DIRECTORATE OF DISTANCE EDUCATION
NALSAR UNIVERSITY OF LAW, HYDERABAD

M.A. (CORPORATE LAW)

Academic Year: 2024-2025

Third Semester Repeat Examination (May, 2025)

2.3.7. Mergers, Amalgamations and Acquisition

Duration of the Examination: 2 ½ hours **Total Marks: 70 marks**

INSTRUCTIONS TO CANDIDATES

a) **Read the instructions carefully and adhere to the same.**
b) **Please mention your DDE ID No. date of the exam, name of the programme & subject on the Answer Sheet and the Additional Answer Sheets, if any.**
c) **The questions to be interpreted as given and no clarification can be sought from the Invigilator.**
d) **Clearly indicate the question numbers while answering them. Answers without question numbers / wrong question numbers will not be evaluated.**
e) **Write the answers clearly and neatly. Answers in illegible handwriting will not be taken into consideration.**
f) **Candidates are prohibited to carry phones or any other electronic devices, books, material etc. in the Examination Hall.**
g) **Copying is strictly prohibited and is considered as a serious academic mis-conduct and the University will take action as it deems fit.**

Section – A

Answer FIVE questions out of SEVEN questions and each question carries 10 marks. (5 x 10 marks = 50 marks)

1. M/s. Maala Pvt. Ltd., a private company engaged in the manufacturing sector, is facing liquidity issues and has accumulated significant debt. To overcome the crisis, it proposes a scheme of arrangement with its secured and unsecured creditors for restructuring its debt, including partial conversion of debt into equity and staggered repayment. As a company law consultant, answer the following:
   a. Who can initiate the scheme of arrangement under the Companies Act, 2013? Can M/s. Maala Pvt. Ltd. do it?
   b. What is the procedure that M/s. Maala Pvt. Ltd. must follow to get the scheme approved and implemented?

2. M/s. Aaaman Ltd., an Indian pharmaceutical company, proposes to merge with M/s. Gaaman Inc., a US-based company having its operations in both the US and India. The management believes this merger will help consolidate operations and strengthen global presence.

   As the legal advisor to M/s. Aaaman Ltd., advise the Board on the following aspects:
   - **a.** Is a cross-border merger between M/s. Aaaman Ltd. and M/s. Gaaman Inc. permissible under Indian law? **2.5 Marks**
   - **b.** What are the types of cross-border mergers recognized under the Companies Act, 2013? **2.5 Marks**
   - **c.** Outline the procedure that M/s. Aaaman Ltd. must follow for executing this merger under the Companies Act, 2013 and related regulations. **5 Marks**

3. Sapphire Technologies Pvt. Ltd., an Indian startup in the AI sector, is in preliminary talks for a potential acquisition by NeuroCore Inc., a US-based tech giant. The discussions are in early stages, and both parties are keen to protect sensitive business information and avoid parallel negotiations with competitors.
   As a legal advisor to Sapphire Technologies, answer the following:
   - **a.** What pre-deal agreements should Sapphire Technologies consider entering into before commencing due diligence and negotiations?
   - **b.** Explain the purpose and key clauses of each such agreement and the precautions should Sapphire Technologies take while negotiating the exclusivity clause?

4. Explain the key legal and commercial considerations involved in drafting an Acquisition Agreement. In your answer, discuss:
   - **a.** The purpose and importance of an acquisition agreement in M&A transactions.
   - **b.** The structure and essential clauses commonly found in such agreements.
   - **c.** The role of representations and warranties, indemnities, and conditions precedent.
   - **d.** The distinction between a Share Purchase Agreement (SPA) and an Asset Purchase Agreement (APA) in terms of drafting approach.

5. Alpha Ltd., an Indian company, is evaluating two alternative methods to acquire the business of Beta Enterprises:

   Option A: Acquisition of 100% shares of Beta Enterprises from its existing promoters.

   Option B: Slump sale of the entire business undertaking of Beta Enterprises to Alpha Ltd. on a going concern basis.

As the tax consultant, you are required to advise Alpha Ltd. on the tax implications under each option. Specifically address the following:

- **a.** What are the capital gains tax implications for the promoters of Beta Enterprises in Option A (share sale)?
- **b.** In case of Option B (slump sale):
  - i. How is the capital gain computed under the Income Tax Act, 1961?
  - ii. Which section applies, and how is net worth calculated?
- **c.** Which option is more tax efficient for the seller and for Alpha Ltd.? Justify your reasoning briefly.
- **d.** Can goodwill or intangible assets transferred in the slump sale be depreciated by Alpha Ltd. post-acquisition?

6. Write a detailed note on kinds of diligence that are carried out in case of M&A transactions

7. The Due Diligence report is a well-structured document having different chapters. Write a note on any four chapters in due diligence report.

Section – B

Write short notes on any FOUR questions out of SIX questions and each question carries 05 marks. (4 x 5 marks = 20 marks)

A. Write a note on various types of mergers and acquisitions

B. Evaluate the essential steps involved in executing successful M & A deal.

C. Omega Ltd., an Indian listed company, proposes to merge with Delta Pvt. Ltd., a smaller unlisted company operating in the same sector. The merger is structured as a court-approved scheme under Sections 230-232 of the Companies Act, 2013.

You are appointed as a tax advisor for the transaction. The management of Omega Ltd. seeks your advice on the tax implications of the merger.
Advise the company on the following:

- **a.** What are the capital gains tax implications for the shareholders of Delta Pvt. Ltd. upon receiving shares in Omega Ltd.?
- **b.** What happens to the accumulated losses and unabsorbed depreciation of Delta Pvt. Ltd.? Can Omega Ltd. carry them forward post-merger?

D. Write a note on tax issues in cross-border M&A’s

E. Define International Commercial Arbitration. Discuss its key features and legal framework with special reference to M & A Trasactions

F. Write a note Singapore international Arbitration centre and London Court of international Arbitration