

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 8

NOTE : 1. Answer **ALL** Questions.

2. **All** references to sections relate to the Companies Act, 2013 unless stated otherwise.

PART—A

1. (a) “Corporate restructuring strategies depend on the nature of business, type of diversification required with the object of profit maximization through pooling of resources in effective manner, utilization of idle resources, effective management of competition etc.” Briefly comment on the statement specifying any 5 corporate restructuring strategies.
- (b) “While according approval to the scheme of amalgamation of two banking companies, Board of Directors need to give careful and particular consideration in respect of certain matters.” Discuss briefly as per Reserve Bank of India Guidelines.
- (c) Competition Commission of India has received a notice from Alpha Ltd for their proposed combination with Beta Ltd. Briefly state the investigation procedure in terms of the provisions of the Competition Act, 2002.
- (d) Indicate briefly the tax concessions available to a demerged company in terms of Income Tax, 1961.

(5 marks each)

Attempt all parts of either Q. No. 2 or Q. No. 2A

2. (a) What is the concept of Mandatory Open offer as per the provisions of Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ? Do you find any obligation of making Open offer in the following circumstances ? Give brief reasons whether your answer is affirmative or negative.

: 2 :

- (i) Dinesh holding 23% shares in Target Company entered into a share purchase agreement with Mukesh to buy another 3% shares.
- (ii) Rahul holding 29% shares in Target Company entered into a share purchase agreement with Manish to buy another 5% shares.
- (iii) Vijay holding 35% shares in Target Company entered into a share purchase agreement with Ajay to buy another 3% shares on 1st May 2020 and then entered into another share purchase agreement with Sanjay to buy 4% shares on 1st June 2020.

(5 marks)

- (b) Competition Commission of India, while concluding favourable or adverse effect of any combination on the relevant market in India, looks into certain factors. Discuss briefly.

(5 marks)

- (c) The position of capital and reserves as on 31st March 2020 of King Ltd are given below :

Equity Share Capital (60,000 @ ₹ 10 each, Fully Paid up)	6,00,000
Preference Share Capital (3000 @ ₹ 100 each, Fully Paid up)	3,00,000
General Reserve	2,50,000
Security Premium Account	3,00,000
Statutory Reserves	4,00,000

The managing director of King Ltd wants to place proposal before board for buy-back some of its Equity shares. You as a company secretary, advise your managing director on the following issues :

- (i) Maximum Quantum upto which King Ltd can buy-back its own shares with Board approval.
- (ii) Maximum Quantum upto which King Ltd can buy-back its own shares with shareholders' approval.

(5 marks)

OR (Alternate Question to Q. No. 2)

- 2A. (i) How could the amount deposited into Escrow Account distributed in the event of non-fulfilment of obligations under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ?
- (ii) Viva UK Ltd and Pipa Incorporation Ltd are Listed on London Stock Exchange and engaged in the same business. These two companies entered into an agreement in France to fix the prices of their products in International market with mutual consent. This agreement will have adverse impact on competition in India. Viva UK Ltd is a wholly owned subsidiary of Viva India Ltd. The Competition Commission of India *Suo Motto* initiated an enquiry in this case. Viva India Ltd has raised an objection on this enquiry by giving the reason that the parties to the agreement are not in India and the agreement was executed outside India. Explain the provisions relating to the jurisdiction of Competition Commission of India with reference to this case.
- (iii) Define the term Slump Sale as per Income Tax Act, 1961 and explain the tax treatment of a Slump Sale Transaction.

(5 marks each)

3. (a) External Commercial Borrowings (ECB) framework enables permitted resident entities to borrow from recognized non-resident entities. Explain briefly.
- (b) Is it possible to restructure debts through reduction of capital ? Support your answer with a decided case law.
- (c) What one would understand with the term *de minimis* exemption as per Competition Act, 2002 ?
- (d) “Takeover is an inorganic corporate growth device whereby one company acquires control over another company, usually by purchasing all or a majority of its shares.” Briefly explain the broad categories of Takeover.
- (e) Present a short note on “Funding through Leveraged Buyouts”.

(3 marks each)

PART—B

4. (a) Roma Ltd is planning to acquire the business of Vision Ltd. The following information were provided by Vision Ltd :

Year	Free Cash Flow to Equity (Millions)
1	100
2	150
3	200
4	250
5	300

Issued Equity share capital of Vision Ltd is 200 Million (2 Million Shares of ₹100 each). The company neither issued any debenture nor taken any loan. The other relevant information is as under :

Risk free rate of return (Rf) : 8%

Return on market portfolio (Rm) : 12%

Cost of Capital (Ke) : 13%

Terminal Value (calculated) : 1400 Millions

Calculate the value of firm and value of per equity share (Rounded off to nearest rupee) of Vision Ltd with the help of Discounting Cash Flow method.

(*Special Note* : There is no need to provide mathematical table. Candidates may use a non-scientific calculator to calculate the discount factor.)

(5 marks)

: 5 :

- (b) Olive Ltd. is studying the possible acquisition of Cherry Ltd. by way of merger. The following data are available :

Particular	Olive Ltd	Cherry Ltd
Profit Before Tax	25,00,000	7,50,000
Number of Equity Shares	4,00,000	1,00,000
PE Ratio	15	10

Corporate Tax Rate is 20%

You are required to :

- (i) Calculate EPS and Market Price per Share of both the companies before merger.
(1 mark)
- (ii) If the merger goes through by exchange of equity shares and the exchange ratio is set according to the current market prices, what will be the new earnings per share for Olive Ltd. ?
(2 marks)
- (iii) Cherry Ltd. wants to be sure that its earnings per share is not diminished by the merger. What exchange ratio is relevant to achieve the objective ?
(2 marks)
- (c) Gaurav Ltd that already holds 35% shares in Geeta Ltd entered into a share purchase agreement with Saurav Ltd. to acquire 10% shares of Geeta Ltd at 265 per share. The date of detailed public announcement was 1st April 2020. The following information with reference to acquisition of shares of Geeta Ltd by Gaurav Ltd during last 60 weeks is available from the investment account of Gaurav Ltd :

Date	Number of Shares Acquired	Price Paid Per Share (in ₹)
10.03.2019	50,000	310
12.04.2019	10,000	280
14.06.2019	20,000	260
20.12.2019	10,000	270
14.01.2020	20,000	250

: 6 :

Volume weighted average (VWA) market price for 60 trading days preceding the detailed public announcement is ₹ 272.

Using the above information, you are required to calculate offer price at which the acquirer shall announce to acquire shares from the public shareholders under the open offer in compliance with Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 for frequently traded shares.

(5 marks)

5. (a) “An individual shall have certain qualifications and experience to be eligible for registration under rule 3 of The Companies (Registered Values and Valuation) Rules, 2017”. Explain briefly.
- (b) “Determining the value of a business is a complicated and intricate process.” Explain the general principles of Business Valuation and list down the aspects involved in preliminary study to valuation.
- (c) Explain the Pricing norms for issue or transfer of shares to a person resident outside India under the Consolidated Foreign Direct Investment Policy, 2017.

(5 marks each)

PART—C*Attempt all parts of either Q. No. 6 or Q. No. 6A*

6. (a) Briefly explain the process of initiation of corporate insolvency resolution process by operational creditors under the Insolvency and Bankruptcy Code, 2016.

(5 marks)

: 7 :

(b) Write a short note on Winding up under the Companies Act, 2013 in contrast with liquidation in terms of Insolvency and Bankruptcy Code, 2016.

(5 marks)

(c) “The Model Law respects the differences among national procedural laws and does not attempt a substantive unification of insolvency law.” Explain the aim and objectives of UNCITRAL Model Law.

(5 marks)

(d) Define Assets Reconstruction Company (ARC) as per the provisions of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and explain the main objectives of an ARC ?

(5 marks)

OR (Alternate question to Q. No. 6)

6A. (i) SIB Bank filed an application before NCLT on 3rd Feb 2020 for initiating corporate insolvency resolution process against Gamma Ltd. NCLT accepted the application on 14th February 2020 and appointed the Interim resolution professional on 21st February 2020. During the period between 14th February 2020 to 21st February 2020, the corporate debtor sold one of its properties and claimed that its action was in conformity with the law. Explain the effect of Moratorium and offer your view on the validity of action by the corporate debtor selling a property not being a normal course of business.

(5 marks)

(ii) Give a short note on “Effect of recognition of a foreign main proceeding” under the UNCITRAL Model Law.

(5 marks)

(iii) RPL Bank extended a term loan to Inspire Ltd. Debt Recovery Tribunal (DRT) has issued order against the company for recovery of outstanding dues. Aggrieved by the order of DRT, Inspire Ltd wants to file an appeal before the Debt Recovery Appellate Tribunal under the provisions of The Recovery of Debt Due to Banks and Financial Institutions Act, 1993. Analyse the provision relating to appeal to Debt Recovery Appellate Tribunal (DRAT) State the portion of amount to be deposited for considering appeal by DRAT.

(5 marks)

(iv) “Effective Insolvency Law Systems have a number of aims and objectives.” Explain with reference to World Bank principles on effective insolvency law system.

(5 marks)

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