**The Hon'ble Sri Justice C.V.Nagarjuna Reddy**

**Company Petition No.255 of 2014**

**Dated 28.01.2015**

**Between**:

K2 Systems Limited
Hyderabad, rep. by its Director
Sri Boga Prabhakar

**...Petitioner**

**Counsel for the petitioner:**
**Mr.Y.Suryanarayana**

**The Court made the following:**

**Order:**

This Company Petition is filed under Section 101 of the Companies Act, 1956 read with Rule 46 of the Companies (Court) Rules, 1959, for confirming the reduction of share capital of the petitioner- Company.

The petitioner has averred that it was incorporated in the State of Andhra Pradesh in the name and style of M/s.Recursion Software Consultants Private Limited on 03-07-1989; that it was converted into Public Limited Company *vide* special resolution passed in the extraordinary general meeting of its shareholders held on 25-11-1999; that a fresh Certificate of Incorporation was obtained from the Registrar of Companies, Andhra Pradesh, on 22.12.1999; that the name of the petitioner- Company was further changed from M/s.Recursion Software Consultants Private Limited to Recursion Software Limited *vide* special resolution passed at the extraordinary general meeting of its shareholders and consequently, a fresh Certificate of Incorporation was obtained from the Registrar of Companies on 02-03-2000; that the name of the petitioner- Company was once again changed from Recursion Software Limited to K2 Systems Limited *vide* special resolution passed at the extraordinary general meeting of its shareholders; that finally, the petitioner- Company obtained a fresh Certificate of Incorporation from the Registrar of Companies, Andhra Pradesh, on 17-01-2005; that the registered office of the petitioner is situated at House No.10-4-1/A/8, Flat No.G-3, Ramakrishna Nagar, Srilaxmi Nilayam, Lower Masab Tank, Hyderabad; that the main object of the petitioner- Company is to carry on the business of developing, improving, designing, marketing, selling and licensing software and programme products of any and all descriptions; that, as on 31.03.2014, its authorized share capital was Rs.5 Crores divided into 50 lakh equity shares of Rs.10/-

each and the issued, subscribed and paid-up share capital was Rs.3,94,00,000/- divided into 39,40,000 equity shares of Rs.10/- each; and that the petitioner has 3635 share holders.

The petitioner- Company further averred that its business could not match its respective targets during the last six years, due to which, it has incurred huge losses; that as a result of huge amount of brought forward losses, the petitioner- Company is not adequately represented by the available assets; and that the profits of the petitioner- Company cannot be appropriately reflected unless the previous year losses are written off.

The petitioner- Company has shown the cumulative losses as on 31-03-2014 as Rs.4,08,25,553/- and as a remedial measure, its Board of Directors has passed a resolution on 19-09-2014 for reducing its paid-up share capital from Rs.3,94,00,000/- divided into 39,40,000 equity shares of Rs.10/- each to Rs.39,40,000/- divided into 39,40,000 equity shares of Re.1/- each. The petitioner has averred that such reduction of Rs.3,54,60,000/- shall be used to set off the accumulated losses from the paid-up share capital of the petitioner- Company; that the Bangalore Stock Exchange Board has given its consent, which is filed as annexure D-1; that 15 shareholders, holding 5,14,452 equity shares of Rs.10/- each, constituting 13.05 % of the total paid-up capital of the petitioner- Company, have attended the extraordinary general meeting of its shareholders held on 15-10-2014; and that in the e-voting held on 11-10-2014 and 12-10-2014, none of the shareholders of the petitioner- Company has cast his vote.

The petitioner further averred that there are, in all, four unsecured creditors, as per the certificate issued by the Chartered Accountant showing the breakup of unsecured creditors and the amounts due to them as on 30-09-2014 as Rs.46,23,820/-; that all the four unsecured creditors have given their consent affidavits *vide* annexures F1 to F4; that there are, in all, four sundry creditors as per the Certificate issued by the Chartered Accountant showing the breakup of sundry creditors and the amounts due to them as on 30.09.2014 as Rs.2,54,96,756/-; and that all the four sundry creditors have given their consent affidavits *vide* annexures G1 to G3.

This Court *vide* Order, dated 04-12-2014, directed the petitioner to carry on the publication of hearing of the Company Petition in two newspapers and accordingly, the petitioner has carried out the publication in two daily newspapers *viz.*, 'Business Standard' (English) and 'Andhra Bhoomi' (Telugu) on

10-12-2014 and filed proof of the same. In pursuance of the direction given by this Court on 31-12-2014, Mr.Boga Prabhakar, the whole time Director of the petitioner- Company, has filed his affidavit, dated 21-01-2015, wherein he has stated that neither the petitioner nor its Counsel has received any objections/queries with regard to the reduction of the share capital of the petitioner- Company from any of the shareholders, creditors or others concerned with the present Company Petition till date.

After hearing Mr.Y.Suryanarayana, learned Counsel for the petitioner, and carefully perusing the record, this Court is of the opinion that the petitioner has made out a case for approval of its proposal to reduce its share capital due to the fact that it has accumulated losses and that in order to offset such losses, it has become necessary to resort to reduction of the share capital to ensure that its capital is adequately represented by the available assets and its profits are appropriately reflected.

As none of the shareholders or the creditors of the petitioner- Company have opposed the proposal to reduce the share capital, the same is confirmed. The petitioner shall carry out publication of advertisement of reduction of its share capital in the same newspapers *i.e.,* 'Business Standard' (English) and 'Andhra Bhoomi'

(Telugu) of Hyderabad Editions within 30 days from today. The petitioner shall submit a copy of this order to the Registrar of Companies within 30 days from the date of its receipt.

Subject to the above directions, the Company Petition is disposed of.

As a sequel, Company Application No.1386 of 2014 is disposed of as infructuous.

**(C.V.Nagarjuna Reddy, J)**

**Dt: 28th January, 2015**
**LUR**