the meetings of the Shareholders. Secured and Unsecured Creditors as well as issue of notices including by way of paper publication as follows:

A) In relation to the Transferor Company

- a) With respect to Equity Shareholders:** In view of consent affidavits from the 7 Shareholders, having 100% voting share, been filed, convening the meeting of shareholders/members is dispensed with.
- b) With respect of Secured Creditors:** The meeting of the Secured Creditors of the Transferor Company is directed to be held at the venue, date, time and mode as decided by the Chairperson in consultation with the counsel for Applicant Companies. The quorum for the meeting will be 2.
- c) With respect to Unsecured Creditors:** The meeting of the Unsecured Creditors of the Transferor Company is directed to be held at the venue, date, time and mode as decided by the Chairperson in consultation with the counsel for Applicant Companies. The quorum for the meeting will be 197, being 2/3 in number.

B) In relation to the Transferee Company:

- d) With respect to Equity Shareholders:** In view of consent affidavits from the 3 Shareholders, having 100% voting share, been filed, convening the meeting of shareholders/members is dispensed with.
- e) With respect of Secured Creditors:** The meeting of the Secured Creditors of the Transferee Company is directed to be held at the venue, date, time and mode as decided by the Chairperson in consultation with the counsel for Applicant Companies. The quorum for the meeting will be 2, being, 2/3 in number.

f) With respect to Unsecured Creditors: The meeting of the Unsecured Creditors of the Transferee Company is directed to be held at the venue, date, time and mode as decided by the Chairperson in consultation with the counsel for Applicant Companies. The quorum for the meeting will be 151, being 2/3 in number.

12. Mr. Dinesh Bhardwaj (Former Member, Authority of Advance Rulings), (Email Id- bdinesh.bhardwaj56@gmail.com ; Mobile No.-9810641819) is appointed as the **Chairperson**, Mr. R K Srivastava, (ILS Joint Secretary and Legal Adviser (Retd)) (E-mail Id- r.k.srivastava4762@gmail.com; Mobile No.- 9818212654) is appointed as **Alternate Chairperson** and Ms. Anjoo Jain, (Advocate) (E-mail Id-anjoojain@gmail.com ; Mobile No.- 9811159170) is appointed as **Scrutinizer** for the meetings of the Secured Creditors and Unsecured Creditors of the Transferor Company and Transferee Company in terms of the directions issued herein.

13. In case the quorum for the aforesaid meeting is not present at the meeting, then the meeting shall be adjourned by half an hour. Thereafter the persons present and voting shall be deemed to constitute the quorum. The Chairperson and Alternate Chairperson appointed herein along with the Scrutinizer shall ensure that the proxy Registers are properly maintained.

14. The Fees of the Chairperson for the aforesaid four meetings shall be Rs. 1,50,000/ -. The Fees of the Alternate Chairperson shall be Rs. 1,25,000/- and the Fees of the Scrutinizer shall be Rs. 1,00,000/- in addition to meeting their incidental expenses. The Chairperson will file his report within a week from the date of holding of the aforesaid meeting. The fees

of Chairperson, Alternate Chairperson and Scrutinizer along with the travelling expenses and other out of pocket expenses shall be borne by the respective Applicant Company. A copy of this order shall be provided to the learned counsels for the Applicant Companies who in turn shall provide a copy of the same to the Chairperson, Alternate Chairperson and the Scrutinizer.

15. Individual notices shall be sent to the Secured and Unsecured Creditors as above by the Applicant Companies through email or through registered post or speed post, 30 days in advance before the scheduled date of meeting, indicating the day, date, the place fixed for and time of meeting as aforesaid, together with a copy of the Scheme and copy of explanatory statement as required under the Companies Act, 2013 and the Rules, along with the proxy forms and any other documents as may be prescribed under the Act. These will be provided free of cost. A compliance affidavit of service will be filed with this Tribunal.

16. The Applicant Companies shall publish an advertisement at least 30 clear days before the aforesaid meeting, indicating the day, date and the place fixed and time of meeting as aforesaid, which will be published in “Business Express” (English) and “Business Standard” (Hindi), both Delhi NCR editions. The Applicant Companies shall also publish the notice on their websites, if any and file a compliance affidavit of service with this Tribunal.

17. The Chairperson shall be responsible to report the results of the meetings to the Tribunal within 7 (seven) days of the conclusion of the meetings. The Chairperson shall be assisted by the Authorized Representative /

Company Secretary of the Applicant Companies and the Scrutinizer, who will assist the Chairperson and Alternate Chairperson in preparing and finalizing the reports.

18. Voting shall be allowed on the proposed Scheme by voting in person, by proxy, through postal ballot or through electronic means as may be decided by the Chairperson in consultation with the counsel of the Applicant Companies in terms of the provisions of the Companies Act, 2013 and Rules framed there under.

19. Notice of this application shall be served on the following:

- i. Regional Director, Ministry of Corporate Affairs, B-2 Wing, 2nd Floor, Paryawaran Bhavan, CGO Complex, New Delhi-110003;
- ii. Registrar of Companies at 4th floor, IFCI Tower, 61, Nehru Place, New Delhi-110019;
- iii. Official liquidator, Lok Nayak Bhavan, 8th Floor, Khan Market, New Delhi-110001;
- iv. Concerned Income Tax Department of both the Applicant Companies. The notices to Income Tax Authorities shall disclose sufficient details like PAN, ward numbers and assessing officers so that timely and proper reply may be filed.
- v. Any other sectoral regulators required to be served.

The application stands allowed on the aforesaid term and accordingly disposed off.

SD/-
(RAHUL BHATNAGAR)
MEMBER (TECHNICAL)

SD/-
(MAHENDRA KHANDELWAL)
MEMBER (JUDICIAL)