

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 4

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

2. All references to sections relate to the Companies Act, 1956 unless stated otherwise.

**PART – A**

1. (a) "The resolution according approval of shareholders under section 391(2) is neither an ordinary resolution nor a special resolution." Comment in the light of judicial precedent and also discuss whether filing of such resolution with the Registrar of Companies is mandatory.  
(5 marks)
- (b) Do you agree that "every scheme of arrangement requires prior approval of stock exchanges" ? Highlight the relevant provisions in support of your answer.  
(5 marks)
- (c) The Boards of directors of Music India Ltd. (MIL) and Sound India Ltd. (SIL) have decided a scheme of arrangement. The scheme has been approved with adequate majority. As per the scheme of arrangement, the 'software undertaking' of MIL is proposed to be transferred to SIL under sections 391 to 394. One of the conditions of the scheme is that any excess in the value of net assets of 'software undertaking' transferred to SIL shall be available for distribution to the shareholders of SIL.  
Regional Director, Ministry of Corporate Affairs, has raised objection in his affidavit filed with the High Court stating that excess, if any, in the value of the net assets of the 'software undertaking' should be adjusted to the capital reserve as prescribed in AS-14 and not to the general reserve as proposed in the scheme of arrangement.  
Examine the applicability of AS-14 and give your opinion whether contention raised by the Regional Director holds good in law.  
(5 marks)
- (d) Discuss the legal issues concerning 'poison pill devices' as defence mechanism against hostile takeovers.  
(5 marks)

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

2. (a) Explain the human and cultural aspects of a merger.

(5 marks)

- (b) Palm Ltd. bought back some shares in compliance with section 77A. As a consequence, the shareholding of one shareholder, Vaibhav Ltd., increased from 24% to 27%. Palm Ltd. disclosed the changed shareholding pattern to the stock exchange. On receiving the information regarding increase in holding of Vaibhav Ltd. to 27%, SEBI has issued a show-cause notice to Vaibhav Ltd. for its failure to make a public offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. Prepare a reply to the show-cause notice.

(5 marks)

- (c) Define 'reverse merger' and explain the strategic significance of reverse merger.

(5 marks)

**OR (Alternate question to Q.No. 2)**

- 2A.** (i) What is the legal protection available to creditors for protecting their interest in case of reduction of capital proposed by the company ?

(5 marks)

- (ii) X Ltd. is a listed company and holds 100% equity of Y Ltd. Y Ltd. holds 15% equity in Z Inc., USA as on 31<sup>st</sup> March, 2014. Due to the poor performance of Z Inc., USA, Boards of directors of X Ltd. and Z Inc., USA in their meeting held on 20<sup>th</sup> May, 2014 approved merger of Z Inc., USA with X Ltd. with effect from 1<sup>st</sup> April, 2014. The scheme of merger was filed with the Hon'ble High Court of Delhi pursuant to sections 391-394. The Registrar of Companies (ROC) has raised objections that sanction of the scheme of merger would result in the buying back by the X Ltd. of shares of its subsidiary Z Inc., USA and would thereby violate the provisions of section 42 and section 77. Comment whether the objection raised by the ROC is sustainable in the court of law.

(5 marks)

- (iii) Renu Ltd., a listed company of which you are the Company Secretary, is planning a demerger. Enumerate the steps to be taken for demerger.

(5 marks)

- 3.** Explain the following :

- (a) Buy-back through reverse book-building.

(5 marks)

- (b) Thresholds of combinations under the Competition Act, 2002.

(5 marks)

- (c) Funding through leveraged buyouts.

(5 marks)

: 3 :

**PART – B**

4. (a) The shares of XYZ Ltd. are listed on more than one stock exchange. On 3<sup>rd</sup> February, 2014, its share was quoted @ ₹100 per share in Bombay Stock Exchange and @ ₹90 per share in National Stock Exchange. The company issued 10,000 sweat equity shares on the same date @ ₹90 to Anand. Examine whether the transaction violates SEBI (Issue of Sweat Equity) Regulations, 2002.

(5 marks)

- (b) Anay Infrastructure Ltd. (AIL) wants to acquire entire business of Pranav Land Ltd. (PLL). AIL has 6,00,000 equity shares and PLL has 4,00,000 equity shares with market value of ₹60 and ₹40 respectively. Their respective EPS is ₹8 per share and ₹4.50 per share. It is proposed to give one share of AIL to the shareholders of PLL in the ratio of two shares held in PLL.

Based on the above, you are required to —

- (i) Calculate the EPS after the acquisition of the company; and  
(ii) Show the impact on EPS for the shareholders of both the companies.

(5 marks)

- (c) Bhupen India Ltd. (BIL) is a listed company and the Board of directors of BIL has authorised Managing Director for evaluating the proposal for acquisition of Sahil India Ltd. (SIL). The financial positions of BIL and SIL are given below :

	BIL	SIL
No. of equity shares	10,000	6,000
Market price per share (₹)	60	36
Market capitalisation (₹)	6,00,000	2,16,000

BIL is willing to pay ₹3,32,000 in cash for the acquisition of SIL. If SIL's market price reflects only its value as a separate entity, calculate the cost of acquisition when acquisition is financed by cash. Give your comment, what would be the impact on shareholders of BIL when the cost of acquisition becomes negative.

(5 marks)

5. (a) Explain 'earnings based valuation technique'.

(5 marks)

- (b) "Where no mistake is found in computation of exchange ratio worked out by a recognised firm of chartered accountants and same has been accepted by the shareholders/creditors with overwhelming majority, still court has a right to substitute its own exchange ratio." Comment on the statement in the light of judicial pronouncements.

(5 marks)

- (c) What do you understand by 'brand valuation' ? What is its importance ?

(5 marks)

**PART – C**

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

6. Write notes on the following :

- (a) Objectives of UNCITRAL Model Law
- (b) Overriding effect of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993
- (c) World Bank principles for effective insolvency
- (d) Objectives of asset reconstruction company (ARC)
- (e) Powers of courts to declare dissolution *void*.

*(4 marks each)*

**OR (Alternate question to Q.No. 6)**

6A. (i) What are the remedies available to the secured lenders under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, if borrowers do not make payment ?

*(5 marks)*

(ii) Rose Textiles India Ltd. (RTIL) is a company engaged in the business of textiles manufacturing. Due to the global slowdown, the business of RTIL has been badly affected. The members of the company have taken a decision for winding-up the company without consulting creditors of the company. One of the creditors representing 25% of the total outstanding liability objected to the company's proposal on the ground that the consent of creditors is mandatory and by not doing so, company's winding-up proposal is bad in law. Give your comments keeping in view the provisions of the Companies Act, 1956.

*(5 marks)*

(iii) What measures can an asset securitisation company take under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 for the purpose of assets reconstruction ?

*(5 marks)*

(iv) What are the powers of the Board under section 17 of the Sick Industrial Companies (Special Provisions) Act, 1985 to make an order on completion of the enquiry ?

*(5 marks)*