

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8 Total number of printed pages : 6

- NOTE:
1. Answer SIX questions including Question No.1 which is compulsory.
 2. All references to sections relate to the Companies Act, 1956 unless stated otherwise.

1. (a) Mergers, demergers, takeovers or combinations or acquisitions take place as a vehicle for achieving faster corporate growth. Discuss.
(8 marks)
- (b) Enumerate the steps to be taken to effectuate a scheme of demerger.
(6 marks)
- (c) A listed company has three major groups, out of which members of two groups have family relations as per the definition of 'relative' and the third group is of outsiders. In the light of regulation 11 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, answer the following :
 - (i) Whether all the three groups shall be treated as 'person acting in concert' to each other ?
 - (ii) Whether all the three groups can acquire upto 5% of share-holding through creeping acquisition route separately under the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ?

(6 marks)

2. (a) Gem Ltd., a listed company of which you are the Company Secretary, is planning to buy-back its shares through book building process. You are required to prepare an activity chart for carrying out the whole process with time to be involved in the process.
(8 marks)
- (b) What are the obligations of a company after the announcement of buy-back of securities ?
(4 marks)
- (c) What are the conditions precedent for declaring a company as 'sick company' ?
(4 marks)
3. (a) Under what conditions can an acquirer or any person acting in concert may make an offer conditional as to the level of acceptance which may be less than 20% of the issued and paid-up capital of the target company ?
(5 marks)
- (b) Pace Pvt. Ltd. has two shareholders — Raja, an Indian resident and Sonart GmbH., a German company. Pace Pvt. Ltd. is engaged in manufacturing of automobile parts. It has to import machinery of 5 million Euros. The supplier of machinery has agreed for one year's credit. Advise Pace Pvt. Ltd. in the light of External Commercial Borrowing (ECB) guidelines.
(5 marks)
- (c) Define the term 'strategic planning'. Discuss its salient features and importance in today's competitive world. Distinguish it with 'long range planning'.
(6 marks)

4. Comment on the following with supporting case law :
- (i) In respect of modification of a scheme of arrangement, any person interested can make application.
 - (ii) Sun Ltd. wishes to merge with Moon Ltd. and both the companies have fixed the appointed date for the merger as 1st April, 2005. The financial year ending of both these companies is 30th June, 2005. Share exchange ratio is to be arrived at based on the financial position of both these companies as on 30th June, 2005.
- Cill) Ekta Ltd., a listed company, is merging into Kutumbh Pvt. Ltd.
- (iv) Daisy Ltd. proposes to takeover the whole of the issued and paid-up capital of Lilly Ltd. without making application to the court as required under section 391.

(4 marks each)

5. (a) "Valuation of shares and fixation of exchange ratio in an amalgamation of companies is a matter of commercial judgement and the courts should not sit in judgement over it." Critically examine this statement, with case laws.
- (b) The total holding of all promoters in a listed company of which they are in control is 40% of the issued and paid-up capital of the company. One of the promoters desires to do creeping acquisition in the said target company. Can he do so ? If yes, what percentage of shares can he acquire without the necessity of making a public offer ?

(5 marks)

- (c) "Corporate restructuring increases shareholders' wealth." Critically examine this statement contrasting demerger and buy-back as tools of restructuring.

(6 marks)

6. (a) What is meant by 'hostile takeover' ? In case of hostile takeover, what are the basis of arriving at the public offer price ?

(5 marks)

- (b) "With alliance we can do more for less." In the light of this statement, explain why an alliance is the best strategy.

(5 marks)

- (c) XYZ Ltd. is intending to acquire ABC Ltd. by merger and the following information is available in respect of both the companies :

	<i>XYZ Ltd.</i>	<i>ABC Ltd.</i>
No. of equity shares	5,00,000	3,00,000
Profit after tax (<i>Rs.</i>)	25,00,000	9,00,000
Market price per share (<i>Rs.</i>)	21	14

- (i) Calculate the present EPS of both companies.

(1 mark)

- (ii) If the proposed merger takes place, what would be the new EPS for XYZ Ltd ? Assume that the merger takes place by exchange of equity shares and the exchange ratio is based on the current market price.

(3 marks)

- (iii) Will you recommend the merger of both the companies ? Justify your answer.

(2 marks)

7. (a) The shareholding of Winsome Ltd., a company in which the public are not substantially interested, as on 31st March, 2005, is as under :

Indian joint-venture partner	50%
Foreign joint-venture partner	50%
Total	<u>100%</u>

The company has two distinct lines of business. It has a carry forward loss of Rs.10 crore as on 31st March, 2005 and it continues to incur losses. The management is desirous of utilising the accumulated losses. Advise.

(6 marks)

- (b) RPL is a listed joint venture company engaged in the business of manufacture of bulk drugs; fine chemicals diagnostics and non-prescription drugs, *etc.*, with 74% foreign investment in its share capital. RPL's financial performance was not very impressive due to low margins compared to industry norms. Accordingly, the management decided to undertake a major re-furbishing of its plant with the investment of about Rs.5 crore.

NPL, the other company, incorporated in 1997, also engaged in the business of pharmaceuticals and had achieved substantial improvements in growth and profitability, despite the constraint of price control. The turnover of NPL increased from Rs.18 crore in 1998 to Rs. 103 crore in 2003.

Although NPL has emerged as a fast growing profitable company, its growth plans were stymied. NPL, therefore, decided to acquire sizable stake in RPL to make synergy in the operations of both the companies.

The foreign collaborator of RPL decided to divest the sizable equity stake in RPL at a best price. Accordingly, a meeting was scheduled between the representatives of both the companies to negotiate and conclude the deal.

As the Company Secretary of NPL, you are required to submit a detailed note to the Managing Director enumerating the general obligations of NPL under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

(10 marks)

8. Write notes on the following :
- (i) Tax relief available in the case of demerger to the shareholders of demerged company
 - (ii) Funding through ECB
 - (iii) Discounted cash flow method of valuation
 - (iv) 'Promoters' as per the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

(4 marks each)