

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 is an inorganic growth strategy that significantly changes a company’s business model, management team or financial structure to address challenges and increase shareholders’ value”. Elucidate the statement with different options of Corporate Restructuring.

(5 marks)

(b) XYZ Resources Ltd., a listed company, is in the process of merging into ABC Transactions Ltd., which is not a listed Company. As a Company Secretary, detail the additional aspects to be noted for the merger of XYZ Resources Ltd. and ABC Transactions Ltd. in terms of Companies Act, 2013 and Securities and Exchange Board of India (SEBI) Regulations.

(5 marks)

: 2 :

- (c) Secure Source Ltd., an Indian Company, is contemplating to take over Super Securers Pte. Ltd. of Singapore through a process of merger and its top Management seeks your advice. Suggest the required compliances.

(5 marks)

- (d) “Accounting treatment under AS 14 is confined to Amalgamations unlike Ind AS 103.” Discuss how far Ind AS 103 can be distinguished with AS 14.

(5 marks)

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

2. (a) The unpalatable or inevitable recession can also be a key factor to trigger Mergers/ Takeovers—how far is it proved true ?
- (b) “There may be no express protection to any dissenting minority shareholder to file his objections as a matter of right, yet the Courts/Tribunals, while approving the Scheme, follow judicious approach by inviting objections through Public Notice in Newspapers.” Elucidate.
- (c) Is it possible to retain the same characters of various reserves of transferor Companies post amalgamation, mergers or demergers as per Standards of Accounting concepts or conventions ?

(5 marks each)

OR (Alternate Question to Q. No. 2)

- 2A. (i) “Due Diligence starts much before the process of restructuring and helps in better negotiation of deals, to handle taxation and stamp duty aspects in better manner, to minimise and resolve the human and cultural issues that may arise out of mergers/ amalgamation etc”. Discuss the statement in view of the fact that Due Diligence is considered as ‘background check’.
- (ii) Briefly explain four major types of anti-takeover amendments.
- (iii) “In addition to the normal event risks, stock swap mergers involve risks associated with fluctuations in the stock prices of the two companies”. Comment on the statement in view of the funding through swaps or stock to stock mergers.

(5 marks each)

3. (a) “Price received on sale of an undertaking as a Going Concern is a Capital Receipt”. Comment on the statement with judicial pronouncements, supporting the statement.

(3 marks)

(b) Corporates encounter pitfalls in post-merger statutory approval due to certain common errors, that need to be taken care of. Try to point out certain errors that need to be taken care of.

(3 marks)

(c) Enumerate certain circumstances that necessitates financial restructuring, being part of Internal Corporate Restructuring.

(3 marks)

(d) Identify the factors which make a company a desirable candidate for a takeover from the acquirer's point of view.

(3 marks)

(e) Is it possible for a shareholder to seek an amendment to exchange ratio embodied in the scheme while considering the resolution, put forth for approval. Support your answer with decided case law(s).

(3 marks)

: 5 :

PART—B

4. (a) “Valuation is influenced not only by the motive of the acquirer company but also that of target company’s objectives.” Analyse the statement in brief.

(5 marks)

- (b) The Managing Director of a company decides that his company will not pay any dividend till he survives. His current life expectancy is 20 years. After that time it is expected that the company could pay dividend of ₹ 30 per share indefinitely. At present the company could afford to pay ₹ 5 per share forever. The shareholders of the company expect return on equity @ 10%.

Find out :

- (i) What would be the share price at the end of 20 years ?
- (ii) What would be the present value of a share using discounting factor of 0.1468 (at 10% for 20 years period) ?
- (iii) What is the current price of a share if dividend payment is Rs. 5 per share ?
- (iv) What is the loss to the shareholders in the aforesaid scenario ?

(5 marks)

- (c) Explain Market Comparables Method of valuation. What are the steps involved in this method of valuation ?

(5 marks)

: 6 :

5. (a) From the following information determine the possible value of brand :

	(₹ in lakh)
Profit After Tax (PAT)	2,000
Tangible Fixed Assets	8,000
Identifiable intangible assets other than the brand	1,200
Weighted average cost of capital	15%
Normal return on tangible assets	20%
Capitalisation factor for intangible assets	25%

- (b) From the following information calculate the value of a share if you want to :

- (i) buy a small lot of shares;
 (ii) buy a controlling interest in the company.

Year	Profit (₹)	Capital Employed (₹)	Dividend (%)
2015	24,50,000	3,50,00,000	15
2016	40,00,000	5,00,00,000	18
2017	60,00,000	6,00,00,000	20
2018	72,00,000	6,00,00,000	25

The market expectation is 15% from the similar industry.

- (c) “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.

(5 marks each)

: 7 :

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

6. (a) Explain the concept “Ease of doing business includes easy exit by investors and creditors that prompts national policy makers’ constant endeavour to reform law relating to Insolvency or Bankruptcy”.
- (b) The purpose of the Model Law is to provide effective mechanism for dealing with cases of cross-border insolvency. Comment upon the statement.
- (c) Write a short note on winding up under the Companies Act, 2013 with special reference to Insolvency and Bankruptcy Code, 2016.
- (d) There are certain persons who are not entitled to make application to NCLT for initiation of corporate insolvency resolution process. Explain.

*(5 marks each)****OR (Alternative question to Q. No. 6)***

- 6A. (i) “Committing default or failure of Resolution Plan may lead to liquidation of a body corporate under Insolvency and Bankruptcy Code, 2016 but could there be other circumstances for which a Tribunal may order for winding up ?” Examine and explain.

(5 marks)

- (ii) SARFAESI Act is a complete code in itself and there is no lacuna or ambiguity in it to warrant reading something more into it or to borrow anything from the Companies Act. Comment on the statement in light of decided case laws.
(5 marks)
- (iii) Write a note on “Effect of recognition of a foreign main proceeding” under the UNCITRAL Model law.
(5 marks)
- (iv) Write a short note on the role of Insolvency and Bankruptcy Board of India.
(5 marks)

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