

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) “Global competition drives enterprises to become globally fit to face global challenges prompting them for corporate restructuring”. Elucidate.

(5 marks)

(b) “Inorganic growth provides an organisation with an avenue for attaining accelerated growth as compared to the organic growth in general”. Comment on the statement.

(5 marks)

(c) ABC Ltd. intends to delist its shares from Delhi Stock Exchange (DSE) for which it made required public announcement. Surewin Ltd., a substantial shareholder in the said Company made a counter offer.

Advise Board with a short note in accordance with the relevant and applicable regulations of Securities Exchange Board of India (SEBI).

(5 marks)

(d) “Inability to pay debts was generally a ground for moving an application for winding up of a Company under the Companies Act, 1956. But such a ground no longer exists under the Companies Act, 2013”. State the circumstances which compel a company to be wound up under the Companies Act, 2013.

(5 marks)

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

2. (a) XYZ Ltd. and ABC Ltd. filed applications before National Company Law Tribunal (NCLT) for amalgamation of both the companies to form a new Company PQR Ltd. Regional Director by an affidavit pointed out the following inconsistencies in the application(s) :

- (i) Main objects of XYZ Ltd. are not similar to that of ABC Ltd; and
- (ii) Authorized capital of PQR Ltd. is not sufficient to cover the total consideration.

As a Company Secretary, you are requested to brief the facts and background, along with the judicial precedents, to the counsel enabling him to proceed in the matter.

(5 marks)

- (b) “Mergers, Demergers or Reverse Mergers are resorted to enhance, utilise or protect the brand value already earned by an enterprise”. Explain how the reputation and goodwill associated with a brand name of the Company could be advantageously exploited.

(5 marks)

- (c) “Anti-trust laws world over believe that the free trade benefits the economy and at the same time, the legislations are formulated to forbid several types of restraints of trade and monopolisation”. Justify the statement in the context of the provisions of Competition Act, 2002 with respect to mergers, demergers or reverse mergers.

(5 marks)

: 3 :

OR (Alternate Question to Q. No. 2)

- 2A.** (i) A Ltd. was a listed Company with Kanpur Stock Exchange but got delisted in 2012. In the year 2017, the Board passed a resolution approving a scheme of arrangement and petitioned before the National Company Law Tribunal (NCLT). Subsequent to that, scheme was placed before the members which the NCLT ordered. Two (2) shareholders holding 80% shares opposed the scheme.

As a Company Secretary, advise the Board on the next course of action(s) pursuant to the provisions of the Companies Act, 2013.

(5 marks)

- (ii) Progression Ltd. is a listed Company with a paid up capital of ₹ 200 Crore divided into 20 crore shares of ₹ 10 each. R, S, T and U are the promoters of the said company holding 2 crore, 5.40 crore, 0.80 crore and 2.20 crore shares respectively.

The following situations occurred at different times :

Situation 1 : T transfers 0.30 crore shares each to R & U

Situation 2 : S transfers 0.22 crore shares to T

Situation 3 : R transfers 0.20 crore shares each to T and U

As a Company Secretary, you need to advise on the required compliances, if any, under the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 for the above three situations respectively.

(5 marks)

- (iii) “While standard parameters plays a crucial role, funding/borrowing for takeover should be organized in such a way that best suits the facts and circumstances of the specific case and should also meet the immediate needs and objectives of the management”. Elucidate the statement with emphasis on the demerits of borrowing from the financial institutions and banks.

(5 marks)

3. (a) What corrective measures a Company can take to restructure its internal finance having noticed symptoms of either under capitalization or over capitalization ?

(3 marks)

- (b) “Consequent to restructuring, more particularly through mergers, amalgamations or takeovers, the management needs to be sensitive to employees’ morale”. Briefly comment on the validity of the statement.

(3 marks)

- (c) What is the purpose of observation letter issued by Stock Exchange(s) under SEBI (Obligations and Disclosure Requirements) Regulations, 2015 ?

(3 marks)

- (d) Several Credits Finance Company Ltd., a Non-Banking Finance Company (NBFC) is in the process of merging with Hatke Bank Ltd, a Scheduled Bank. Recommend the steps/actions to be undertaken by Hatke Bank Ltd with respect to the relevant statutory provisions as may be applicable in this case.

(3 marks)

- (e) “Demerger is not expressly defined under the Companies Act, 2013”. How does an application move before the National Company Law Tribunal (NCLT) for Demerger under the said Act ?

(3 marks)

: 5 :

PART—B

4. (a) “Fair value of shares is in fact not precisely fair but a compromise effort for bringing the parties to an agreement, just like providing extra play time in a Hockey or Football match especially in case of a tie”. Justify the statement with your views.

(5 marks)

- (b) Fast Growth Ltd. gave the following information with a request to calculate the value of each of its equity shares :

- (i) Subscribed capital consists of fully paid up shares as follows :

10 lakh 13% Preference shares of ₹ 10 each and

20 lakh Equity shares of ₹ 10 each

- (ii) Profit after depreciation but before taxation is ₹ 180 lakh

- (iii) Transfer to general reserve ₹ 34.50 lakh

- (iv) Provision for taxation is 30%

- (v) Expected dividend is 20% for the relevant industry.

(5 marks)

- (c) Simran Simple Synthetics Ltd. is contemplating to issue Sweat equity shares for their staff in R&D department. Shares are listed on both the exchanges i.e., BSE and NSE. As a Company Secretary, you are tasked with enlightening the Board on the manner of fixing price per Sweat equity share in line with the SEBI regulations.

(5 marks)

5. (a) Despite having a statutory warning by Mutual Fund Companies as “*Past performance may or may not sustain in future*”, past share market price data is quite often used in equity valuation while investing/acquiring equity and SEBI regulations also take into account weekly highs and lows of such market prices as litmus test. However, there may be certain inherent flaws and/or limitations while going by such market based valuation(s). Highlight to your Board of directors certain possible flaws and limitations in such market price based valuation(s) which may be misleading.

(5 mark)

- (b) Explain the following methods of valuation :

- (i) Net Realisable Value Method
(ii) Valuation in case of Slump Sale

(5 marks)

- (c) From the following data noticed from published financials, ascertain intrinsic value of equity shares :

Goodwill	₹ 56,400
Market value of other assets	₹ 18,00,000
Debentures	₹ 10,00,000
Trade payables	₹ 2,50,000
Preference capital	₹ 2,00,000 and

Equity capital consists of 10000 shares of ₹ 10 each fully paid up.

(5 marks)

: 7 :

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

6. (a) “Default by debtor was a crime punishable with imprisonment or death”. This forgotten perception with respect to the laws of bankruptcy has now got transformed giving opportunity to a bankrupt or insolvent for revival. Express the views in the current context of evolution of Insolvency Laws in Britain and U.S.A and now even in India.
- (5 marks)
- (b) “*Vasudev Kutumbakam or one world one family* is the motto of any business entity in addition to political and cultural togetherness. This has prompted to the formation of United Nations Organisation (UNO) to ensure smooth universal trade”. Comment on the statement with special emphasis on efforts being made with respect to Cross Border Insolvency.
- (5 marks)
- (c) “More and more banks are embarking on forming of Asset Reconstruction Companies such that they can manage their risks better and can concentrate on lending”. Explain the salient features and functions of an Asset Reconstruction Company in the context of the above statement.
- (5 marks)
- (d) Unlike Companies Act, 1956 winding up can be resorted to only when resolution plan either could not be finalised or failed within 30 days of approval by adjudicating authority as per Insolvency and Bankruptcy Code, 2016. Are there any exceptions to such perception ? Who all are entitled to move petitions for winding up ?
- (5 marks)

OR (Alternative question to Q. No. 6)

- 6A.** (i) “Banks and financial institutions do have free hands to take possession of assets of a defaulting debtor under Securities and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002”. Are there any exceptions to the statement under the Act ? Explain.
- (5 marks)
- (ii) Progress of enforcement of Insolvency and Bankruptcy Code, 2016 depends on four pillars apart from the adjudicating authorities. State briefly the role of such pillars.
- (5 marks)
- (iii) UNICITRAL Model Law is binding on member countries but at the best *obiter dicta* for Courts of the member countries dealing in disputes relating to cross border insolvency and international trade. Elucidate.
- (5 marks)
- (iv) M/s Speed Airways Pvt Ltd. a borrower, filed a case before a civil court that Diligent Bank, a secured creditor, has not issued any letter to the company for demanding of repayment of loan and stating its intention to enforce the secured interest. Rather, fraudulently transferred the funds from its account to another company only to classify it as NPA as per the provisions of SARFAESI Act, 2002. In the light of the decided case, state whether the case is maintainable.

(5 marks)

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