

Roll No

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 9

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

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

PART—A

1. (a) The scope of Corporate Restructuring encompasses enhancing economy and improving efficiency. Discuss.
- (b) The Competition Commission of India (CCI) has formed a *prima facie* opinion that a combination is likely to have adverse effect on competition in India. The parties to the combination decide to propose amendment to the proposed combination. Discuss the rights of the parties to carryout modification(s) and the procedure thereof.
- (c) As on 1st August 2017, A Ltd had three layers of subsidiaries. Discuss :
- (i) Whether A Ltd can continue to have such layers of subsidiaries ?
- (ii) Whether any exemption is available to A Ltd ?
- (iii) Is there any obligation cast on A Ltd to report to any authority in case it has three layers of subsidiaries ?
- (d) The Board of Directors of ANJ Limited is planning to acquire a company to expand its business. What points the Board should consider to get the best possible business acquisition ?

(5 marks each)

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

2. (a) As a Company Secretary, the Board of Directors of XYZ Ltd. seeks your advice on the automatic exemptions from making an open offer, as contained in the applicable SEBI Regulations. List any 8 circumstances under which such general exemption can be availed/claimed.
- (b) The Board of Directors of PQR Limited has proposed a buyback of its shares. The paid up capital of the company as on 31st March 2019 was ₹ 10 crores. The free reserves of the company on the same date were also ₹ 10 crores. The Board of Directors in its meeting held on 5th April, 2019 passed a resolution to buy back shares for a value up to 15% of its paid up capital. State the validity of the decision of the Board of Directors based on the provisions of the Companies Act, 2013.
- (c) A Ltd. is to be amalgamated with B Ltd. Currently there is no common shareholder between A Ltd. and B Ltd. The proposed scheme envisages shareholders holding 85% of the face value of equity shares of A Ltd will become equity shareholders of B Ltd. The following reserves appear in the books of A Ltd as at the appointed date of amalgamation.
- (i) Capital Reserves ₹ 5 Cr
- (ii) Investment Allowance Reserve ₹ 3 Cr
- (iii) Revaluation Reserves ₹ 6 Cr

Discuss how the above reserves would be treated while preparing B Ltd's financial statements, in the light of AS-14. "Accounting for Amalgamations".

(5 marks each)

OR (Alternate Question to Q. No. 2)

- 2A.** (i) KL Ltd. demerged its cement division to create MN Ltd (resulting company) and KL Ltd (demerged company). The scheme of demerger involved debts (receivables) of KL Ltd. taken over by MN Ltd. However, later such debts turned out to be bad debt. Discuss how such bad debts would be treated from taxation perspective, citing case laws.
- (ii) The approval of Tribunal is required for any scheme of reconstruction. The Tribunal considers minority interest while approving any scheme of reconstruction. Majority approval cannot deprive minority from raising objections. But frivolous objections by Minority shareholders are not entertained. Mention any decided case law (one for each situation) where :
- (a) The minority shareholder raised objections and prevented the implementation of the scheme of reconstruction.
- (b) The objections raised by the minority shareholder were rejected and the scheme was approved.
- (iii) “For the purpose of *de minimis* exemption under the Competition Act, 2002 the value of assets and turnover of the entire target enterprise would be considered”. Comment.

(5 marks each)

- 3.** Comment on the following :
- (a) A person holding shares in physical form cannot tender his / her physical shares in the company’s buy-back offer.

(3 marks)

: 4 :

- (b) ATC Limited, a listed company bought back its shares to the extent of 5% of its paid up capital in January, 2018. In May, 2018 the company wants to make a further issue of shares by way of bonus issue.
(3 marks)
- (c) Additional disclosures required to be made in the first financial statements following amalgamation would vary in the case of amalgamation accounted under (a) pooling of interests method and (b) purchase method.
(3 marks)
- (d) An increasingly used defense mechanism against hostile takeover is “Shark Repellants”.
(3 marks)
- (e) Amount required to be deposited in Escrow Account would be the same for both conditional and unconditional offer.
(3 marks)

PART—B

4. (a) Allwin Pharma Ltd. is exploring the feasibility of acquiring Bhagwan Biotech Ltd. The latter company is specialized in developing products for major pharmaceutical companies spread over across India. During the first year of the forecast period, product development costs are anticipated to generate negative cash flow of ₹ 15 lakh. However, during the second to fifth year, it is estimated that positive cash flows of ₹ 10 lakh, ₹ 12 lakh, ₹ 15 lakh and ₹ 20 lakh respectively would be generated. Considering intense competition in the field, it is anticipated that the cash flows are expected to grow modestly at 5% beyond the fifth year. The discount rate for the first five years is expected at 12%. While it would drop 8% after the fifth year. Compute value of the firm.
(Note : The Present Value Factor at 12% for first year is 0.8929, for second year is 0.7972, for third year is 0.7118, for fourth year is 0.6355, for fifth year is 0.5674)
Note : Present calculations upto 2 decimals.

(5 marks)

: 5 :

- (b) You are appointed as valuer for valuing unlisted company PQR Ltd.
- (i) Which valuation method would normally be followed for valuing unlisted companies ?
 - (ii) What are the few metrics that you would consider as basis for such valuation ?
 - (iii) If PQR Ltd. is a banking company, what would be the most preferred metrics for valuation ?
 - (iv) If PQR Ltd. is a steel company, what metrics would ideally be adopted for valuation ?

(5 marks)

- (c) Promoters of ABC Ltd., a listed company, are planning to delist the company's shares from stock exchanges. The promoters feel the price discovered through reverse book building process is not attractive. What are the options available to the promoters ?

(5 marks)

5. (a) PQR Ltd., a listed company, earned profit before tax of ₹ 1 crore for the year ended 31st March, 2019, Tax amounts to ₹ 5 lakh. The company's share capital consists of 30 lakh equity shares of ₹ 10 each and 2 lakh 8% preference shares of ₹ 10 each. PQR Ltd's current price to earnings ratio stands at ₹ 9.64.

Compute PQR Ltd's (i) Earnings Per Share and (ii) Current Market Price

Note : Present calculations upto 2 decimals.

(5 marks)

: 6 :

(b) Ruchi Industries Ltd. is planning to acquire Jyoti Industries Ltd. through merger. Based on the available information calculate :

- (1) Earning per share (EPS) of both the companies
- (2) EPS of the merged company
- (3) Exchange Ratio for the shareholders of Jyoti Industries Ltd. at the EPS of pre merger level of Ruchi Industries Ltd.

Particulars	Ruchi Industries Ltd.	Jyoti Industries Ltd.
Number of Equity Shares	10,00,000	6,00,000
Earnings After Tax	₹ 50,00,000	₹ 18,00,000
Market Value per share	₹ 42	₹ 28

(5 marks)

(c) DELS Trading Private Limited is a company incorporated under the Companies Act, 1956. The Board of Directors applies to the authorities to register the company as registered valuers organization. Discuss the eligibility of the company to be registered as a registered valuers organization. What are the conditions necessary for an organization to be recognized as a registered valuers organization ?

(5 marks)

PART—C

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. (a) Explain workmen's portion in relation to the security of a secured creditor in the winding up process of the company.

The value of security of a secured creditor is ₹ 1,00,000. The total amount of workmen's due is ₹ 1,00,000 and the amount due from the company to its secured creditor is ₹ 3,00,000. What is the workmen's portion of the security ?

(5 marks)

- (b) Can a liquidator be replaced, when a company is undergoing liquidation process ? If so, mention the grounds or circumstances under which the liquidator can be changed.

(5 marks)

- (c) AG, an insolvency professional is appointed as the Resolution Professional for the insolvency resolution process of XYZ Limited. BG, a partner of AG is a director in XYZ Limited. Discuss whether AG can continue as the Resolution Professional for the insolvency proceedings ?

(5 marks)

- (d) In the light of Insolvency and Bankruptcy Code, 2016, indicate whether the following persons are eligible to be a Resolution Applicant for ABC Ltd. which is undergoing Corporate Insolvency Resolution Process, based on an application for insolvency resolution made by PQR Bank Ltd.

- (i) A is declared as a wilful defaulter, in terms of guidelines issued by the Reserve Bank of India.

- (ii) A has a loan account with PQR Bank Ltd, which has been classified as non-performing assets 6 months back, in terms of guidelines issued by Reserve Bank of India. A is yet to pay all the overdue amount.
- (iii) B who has executed a guarantee to PQR Bank Ltd. towards dues payable by ABC Ltd. and the guarantee has been invoked by PQR Bank Ltd. and remains unpaid.
- (iv) B who has executed a guarantee as in (iii) above and the guarantee has been invoked and remains unpaid, but ABC Ltd is a Micro, Small and Medium Enterprise.

(5 marks)

OR (Alternate question to Q. No. 6)

- 6A. (i) The Tribunal has appointed a Company Liquidator to submit a report about the company. What are the contents of this report ? A creditor of the company wants to inspect the report submitted by the Company Liquidator and also to take copies thereof. Discuss the power of the creditor in this regard.
- (5 marks)
- (ii) ABC Construction Ltd. has been involved in construction of residential apartments. Two years ago, the company accepted ₹ 500 Crores from 2000 individuals with a promise to deliver apartments of various sizes in a residential project. Due to various reasons, the company is unable to deliver the apartments to these 2000 individuals as promised within the agreed timeline.
- (a) Whether the depositors can invoke any provisions of Insolvency and Bankruptcy Code, 2016 ?

: 9 :

- (b) If so, how many of them can initiate application under IBC ?
- (c) Can any of the depositors attend Committee of Creditors meetings ?

(5 marks)

- (iii) By invoking the provisions of SARFAESI Act, 2002, XYZ Bank took physical possession of property of ABC Co. Ltd., as the latter defaulted in payment of loan given by XYZ Bank. Subsequently ABC Co. Ltd. was brought under Corporate Insolvency Resolution Process and Resolution Professional appointed for ABC Co. Ltd. demanded the property from XYZ Bank. In the light of applicable provisions, briefly discuss whose claim would prevail ?

(5 marks)

- (iv) A debtor is subject to a foreign proceeding and a local proceeding at the same time. Discuss the provisions of UNCITRAL Model Law for the co-ordination of the proceedings in such a situation.

(5 marks)

————— o —————