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Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 7

NOTE : All references to sections relate to the Companies Act, 2013 unless stated otherwise.

PART – A

(Answer Question No.1 which is compulsory and ANY THREE of the rest from this part.)

1. (a) State whether the following statements are true or false citing relevant provisions of the law and the case law, if any :
- (i) Organic growth is the rate of growth of business by increasing output and business reach, by acquiring new business by way of mergers, acquisitions, takeovers or other restructuring strategies.
 - (ii) In the case of an 'amalgamation in the nature of purchase', the balance in the statement of profit and loss appearing in the financial statements of the transferor company is aggregated with the corresponding balance appearing in the financial statements of the transferee company. Alternatively, it is transferred to the general reserve, if any.
 - (iii) Where the scheme has been approved by the holders of not less than nine/tenth (90%) in value of shares of the transferee company, the transferee company may give notice to any dissenting shareholder that it desires to acquire the shares. The scheme shall be binding on all the shareholders of the transferor company (including dissenting shareholders), unless the court orders otherwise.
 - (iv) Any person who holds 5% or more of the shares or voting rights of a target company and who acquires or sells shares representing 2% or more of the voting rights, shall disclose details of such acquisition/sale to the target company at its

registered office and to every stock exchange where the shares of the target company are listed within 2 working days of such transaction, as per the format specified by SEBI.

- (v) Reduction of share capital results in extinguishment of class of shares.

(2 marks each)

- (b) The total capital deployed by Aquawater Urja Ltd. is ₹50 crore for 5 MW hydro power project. During last five years, on an average, the company has earned profit of ₹12 crore and has outsmarted hydro industry average of 20% profitability. As per the technical experts, in all likelihood, the company would be able to maintain its profitability trend for remaining life of the project. Calculate the valuation of the company on the basis of super profits method.

(5 marks)

- (c) "In addition to normal event risks, stock swap mergers involve risks associated with fluctuation in the stock prices of the two companies." Comment on the statement in view of the funding through stock swaps or stock to stock mergers.

(5 marks)

- (d) The merger is a period of uncertainty for the employees of the merging organisations. Discuss.

(5 marks)

2. (a) Explain the procedure of buy-back of specified securities through stock exchange as per regulation 15 of SEBI (Buy-Back of Securities) Regulations, 1998.

(8 marks)

- (b) Write note on the following defense mechanism. Attempt **any one** :

(i) Shark repellants

(ii) Poison pill.

(4 marks)

: 3 :

(c) Extracts of the balance sheet of Strong Ltd. as on 31st March, 2016 is as follows :

<i>LIABILITIES</i>	₹
Paid-up share capital (<i>1,00,00,000 shares fully paid-up</i>)	1,00,00,000
Reserves and surplus :	
General reserve	1,00,00,000
Securities premium	3,00,00,000
Revaluation reserve	1,50,00,000
Long-term loans	3,00,00,000
Short-term loans	50,00,000
Provisions	50,00,000
TOTAL	<u>10,50,00,000</u>
 <i>ASSETS</i>	
Fixed assets (<i>acquired in November and December, 2015</i>)	5,00,00,000
Capital work-in-progress	50,00,000
Investments	50,00,000
Stores and spares	2,00,00,000
Cash and bank	2,00,00,000
Deferred revenue expenditure not written-off	50,00,000
TOTAL	<u>10,50,00,000</u>

Compute the net worth of the company as on 31st March, 2016 as per section 2(57).

(3 marks)

3. (a) The Goldenwinds Urja Ltd. (GUL) is a closely held unlisted company having 5 MW wind power project at Eastern Ghats. Total assets and outside liabilities of the company are as under :

	<i>Book value on 31st March, 2016 (₹ in lakh)</i>	<i>Market value on 31st March, 2016 (₹ in lakh)</i>
<i>OUTSIDE LIABILITIES</i>		
Trade payables	20	20
Long-term loans	2,000	2,000
Outstanding expenses	5	5
<i>ASSETS</i>		
Land and building	3,000	6,500
Plant and machinery	3,500	2,000
Trade receivables	1,000	1,000
Cash and cash equivalents	30	30
Spares	10	10

Windworld Energy Ltd. (WEL), a German company, is ready to pay 30% premium over market value as goodwill for acquiring net assets of GUL. Calculate the price which WEL is ready to pay to shareholders of GUL.

(5 marks)

- (b) Mention the contents of public announcement under regulation 15 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

(5 marks)

- (c) Draft a notice convening meeting of unsecured creditors in the case of a scheme of compromise or arrangement (not being amalgamation).

(5 marks)

: 5 :

4. (a) Discuss in detail the factors the Competition Commission of India shall have due regard in determining whether a combination would have appreciable adverse effect on competition in the relevant market.
(5 marks)
- (b) "Profit on slump sale is a capital receipt." Explain the statement with the help of decided cases.
(5 marks)
- (c) Highlight the financial aspects which are of prime importance in each amalgamation or merger.
(5 marks)
5. (a) "Corporate restructuring aims at different things at different times for different companies but the single common objective in every restructuring exercise is to eliminate the disadvantages and combine the advantages." Comment on the statement highlighting various needs for undertaking the corporate restructuring.
(6 marks)
- (b) In the process of takeover, at what point of time does a merchant banker need to be appointed and what is its role in the open offer process ?
(5 marks)
- (c) What are the tax concessions available to the shareholders of a demerged company ?
(4 marks)

PART — B

(Answer ANY TWO questions from this part.)

6. (a) Does BIFR has the power for dilution of equity under section 18(2)(f) of the Sick Industrial Companies (Special Provisions) Act, 1985 without following the procedure prescribed under the Companies Act, 2013 ? Explain with the help of decided cases.
(4 marks)

- (b) Distinguish between members' and creditors' voluntary winding-up.
(4 marks)
- (c) Define the term 'financial assets' under section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
(4 marks)
- (d) Describe the process of satisfaction of security interest under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
(3 marks)
7. (a) How shall an application related to debt recovery, which is pending before two or more debt recovery tribunals, be transferred to any one debt recovery tribunal ? Explain.
(5 marks)
- (b) Explain with reference to UNCITRAL model law on cross border insolvency :
- (i) Protection of creditors and other interested persons.
(3 marks)
- (ii) Effects of recognition of a foreign main proceeding.
(2 marks)
- (c) Are 'winding-up' and 'dissolution' synonymous ? Discuss highlighting main points of distinction between the two.
(5 marks)
8. (a) Insolvency laws adopt a number of different approaches for selection and appointment of the insolvency practitioner. Discuss the statement in light of the UNCITRAL Guide's four main selection processes in different country systems.
(6 marks)

: 7 :

- (b) A liquidator is not a trustee, but since he is in a fiduciary position in relation to any property of the company, he is in the position of a trustee and sometimes described as 'statutory trustee'. Discuss the status of liquidator in compulsory winding-up as well as in voluntary winding-up.

(5 marks)

- (c) Immunity to sick company cannot be used as a shield against the recovery of unpaid price of goods particularly when the goods have been purchased after the reference has been registered. Explain.

(4 marks)

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