Indicative Model Question Paper

Professional Programme

New Syllabus 2022

STRATEGIC MANAGEMENT & CORPORATE FINANCE

Time Allowed: 3 Hours ***Maximum Marks: 100***

NOTE: Answer ALL questions

Part -I

Question No. 1

Case Study:

About the Company

White Silver Limited (WSL) is a public limited company in Country-X engaged in mining and production of coal and coal products. The mission of the company is "to be a partner in the economy by producing and fulfilling the energy demand of the country by providing quality coal in economical and sustainable manner". The company is listed on a stock exchange of the Country X. Shares of the company are held by the Govt. of Country-X, Mutual funds & FII and general public in proportion of 78%, 10% and 12% respectively. During the financial year 2022-23, the company has produced and dispatched 1000 million tonnes of coal. Of this 82% to power plants, 4% to steel plant and rest to other sectors.

Coal is the prime source of energy and fulfills approx. Approx. 80% of energy demand of the country B. The thermal power plants, steel manufacturing plants, cement and fertilizer plants are the major consumers of coal.

The country-B has a large reserve of coal but the quality and cost are major concern. In the last few years there has been increase in import of coal by steel and power plants. The steel plants import coal due to quality and cost advantage over domestic coal. As per a study report conducted by the WSL, good quality of coal can be produced only through deep and underground mining. Underground mining requires highly automated technology.

Challenges before WSL

For adopting deep underground mining the WSL is required to acquire land for new mines and latest automated machines for mining. Land acquisition in country-X has been a hard task due to land acquisition related laws and protests by the local community and NGOs as WSL has acres of idle land in the form of used abandoned mines which cannot be used for agricultural activities or human rehabilitation due to the risk of landslides. WSL is a labour intensive company with low productivity. Employee cost is the major cost of WSL which accounts for 60% of total cost. WSL is second largest employer in country X.

Till recent past, the WSL was the only company which was allowed for mining and marketing of the coal in the country but with the changing economic scenario and to meet the growing energy demand the Govt. of Country-X is mulling to allot coal blocks to steel plant and thermal power plant for captive consumption.

The Govt. of the Country X is committed to boost manufacturing and industrial infrastructure of the country in next 10 years. Power and steel sector would be witnessing a multifold increase in demand not only from Government schemes but also from private and domestic consumers.

To meet the energy demand, the Government has reduced the duty on imported coal. The Government being a signatory of Paris agreement on climate change, is committed for sustainable development by reducing carbon emission caused by usage of fossil fuels. It has entered into various technological MoUs to install clean energy sources like nuclear, solar and wind in near future.

Required:

(i) Identify and describe the five forces of Porter with respect to WSL.

(ii) Identify the stakeholders in WSL. Discuss the strategy which WSL should adopt to prioritize the stakeholders.

(iii) Explain the strategy WSL should adopt to survive and gain competitive advantage.

(iv) If WSL wants to change itself from a labour intensive organization to a modern technology driven organization, state how WSL can manage the resistance to change from employees related unions?

(5 marks each)

Question No. 2

a) A company is finding difficult to adapt itself in the changing environment. A strategic consultant has advised it to go for an environmental scanning to deal with the current problem. Being company's consultant, submit a report stating the strategic fit between external and internal environment so as to enable the company to regain its previous sustainable market position.

(5 marks)

b) Two firms X and Y are belonging to the FMCG sector. They are identical except growth rate and market share because of location and other external reasons. Firm X has high market share and high growth rate while firm Y has a high market share with a low business growth rate. You need to identify the category of firm X and Y to which they belong referring to the BCG matrix and advise them right strategy so as to remain competitive in the market.

(5 marks)

c) Comment on the following:

   i. Strategy formulation and strategy implementation are not supplanting each other but supplementing each other.

   ii. TOWS strategies are product of trade-off between internal and external factors. Comment.

(5 marks each)

Question No. 2 A

a) A startup company is thinking of launching a low cost detergent powder in the market. The market for the said product is already dominated by big FMCG players. As a strategic professional, suggest the Company Management for adopting the best business level strategy.

(5 *marks*)

b) Logistics strategy plan is an important part of formulation of strategy'. What are the major elements of Strategic Plan?

(5 marks)

c) Comment on the following:

iii. Vision and sense of the future are an inherent part of strategic management.

iv. In cash cow segment of BCG matrix, market growth rate is high and relative market share is also high.

(5 marks each)

Part -II

Question No. 3

Sri Foods Ltd. wants to issue 10000 shares through a book built offer within a Price Band of Rs. 140 to Rs. 160. Bids are received as follows:

Bid Price	No. of Shares	Total Demand
Rs. 160	2000	2000
Rs. 150	3000	5000
Rs. 148	5000	10000
Rs. 140	10000	20000

(a) What is the cut off price in this offer? Can the company decide the cut off at a lower price at which the issue is subscribed? Can the company allot the shares to the retail investors at a price that is at a discount to the cut off price?

(b) What would be the allocation pattern, presuming the company fulfils the eligibility criteria regarding net tangible assets, average operating profit, net worth etc.?

(c) What would be allocation pattern, if the company does not meet the criteria as mentioned above in part (b)?

(5 marks each)

Question No. 4

a) Following is the extract from the Balance Sheet of M/s of Shaktikant Industries Limited as on 31 March 2023:

Current Liabilities	Amount (Rs. in Lakh)	Current Assets	Amount (Rs. in Lakh)
Bank Borrowings	870	Inventories	700
Trade Payables	230	Financial Assets	
Other Current Liabilities	200	Investment	300
		Trade Receivables	75
		Cash and Cash Equivalents	125

		Bank Balance other than (iii) above	150
		Other Financial Assets	350

Shaktikant Industries Limited has bank borrowings of Rs. 870 Lakhs which includes bills discounted with the bank. It wishes to avail loan for its working capital and approaches your bank for financing.

While maintaining the minimum current ratio of 1.33, calculate the Maximum Permissible Bank Finance (MPBF) as per methodology suggested by Tondon Committee. Should the bank sanction the loan request or not?

(5 marks)

b) Alpha Ltd. would like to issue US $ 1000 million Global Depository Receipts (GDRs) for setting up cloud computing services. Managing Director of the company requests you as a Company Secretary to prepare a checklist for the issue of Depository Receipts. Prepare a checklist considering conditions to be fulfilled by a company as per the provisions of Companies (Issue of Global Depository Receipts) Rules, 2014.

(5 *marks*)

c) Gamma Ltd. makes an application for Bank Guarantee Limit for the Financial Year 2022-23 with following data to Kuber Bank Ltd:

(i) Outstanding Bank Guarantee as per the last Audited Balance Sheet: Rs. 1.05 Crore

(ii) Bank Guarantee required for the Financial Year 2022-23: Rs.1.25 crore

(iii) Estimated maturity or Cancellation during the period: Rs. 80 lakhs

Compute the Bank Guarantee limit of Gamma Ltd. for the Financial Year 2022-23.

(5 marks)

Question No. 5

a) The provisions relating to ''Special Situation Fund (SSF)'' has been notified by SEBI vide SEBI (Alternative Investment Funds) (Amendment) Regulations, 2022. Explain the above referred provision in view of requirement with regard to minimum corpus funds for each scheme of SSF and minimum investment required by different types of investors of SSF.

(5 *marks*)

b) Distinguish between Real Estate Investment Trusts (REITs) and Infrastructure Investment Trust (InvITs) with reference to brief concept, growth prospect, income stability and associated risks.

(5 marks)

c) Jasmine Ltd. is a newly incorporated company and it would like to purchase raw materials from domestic sources as well as from other countries under Letter of Credit (LC). On the basis of the following information, calculate the limit for Letter of Credit (LC) for the Financial Year 2022-23:

a)	Estimated Raw Material purchase for FY 2022-23	Rs. 300 crore
b)	Estimated purchase under Letter of Credit (LC) for FY 2022-23 (90%)	Rs. 270 crore
c)	Of which import of Raw Material under Letter of Credit	Rs. 81 crore

	(30%)		
d)	Lead Time	- Domestic - Import	1 Month 45days
e)	Transit Time	- Domestic - Import	1 Month 45days
f)	Credit (Usance) Period available	- Domestic - Import	1 Month 90 days

(5 marks)

Question No. 6

a) Suresh is an Independent director of a listed company. In the Board Meeting, an agenda for formulation of policy for Sweat Equity Shares has been discussed. Suresh objected on a clause, which made him ineligible for availing Sweat Equity Shares.
Is Suresh eligible for the sweat equity shares? Will your answer be different, if it was for an Employee Stock Option Scheme?

(5 marks)

b) Your promoters want to issue Non-Convertible Redeemable Preference Shares (NCRPS) and wish to list the same on a Recognized Stock Exchange. With respect to the proposed issue explain the call option and put option available to them of the right to recall or redeem prior to maturity pursuant to the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021.

(5 marks)

c) A Real Estate Investment (REIT) is having Rs. 800 crore in its portfolio. The asset mixes are as under:

a) Completed project : Rs. 400 crore
b) Property on rent : Rs. 150 crore
c) Government securities: Rs. 200 crore
d) Money market instrument: Rs. 50 crore.

By referring the SEBI regulations, advise the company on the asset mix and suggest any changes, if required.

(5 marks)

Question No. 6 A

a) Explain the provisions of the Companies Act, 2013 for issue of Sweat Equity Shares. To what extent the Sweat Equity Shares can be issued to an Independent Director?

(7 marks)

b) How to prepare a Detailed Project Report (DPR)? Also, explain the role of Company Secretary in project appraisal and due diligence?

(8 marks)