

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: Corporate Law-II
Semester-VII (Batch: 2013-18)

End Semester Examination: October-2016

Date: 22nd October, 2016

Duration: 3 hours

Max. Marks: 50

Instructions:

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write any thing on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.
- Bare Act is not allowed.

Part-A**Marks**

- Q.1 Analyse any four of the following concepts (Word limit: Max 35-40 words) (4x1=04)
- (a) Leveraged Buyouts
 - (b) Demerger
 - (c) Arrangement
 - (d) Statement of Affairs
 - (e) Effectiveness of winding up
- Q.2 "The ground of *Just and Equitable*' is one of the open ground to file a petition for winding up of company by the Tribunal for any circumstances" – Do you agree with this? Justify your opinion with the analysis of relevant principles of Company Law and decided cases (05)
- Q.3 Write short notes on any two of the followings: (2x4=08)
- (a) Reduction of Share Capital
 - (b) A brief note on Takeover Code
 - (c) Voluntary Winding Up
 - (d) Due Diligence in a process of Mergers and Acquisitions

Part-B

- Q.4 Read the following set of facts and answer the questions accordingly (5x3=15)
- (a) The business of company A is to sell, export textile products. The object of the company B is to produce textiles. A scheme of arrangement of Merger is being proposed between the companies A and B.
What kind of Merger would be this?
 - (b) Hypothetically, a company XYZ is involved in some activities against the national interest. Can a petition for winding up be filed against the company? If yes, who can file the said petition?
 - (c) A scheme of arrangement of merger and amalgamation was proposed between

company M, company N and company T having the registered offices in the state of Kerala, West Bengal and Delhi respectively. The company M is the transferee company and company N and company T are transferor companies.

What is the jurisdiction to file the application for the approval of the scheme as per the present company law?

- (d) Application for the approval of a scheme of arrangement of Mergers and Amalgamations between two companies Z and T was made on 10/11/2010 in the High Court of Delhi. The said scheme was sanctioned by the High Court of Delhi on 10/10/2011. Under the supervision of the Court, the scheme was implemented. The transfer of assets from the transferor company to the transferee company started on 12/12/2012. The entire process of implementation of the scheme was completed on 13/10/2014.

What is the appointed date and effective date of the above mentioned scheme?

- (e) The company A wants to acquire 23% of equity shares of company B. What is the nature of the restructuring? Give a real example.

Part-C

- Q.5 Read the following fact and answer the questions according to the principles of Company law and decided cases. (6+4+2+2+2=18)

The following are the four companies, who are intending to propose a scheme of arrangement of Mergers and Acquisitions. A brief description about the four companies are as follows.

Company 1: M/s DELki Ltd. is a public listed company and is having the registered office at Ahmedabad. The company has 50 Lakhs shareholders. The securities of the company is being registered in the National Stock Exchange. The company is running with losses and its business activities are related to manufacture, sale, export of motor parts. The share value of the company has gone down.

Company 2: M/s Manfel Pvt Ltd. is a private company and is having the registered office at Hyderabad. The company is a profitable company. The business activities of the company is related to production and sale of electronic products.

Company 3: M/s Santiago Telecom Ltd. is a telecom company and is having the registered office at Delhi. The company 3 is the holding company of the company 1 i.e., M/s DELki Ltd. The 3G spectrum license is being allocated to this company. The company has been one of the leading Telecom Company of India (hypothetical). TRAI is the regulator for this company. The market value of the shares of this company is Rs400.

Company 4: M/s Rattico Ltd is a public unlisted company and is having the registered office in the State of Maharashtra. Company 1, company 2 are the shareholders of this company. Some shares are allocated to a foreign company, i.e. company 5 on the basis of preferential allotment.

Two schemes of arrangement of Mergers and Acquisitions between the above five companies are proposed. The schemes are as follows.

Scheme I:

For the purpose of the revival of the company 1, the company 2 will take over the company 1. Before the said arrangement, the company 1 wants to transfer the passive infrastructure assets to company 3, which is the holding company of company 1 with

consideration.

Scheme II:

All the companies will get merge after the takeover of **company 1** by **company 2**. and a new entity will be created in the name of **M/s ManSatR Ltd.** The registered office of the new company will be situated at Delhi. The main object of the new entity will be multiple business activities. The physical assets and properties of all the companies will be transferred to the new entity. Through a Share Holder Agreement, the shareholding in the new entity will be held. The share Exchange Ratio between the companies 2, 3 and 4 are decided as 2:3:4 respectively. There will be 9 directors in the Board of the new entity. Two directors from each company (2,3,4) will be nominated to the Board of the new entity **M/s ManSatR Ltd.** No director from **company 1** will be nominated. After the merger, the **company 5** will become the holding company of the company **M/s ManSatR Ltd** by transfer of 51 % of equity shares to **company 5**. 30 % of the employees of each company will be employed by the new entity and the other employers will be removed.

- (a) Being a student of corporate law, write the detailed procedure for the approval of the **scheme II**, between the companies as per the prevailing provisions of the company law of India.
- (b) Being the judge, examine the scheme and approve/disapprove the scheme with justification.
- (c) Who are the regulators, from whom the approval of the said scheme II is required?
- (d) If company 2 will take over the company1, what is the nature of the restructuring (merger)? (**scheme-I**)
- (e) How can the **company 1** transfer the passive infrastructure assets to **company 3**?
- (f) How can you decide the applicability of stamp duty for the scheme II or write the settled position of law about the stamp duty for a scheme of arrangement in India?
