

Roll No. ....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 16

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

### PART-I

1. Alkasa Lifesciences Limited (ALF Ltd.), a public limited company, is a healthcare conglomerate, with its operations in four major verticals—Pharmaceutical Manufacturing, Medical Equipment, Wellness and Nutrition Products and Diagnostics. ALF Ltd.'s, 75-year-old traditional Pharma business, is the backbone of the company. However, over the past few years, the company has expanded its operations through the Wellness and Nutrition division which has experienced rapid growth, driven by rising demand for preventive health products. Evercare Path Labs, a wholly owned subsidiary, is yet another diversification venture of ALF Ltd. which though is a high-growth unit but lacks synergy with the other pharma activities.

The stakeholders have raised concerns that the company's diversified structure might dilute the overall performance and valuation of the company. Investing too much in expansion without a clear strategy can make the business vulnerable to market changes or operational failures, increasing the risk of substantial financial losses. Hence, they suggest to shed off the non-core units to focus on core areas. But the management feels a strong sense of ownership and pride over the units they have personally developed and nurtured, making it difficult to let them go. Hence the suggestion of divestiture is completely unacceptable to them.

In response to this deadlock, the Board of Directors have hired Mr. Agrim Basu as their Strategic advisor for exploring strategic options to unlock the value of the high-growth divisions and improving focus on its core pharmaceutical operations. Mr. Basu has suggested a scheme explaining that the company may opt for a divestiture, capital restructuring, buyback and acquisitions/mergers as part of a strategic initiative to enhance shareholder value and optimize operational focus. Together, these steps will reflect proactive financial management and strategic clarity, positioning the company for sustainable long-term growth while maintaining investor trust and market competitiveness.

Convinced with the suggestions of Mr. Basu, the following scheme is formulated :

- Divest Evercare Path Labs or Separate Evercare Path Labs for value unlocking (via carve-out) as diagnostics business no longer aligns with ALF Ltd.'s long-term strategic direction.
- Use proceeds from above step to repay high-interest debt of ₹ 500 crore to improve debt-equity ratio and further support financial stability.
- Further, a buyback of shares under Section 68 of the Companies Act, 2013, utilizing ₹ 800 crores of the proceeds. Improved EPS from buyback may help in market perception during future takeover bids, potentially reducing acquisition cost.
- With remaining proceeds and a stronger financial position post-buyback, ALF Ltd. will be all set for mergers/acquisition.

The process of merging with another company or acquiring a company is complex. In addition to the legal ramifications, companies must be aware of the potential tax implications as well as ensuring that the terms of the deal benefit both parties.

ALF Ltd. has created a team of strategic advisors, lawyers and professionals to negotiate on their behalf in order to obtain the best possible deal within the framework of the applicable laws.

: 3 :

After rounds of deliberations and due diligence of various options proposed by the special team, ALF Ltd. selected Debonya Limited, for acquisition, as this was the company which could offer ALF Ltd., a growth potential to expand the market share, gain access to new R&D and automation processes, and above all achieve operational synergies in its core pharma manufacturing sector. Eventually ALF Ltd. acquired Debonya Limited in a business combination on 1st April, 2025.

**Based on the above facts, answer the following questions :**

- (a) Stakeholders suggest that instead of diverting capital and effort into many different areas, the company should consolidate its resources and management focus more effectively into strengthening its core competencies whereas management does not want to leave their high growth hard earned units.

As their strategic advisor, you could remove this deadlock between management and stakeholders by explaining them the difference between full divestiture and an equity carve-out.

Which one out of the above did you suggest to unlock the value of ALF's high growth but non-core business unit—Evercare Path Labs, so that the decision is acceptable to both—stakeholders and management. Also explain how did you present the rest of your strategy to both of them to gain approval for debt restructuring, buyback and acquisition too.

(5 marks)

- (b) As per the plan suggested by Mr. Agrim Basu, the company successfully used a part of the sale proceeds for the buyback under Section 68 of the Companies Act, 2013, complying with all regulatory provisions.

You as the head of legal department of ALF Ltd., need to draw the management's attention towards Regulation 11 of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018, that mandates the companies to extinguish and physically destroy securities certificates bought back.

(5 marks)

- (c) Heading the special team assigned with the task of proposing and finalising a merger/ acquisition, you very well understand that there are host of factors from the economic, commercial and legal perspective, which require consideration before initiating a merger or amalgamation exercise. Create a detailed list of such factors before initiating the assigned task.

(5 marks)

- (d) At the time of preacquisition legal due diligence of Debonya Limited by the special team, it came to light that Debonya Limited is facing a lawsuit filed by a customer alleging allergical nature of its products with a potential liability of ₹ 30,00,000. Hence, as part of the acquisition agreement, the sellers of Debonya Limited provided an indemnification to Alkasa Lifesciences Limited for the reimbursement of any losses greater than ₹ 12,00,000. At the acquisition date, Alkasa Lifesciences Limited recognises the fair value of the contingent liability of ₹ 30,00,000 in the acquisition accounting. Calculate the amount of indemnification asset while doing the acquisition accounting in Alkasa Lifesciences Limited. Also brief the management about the concept and treatment of indemnification asset and discuss under what circumstances such assets are recognized.

(5 marks)

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

11 or

2. (a) Vrisha Ltd., a company listed on the NSE has a total number of 11,00,00,000, issued and fully paid-up equity shares as on 31st May, 2025, out of which Retail and Other Public Shareholders hold 2,57,50,000 shares, Mutual Funds hold 40,00,000 shares, Foreign Portfolio Investors (FPIs) hold 32,50,000 shares and Insurance Companies hold 5,50,000 shares. Rest of the shares are held by Promoter and Promoter Group. Explain, how is the maximum permissible non-public shareholding derived, based on the minimum public shareholding requirement under the Securities Contracts (Regulations) Rules 1957 ("SCRR"). Also determine whether Vrisha Ltd. is compliant with the maximum permissible non-public shareholding norms. Support your answer with calculations.

(5 marks)

: 5 :

(b) There was an inter-se transfer of shares of 0.30% between 2 (two) promoters. However, as a result of the inter-se transfer, the shareholding of one of the promoters (i.e. the purchaser) ("Noticee") increased from 24.74% to 25.04%, thereby breaching the threshold limit of 25%, as provided under regulation 3(1) read with 3(3) of Takeover Regulations. The total shareholding of the promoter group did not change and it remained at around 45%. The Noticee argued that the above-mentioned acquisition does not trigger the applicability of either regulation 3(1) or 3(3) of the Takeover Regulations, as the said acquisition of shares by the Noticee was an inter-se transfer among the promoter entities and the overall shareholding of the promoter group, of which the Noticee is a part, remained unchanged after the said acquisition. Decide the matter with reference to a decided case law.

(5 marks)

(c) Under the framework of Sections 230 to 232 of the Companies Act, 2013, in case of a merger or amalgamation, the meetings of shareholders and creditors are conducted after obtaining and in compliance with the NCLT's directions. Where the proposed compromise or arrangement is agreed to by the members or creditors or both as the case maybe, the Second Motion Application for sanction of the scheme praying for appropriate orders and directions is filed as per section 230 read with section 232 of the Companies Act, 2013 [Rule 15 of the Companies (Compromise, Arrangement and Amalgamation) Rule, 2016].

As the advisor to the management, explain: who is responsible for filing the Second Motion Application, and within what time frame must it be filed ?

(5 marks)

(d) Under the Companies Act, 2013, the concept of a "small company" was introduced to promote ease of doing business for entities with limited financial and operational scale. You are a large consulting firm and tasked with assessing whether the following companies qualify as "small companies" for the financial year 2024-25, as per Section 2(85) of the Companies Act, 2013 (post-September 2022 amendment) so as to enable them to enjoy various compliance relaxations and benefits. Give reason for your classification.

4, 40

Name of the Company	Paid up capital (in crores)	Turnover (in crores)	Notes relating to the relevant company
Agoya Pvt. Ltd.	4	47	Wholly owned by family members.
Excelibur Services Pvt. Ltd.	3.96	36.6	51% owned by Joy Pvt. Ltd.
Glider Pvt. Ltd.	2	25	A company incorporated under a Special Act
Jamna Pvt. Ltd.	4	40	Registered under Section 8
Gorda Private Limited	3.66	38.2	Wholly owned by family members.

(5 marks)

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

- 2A. (i) "While the Companies Act, 2013, provides the enabling provision for cross border mergers, such mergers trigger a range of compliance obligations under other key legislations also, including the Foreign Exchange Management Act (FEMA), 1999 and the Competition Act, 2002."  
Justify the statement explaining how these laws regulate the cross-border mergers beyond the provisions of the Companies Act, 2013.
- (5 marks)
- (ii) "Demerger is a method of corporate restructuring by which a business unit or subsidiary of a company becomes an independent entity from its parent's entity. The parent firm distributes shares of subsidiary to its shareholders through a stock dividend. In most cases demerger unlocks hidden shareholder value". Comment on applicability of IND-AS 103 for Demerger Transactions.
- (5 marks)
- (iii) Governa Ltd. is a company with two classes of equity shareholders : Class A (founders and promoters) and Class B (public investors). Both classes initially held equal voting rights and dividend entitlements. However, the Board of Directors pass a resolution to vary the rights of Class B shareholders—reducing their voting power and prioritizing dividend pay-outs to Class A shareholders.

: 7 :

A group of Class B shareholders, holding 12% of the total equity, challenges this move, claiming the variation is unfair and prejudicial. The company argues that the changes are necessary for long-term strategic control and investor confidence.

As a legal advisor to the minority Class B shareholders, critically analyze the legal framework of the Companies Act, 2013 governing the variation of rights of equity shareholders.

(5 marks)

- (iv) M/s W Inc. a foreign company holds 100 shares in M/s I Ltd., an Indian company, @ ₹ 10 per share for last five years and the market value of such shares is ₹ 3500/- per share, and transfers the same, in case of a demerger, to another resulting foreign company M/s R Plc., explain how such transaction will be taxed for the purpose of capital gain under section 45 of Income Act, 1961.

(5 marks)

## PART-II

3. (a) Mr. X, a registered valuer, takes assignment of M/s ABC Ltd. for valuation of certain property of the company on 15th March, 2025 at fees of ₹ 5 lakhs. Mr. X, submits his valuation report in April, 2025 and fees cleared in June, 2025. Subsequently, it was discovered that Mr. Y, father of Mr. X, was a director of the company, retired on 28th February, 2023. Vice President Legal wants to file a suit for such non-disclosure of interest and wants refund of fees, but the Finance director is of an opinion that as it is more than two years, no action can be taken. Advise the company citing the provisions of Section 247 of the Companies Act, 2013.

(5 marks)

- (b) XYZ Tech Services, a mid-sized IT support and software solutions provider, has decided to explore the possibility of selling the business to a strategic buyer or investor. With stable revenue streams, consistent profits, and a growing customer base, the owners believe it is the right time to capitalize on the company's value. To determine a fair selling price and support negotiations, the company engages you as a professional valuation expert to conduct a business valuation using the Income Approach—specifically the Discounted Cash Flow (DCF) method.

XYZ Tech Services is projected to generate the following cash flows during the next five years :

Year	Forecast Free Cash Flows (in ₹)
2025	14,00,000
2026	15,60,000
2027	18,20,000
2028	20,90,000
2029	23,50,000

Assuming the discount rate to be 10% and the terminal value of the business as ₹ 1,10,00,000, compute the estimated valuation of XYZ Tech Services.

Assuming the exit year is Year 2029.

PV Factors @ 10% :

Year 1 : 0.909	Year 2 : 0.826	Year 3 : 0.751	Year 4 : 0.683	Year 5 : 0.621
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(5 marks)

4. (a) The cost approach of business valuation is useful, for asset intensive firms, valuing holding companies as well as distressed entities that are not worth more than their overall net tangible value. Comment on the statement and discuss the circumstances where the cost approach is used by the valuer for business valuation.

(5 marks)

- (b) A Ltd. is considering the acquisition of B Ltd. and management estimates that the acquisition will create a synergy worth ₹ 220 lakhs. The following information is provided :

Particulars	A Ltd.	B Ltd.
Value of the company ₹ (Lakhs)	3840	1050
Number of shares (Lakhs)	160	70
Value per share (₹)	24	15

Management of A Ltd. offers cash of ₹ 17/- per share to B Ltd. Determine consideration paid, acquisition premium (i.e., gain of B Ltd.), acquirer's gain (i.e., gain of A Ltd.)

(5 marks)

## PART-III

5. (a) Guari Ferros Pvt. Ltd. (GFPL), a mining company based in Madhya Pradesh, held a mining lease over 500 hectares of iron ore-rich land. The lease was granted under the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act). The lease was originally due to expire in June 2025, though eligible for extension through a mandatory extension approval from the State Government for continued operations. Facing significant financial stress due to market downturns and loan defaults, GFPL was admitted into a Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code (IBC), 2016, after a Section 7 application was filed by a bank in October 2024. The NCLT Bench appointed an Interim Resolution Professional (IRP) to oversee the management of the company during CIRP. Recognizing that the mining lease was a key asset necessary for the revival of the company, the IRP submitted a formal request for its extension to the State Government of Madhya Pradesh. However, the State rejected the application, citing environmental violations, breach of compliance norms, and public interest concerns under the MMDR Act. This decision effectively rendered the mining operations unviable, threatening the success of the CIRP.
- The IRP approached the NCLT, seeking to invalidate the State's decision, arguing that the rejection violated the spirit of the moratorium under Section 14 of IBC and hampered the possibility of a successful resolution. The State, on the other hand, contended that lease renewals under the MMDR Act are sovereign in nature and do not fall under the jurisdiction of NCLT/NCLAT.
- In the background of the matter, discuss the tenability of arguments put forward by the IRP of Guari Ferros Pvt. Ltd. (GFPL), under the provisions of the Insolvency and Bankruptcy Code, 2016, citing a relevant case law.

(5 marks)

- (b) The petitioner, Manwaari Lal, acting through his proprietary concern Manwaari Photo Co., filed a petition under Section 7 of the IBC seeking initiation of the Corporate Insolvency Resolution Process (CIRP) against Nobivio Infotech Pvt. Ltd.

The above dispute arose out of an agreement whereby the petitioner was appointed as a non-exclusive distributor for the sale and promotion of mobile phone products of Nobivio Infotech Pvt. Ltd. Under the terms of the agreement, the petitioner was required to pay a security deposit of ₹ 5 crore, which was refundable upon termination of the agreement. Crucially, the agreement stipulated that the deposit would accrue interest at the rate of 20% per annum. The relationship between the parties later on deteriorated, and eventually the distribution agreement was terminated. Following the termination, the petitioner formally demanded the refund of the security deposit along with interest. However, Nobivio Infotech Pvt. Ltd. allegedly failed to honour the repayment obligation, leading the petitioner to issue a demand notice and subsequently file a petition under Section 7 of the Insolvency and Bankruptcy Code, 2016, before the National Company Law Tribunal (NCLT), New Delhi Bench.

The petitioner asserted that the failure to return the deposit constituted a default in repayment of financial debt, and thus sought initiation of the Corporate Insolvency Resolution Process (CIRP).

In response, Nobivio Infotech Pvt. Ltd. disputed the classification of the amount as "financial debt," claiming that the deposit was commercial in nature and not a borrowing. Quoting the definition of "Financial Debt" under the provisions of Insolvency and Bankruptcy Code, 2016, discuss whether an interest-bearing security deposit made under a commercial distribution agreement qualifies as 'financial debt' under Section 5(8) of the Insolvency and Bankruptcy Code, 2016, thereby enabling the creditor to initiate the Corporate Insolvency Resolution Process (CIRP) against the corporate debtor ?"

(5 marks)