

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 4

NOTE : All references to sections relate to the Companies Act, 2013 unless stated otherwise.

PART – A

*(Answer Question No.1 which is compulsory
and any three of the rest from this part.)*

1. (a) Enumerate the corporate restructuring tools and explain the difference between 'demerger' and 'slump sale'.
(8 marks)
- (b) State whether the following statements are true or false citing relevant provisions of the law/case law :
- (i) The transferee company in a scheme of merger or amalgamation need not necessarily be a company within the meaning of the Companies Act, 1956.
 - (ii) The scheme must be approved by a resolution passed with special majority as stipulated under the provisions of the Companies Act, 1956 and a copy of the resolution needs to be filed with the Registrar of Companies.
 - (iii) In a scheme of amalgamation, if transferor and transferee companies are under the jurisdiction of different High Courts, separate approvals are required for the scheme.
 - (iv) The Court, if a scheme is approved by the requisite majority, must pass orders for sanctioning the scheme.
(2 marks each)
- (c) What are the various kinds of corporate restructuring ?
(5 marks)
- (d) Briefly discuss the concept of 'franchising'.
(4 marks)
2. (a) The Board of directors of Small Ltd., Little Ltd. and Mini Ltd. passed a scheme of amalgamation with Giant Ltd. and their position of paid-up share capital and investments is as under :

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<i>Particulars</i>	<i>Giant Ltd. (Transferee Co.) (₹)</i>	<i>Small Ltd. (Transferor Co.-I) (₹)</i>	<i>Little Ltd. (Transferor Co.-II) (₹)</i>	<i>Mini Ltd. (Transferor Co.-III) (₹)</i>
Issued shares :				
Capital @ ₹10 each	1,50,000	1,00,000	90,000	60,000
Fully paid-up @ ₹10 each	1,30,000	90,000	80,000	40,000
Partly paid-up @ ₹5 each	20,000	10,000	10,000	20,000
Investments :				
Shares of Small Ltd.	10,000			
Shares of Little Ltd.	10,000			
Shares of Mini Ltd.	5,000			
Shares of Giant Ltd.		10,000		
Shares of Little Ltd.		5,000		
Shares of Mini Ltd.		5,000		
Shares of Giant Ltd.			5,000	
Shares of Mini Ltd.			5,000	
Shares of Small Ltd.				5,000
Shares of Little Ltd.				2,000

The scheme of amalgamation specifically provides that :

- (a) All transferor companies shall be dissolved without winding-up.
- (b) The partly paid-up shares will be forfeited by the respective companies and no new shares of Giant Ltd. will be offered to the shareholders of partly paid-up equity shares of the transferor companies.
- (c) The shareholders of the transferor companies holding fully paid-up equity shares of ₹10 each will get new shares of Giant Ltd. of ₹10 each.

In view of above scheme of amalgamation and arrangement —

- (i) Calculate the quantum of new shares of Giant Ltd. to be given to each of the transferor companies' shareholders.
- (ii) After all adjustments, what is the quantum of paid-up equity shares of Giant Ltd. ?
(10 marks)

- (b) Explain notice of meetings by advertisement.

(5 marks)

3. (a) "The key to valuation is finding a common ground between all the companies for the purpose of a fair evaluation." Comment with reference to factors influencing valuation.
(7 marks)

- (b) The Companies Act, 2013 does not specify various types of merger but in business parlance there are many types of merger. As a Company Secretary of a cash rich company, explain to the Board, the definition of (i) cash merger; and (ii) *de facto* merger and difference between the two before taking its strategic decision of expanding business through merger.

(4 marks)

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- (c) What are the contents of public announcement under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ?

(4 marks)

4. (a) Draw a flow chart for the steps involved in merger.

(5 marks)

- (b) Explain the procedure for investigation of 'combination' under the Competition Act, 2002.

(5 marks)

- (c) Explain 'net present value' (NPV) and 'discount rates'.

(5 marks)

5. (a) Sometimes a company running a good business is trapped into an awkward situation and finds itself in a very uneasy position. Such situations are like :

- Original capital is lost;
- Value of debtors becomes irrecoverable;
- Finished stock becomes redundant;
- Heavy trading loss;
- Heavy capital expenses and acquired assets of reduced value or doubtful value.

Conversely, a company sometimes has more resources than it can profitably deploy/employ.

To balance the situation, there is one way out to rectify the financial position of a company.

- (i) Name the method which can be employed.

(2 marks)

- (ii) Discuss briefly how it can be implemented.

(3 marks)

- (b) Strong Ltd. (acquirer/transferee) intends to takeover the management of Weak Ltd. (transferor/target company). Both the companies are not listed with any recognised stock exchange.

The Board of both the companies after studying various options of takeover, had decided to make a scheme of takeover under the Companies Act, 1956.

As a preliminary exercise, the acquirer/transferee company amended its objects clause to take controlling shares of another company and the scheme with recommendation of the Board of Weak Ltd. was circulated to the shareholders of Weak Ltd., with all material information and approved (with 9/10 in value) by the shareholders.

However, the Registrar of Companies (ROC) refused to register the scheme on the ground that the objects clause of the transferor company do not have such provision. Do you agree with the contention of the ROC ?

(5 marks)

- (c) State the factors determining vulnerability of companies to takeover bids.

(5 marks)

PART — B*(Answer ANY TWO questions from this part.)*

6. (a) "Non-performing assets constitute a real economic cost to the nation because they reflect the application of scarce capital and credit funds to unproductive uses." In view of this statement, explain how securitisation has gained importance citing the ineffectiveness of present recovery laws and considerable delay in judiciary. *(5 marks)*
- (b) Which entities are designated as 'operating agency' under section 3(1)(i) of the Sick Industrial Companies (Special Provisions) Amendment Act, 1993 ? What is the main function of an operating agency ? *(5 marks)*
- (c) Explain the procedure for appeal to the Appellate Tribunal under the Recovery of Debts Due to Banks and Financial Institutions Act, 1993. *(5 marks)*
7. (a) When can a contributory file a winding-up petition ? *(5 marks)*
- (b) "Cross examination of witness is not necessary for Debt Recovery Tribunal (DRT)". Comment. *(5 marks)*
- (c) State the concept and objectives to set-up the Lok Adalat under the Legal Services Authorities Act, 1987. Is it successful in meeting its objective ? *(5 marks)*
8. (a) Explain notification to foreign creditors relating to insolvency under the UNCITRAL Model Law. *(5 marks)*
- (b) State the duties of a Company Secretary in respect of compulsory winding-up. *(5 marks)*
- (c) "It is a cardinal principle of law that a company incorporated cannot be dissolved without going through winding-up." In view of this statement, you are required to answer the following :
- (i) Do you fully agree with this statement ? *(1 mark)*
- (ii) Is there any exception to the rule ? State briefly. *(2 marks)*
- (iii) What is the precondition for dissolution before sanction of the High Court ? *(2 marks)*