LLM in Corporate and Financial Law
Advance Corporate Law (Cohort 1)
Internal Assessment-1
Modules 4-6

Total: 35 Marks

Please read the instructions carefully:

- All questions and sub-questions are compulsory.
- There are THREE (3) Questions in total. Question No. 1 & 2 are for 12.5 marks each. And Question No. 3 is for 10 marks. These Questions are further divided into Sub-Questions.
- The word/sentence limit for each question has been provided below each question. Kindly adhere to it. Submissions that exceed the word/sentence limits by more than 15% will be penalized.
- All submissions must be made on the UMS portal in WORD format (and not as PDFs or any other formats). Write the Question Number correctly against every Answer.
- All submissions must be on UMS made before the deadline. The deadline is 18th September, 2023 (11:59PM). Any submissions by email after the deadline (unless expressly authorized previously in the form of an extension) will be penalized as per the rules.
- This Question Paper has total of **FOUR (4)** pages.

Question 1
12.5 Marks

Mirchilal was founded in 1937 by two friends Vishwakumar and Ramkumar who opened a small retail sweet and namkeen shop in Jodhpur, Rajasthan. They were famously known as 'Mirchilal waale ji'. Over years, the business grew exponentially. The company expanded its product range including traditional namkeens, western snacks, traditional and contemporary sweets, cookies, sherbets, pickles and even ready to eat meals. In 1995, it was registered as a private limited company called 'Mirchilal Products Pvt. Ltd. (Mirchilal)' in Jaipur. There were four shareholders – Vishwakumar (40%); Ramkumar (40%); Sita (Vishwakumar's wife) (10%); and Viral (Vishwakumar's daughter) (10%). The directors were Vishwakumar and his wife, Sita.

a) In 1996, Ramkumar went to America to settle down with his family there. He was still in contact with Vishwakumar and wanted to remain part of Mirchilal as he envisioned great returns from the company. In 1997, Vishwakumar informed Ramkumar that the company converting into public unlisted company. Furthermore, the company would also be raising capital through equity investment funding rounds via private placement method. Ramkumar was very excited to hear about further equity investment rounds in the company. He specifically sent Rs. 15,00,000/- to Vishwakumar for the purpose of allotting new shares to him in these further rounds of private placement. The private placement round took place. But instead of allotting more shares to Ramkumar, Vishwakumar utilized that money to allot more shares to himself. Consequently, the shareholding of the company is as follows: - Vishwakumar (40%); Ramkumar (20%); Sita (5%); Viral (5%); Indian Food Center Ltd. (10%); Nidhi (10%) and Retail Food

Ltd. (10%). On receipt of this information, Ramkumar realized that he did not get allotment of new shares; his shareholding got diluted post private placement; and Vishwakumar misrepresented to get his assent for private placement approval. **He filed a case against Vishwakumar for breach of fiduciary duties as a director and demanded cancellation of allotment of shares in his favour. Discuss whether the Court would entertain Ramkumar's claims and provide him with the relief.**

4 marks
(*maximum 300 words)*

b) In 2020, the directors of Mirchilal Products Ltd. decided to enter into a business transaction with Foodchain Pvt. Ltd. (Foodchain). Foodchain runs a business of procurement and distribution of raw food materials such as vegetables, cereals, flours, oils etc. The Board of Directors of Mirchilal decided to enter into purchase agreement with Foodchain for their entire raw food material requirements. The overall purchase/contract value was more than 10% of turnover of Mirchilal. Interestingly, Viral's husband holds 20% shares in Foodchain. **Discuss whether this transaction would fall under the scope of Section 188 of Companies Act, 2013. If yes, then what should be the procedure followed under Section 188 of the Act.**

4.5 marks
(*maximum 330 words)*

c) **Suppose, in 2023, Mirchlala goes public. Answer the following questions with relevant Companies Act, 2013 provisions and explanations regarding the Board of Directors:**
i. The Board of Directors have 12 directors on Board. How many minimum Independent Directors are required? If Mr. A has been appointed as an Independent Director for two consecutive terms. Is he still eligible to be appointed for the third consecutive term?
ii. If only 4 days' notice was given for a Board Meeting. And during the Board Meeting, none of the Independent Directors were present. Discuss the validity of Board Resolution arising out of such Board Meetings.
iii. Mr. XYZ is already a director in 9 public companies and 1 private company which is subsidiary of a public company. Is he eligible for a new directorship at Mirchilal Products Ltd.

4 marks
(*maximum 300 words)*

Question 2
12.5 Marks

a) Pooch Bags Ltd. (Pooch Bags) is a listed public company having a business of manufacturing and distributing stylish women handbags. The company was incorporated in 1994, and since then, has established a reputable market in India for its affordable and stylish women handbags. The company sells its products via e-commerce applications, retail stores and its own exclusive stores. The company was promoted by Ms. Rohini and her promoter group. They also own the majority shareholdings in the company. Since COVID, the company has been incurring heavy losses. Consequently, the minority shareholders have been blaming the management for taking reckless commercial decisions, removal of small shareholders' director, compromising the independence of independent directors etc. At the time of these initial allegations, the issued share capital was 50 crores (50,00,000 shares x 100 Rs). The company had total 300 members. The minority shareholder group (M/s Thornton and M/s Tyron) was holding issued share capital worth 5 crores (5,00,000 shares x 100 Rs.). Shortly after the initial allegations, the majority shareholder group passed a resolution for issuance of new shares to their associates via private placement process. As a result, the total issued share capital was 70 crores (70,00,000 shares x 100 Rs). **As a result, the issued share capital of minority shareholders has decreased in its value. Can the minority shareholders (M/s Thornton and M/s Tyron) still file application under 241 r/w 244? Discuss.**

4 marks
(*maximum 300 words)*

b) Shardha and Agasthya are graduates of electrical engineering from Stanford University. They returned to India and started a public unlisted company called BatteryPool Company Ltd. (BatteryPool). In the Company, Shradha and Agasthya own 65% of shareholding. Rest of the shareholding is owned by other investors in the company. The Board of Directors of the company comprises of six directors. Two of directors are Shardha and Agasthya and two other directors are related to them. The remaining two directors are nominee directors appointed by the financial institutions from which the Company has taken debts.

A group of shareholders of BatteryPool filed a petition before the Tribunal alleging various acts of oppression and mismanagement by the Board of Directors along with the auditors. They alleged that auditors are misreporting the figures in the auditor's report and defrauding the members. **Discuss the maintainability of this application under Section 241 of the Companies Act, 2013. Discuss whether the Tribunal is empowered to implead the auditors and grant relief against the auditors under section 242 of the Act.**

4 marks
(*maximum 300 words)*

c) Defence Colony Club (Club) is a company limited by guarantee formed under Section 8 of the Companies Act with the object of furthering a sports club. The Club has leased 10 acre land from Ministry of Urban Affairs. The club was founded in 1905. Since the past two years, there has been increasing dissatisfaction of public towards the club activities. The Ministry of Urban Affairs has noticed patterns of nepotism during grant of memberships, club property being used by non-members, club property being used for purposes other than sports, mismanagement of by its Committee members etc. The Members of Committee of the club maintain that they have been acting within the bounds and scope of Memorandum of Association and Articles of Association. **Whether the Central Government can take any action against the Club and its Committee Members with respect to the mismanagement of the Club. Discuss the admissibility of the application and nature of relief which can be sought from NCLT.**

4.5 marks
(*maximum 330 words)*

Question 3
10 Marks

a) GlaxoLine Ltd. was incorporated on 10th December 1985. It was a leading manufacturing company and was known for its beverages such as fruity drinks, cool coffee drinks etc. The brand became a household name with Indian consumers who consumed their beverages regularly. In 2017, however, one of the creditor i.e. Moti Finance Ltd. filed an insolvency petition against the company. Mr. Jagdish Shah was appointed as an Interim Resolution Professional, and subsequently, as Resolution Professional. Now, he is inviting proposals from creditors and members for scheme of compromise or arrangement for GlaxoLine Ltd. under Section 230 of the Companies Act, 2013. **Once such proposal is received, briefly discuss further steps which would be taken up under Section 230 of the Companies Act, 2013.**

(4 Marks)
(*maximum 300 words)*

b) Film Focus Ltd. (Film Focus) is one of the leading media service providers in India. Its primary business is to provide end-to-end creative services like visual effects, stereo 3D conversion, animation, post-production, Digital Intermediate (DI) and equipment rental, and technology solutions including the world's first hybrid cloud-enabled Media ERP technology and cloud media services to Studios, Broadcast, Advertising and Media industries worldwide. Alliance Media Ltd. (Alliance) is another emerging company in media service industry. Together, both Film and Alliance are in negotiations that they should merge their synergies in order to create one of the leading media service company in the world. They decide that Alliance would transfer its business undertakings to Film Focus in lieu of stake in Film Focus. **Advise them a road plan on how to achieve these synergies. Should they opt for court-driven process or contract-driven process? Discuss the process.**

(6 Marks)
(*maximum 400 words)*
