

NATIONAL LAW UNIVERSITY, DELHI
LL.M. (Professional), II -Semester (Batch of 2019)
Online Take Home Assessment- 2020
Paper: COMPANY LAW AND PRACTICE

Time: 6:00 Hours

Total Marks: 50

Instructions:

1. Mail your assignments only to **submissions.llmpro@nludelhi.ac.in**
 2. All questions are compulsory.
 3. No clarification shall be sought on the question paper.
 4. **Mention only your Name, Roll No. and subject name on the First page. Start writing your answers from the second page only. Do not mention your name and roll no on any other page.**
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1) Anant Industries Pvt. Ltd. sought to increase its manufacturing capacity, but was handicapped by the limited amount of capital which its existing shareholders could invest in the company. The small share capital limited the interest of financial institutions and the amount that they were willing to lend to it. It sought to get around this limitation by seeking investment from a wealthy individual named Habib Ansari, who was willing to invest but had his own concerns. **(5*4=20 marks)**

- a) Mr. Ansari was willing to invest on the basis of the track record of the existing promoters, whom he wanted to be associated with the company till he remained an investor or five years, whichever was earlier but wanted the ability to divest his holdings after five years. Aware of the promoters plans to get the company listed the moment certain parameters were met, he seeks your advice as to how to achieve the objectives and the limitations if any in them.
- b) Ms Paromita Sen, an existing shareholder of the investee company, perceiving that other shareholders, including the promoters, lacked capital and looking for an opportunity to increase her stake, wanted the company to come up with a rights issue instead of inviting Mr. Ansari to invest. Mr. Ansari wants your advice on what grounds could Ms Sen object to the allotment of shares to him and how the objections could be overcome.
- c) As per the future plans of Anant Industries Pvt. Ltd. presented to Mr. Habib Ansari, conditional upon his investment and its expansion fructifying, the company may receive an investment from one of its suppliers in the form of preference shares, with participating rights in profits. Mr. Ansari is concerned on its potential impact on the future dividends he can expect from the company and participation by the supplier in the decision-making process of the company. In light of the provisions of the Companies Act, explain how justified are his fears.
- d) One of the reasons for Mr. Ansari wanting to invest in Anant Industries Pvt. Ltd. was that the company was into manufacture of solar panels and solar water pump sets. His son had made business forays in the same sector, but had to exit it after making heavy

losses. One of the reasons identified by the father son duo was the closed nature of the business where the customers tended to deal with the existing players and the terms of contract were usually confidential so it was difficult to break into the sector by offering better terms. Mr. Ansari planned to nominate his son on the Board so that he could not only be known in the industry, but also gain experience and knowledge about the intricacies of the sector and also get an idea of the potential business opportunities. Tanvir, Mr. Ansari's son instinctively resists the plan, afraid of the limitations he might be subject to once he is on the Board. Apprise him of any possible pitfalls in the plan and what precautions he ought to take.

- 2) a) Jaishree and Abheek,, who happen to be cousins, are unemployed engineering graduates with meagre means and are overburdened with educational loans. They come across a firm of architects which agrees to give them contract for building affordable houses designed by them for a project the firm had been engaged for. However, the condition precedent to the award of the contract was that the cousins form a company as it would be then easier for the firm to deal with them. The cousins approach you for advice informally. Taking into account their circumstances, purpose and vision advise them as to the type of company they should form, after delineating the pitfalls of the other options which rule them out. **(5 marks)**

b) Pratibha and Mohit Jain are not only married but also partners in an upmarket restaurant business. They decide to incorporate a company and to transfer the restaurant business to it. Subsequently the company needs capital for expansion and they persuade their immediate relatives to subscribe to the equity capital of the company, Mohpraja Pvt. Ltd.. As the parents and siblings of Mohit had more money to spare, they along with Mohit went on to hold two third of the share capital of the company. At the time of incorporation in 2014 no specific articles had been provided for by the two initial shareholders.

Unfortunately, the husband and wife subsequently split and all attempts to mediate in the domestic quarrel were unsuccessful. Split affected the relations between the two families who, due to the ensuing bitterness could not sit together. Advise Pratibha, her parents and brother as to the options available to them in protecting their interests in Mohpraja Pvt. Ltd. **(10 marks)**

- 3) With the help of judicial precedents discuss the following **(5*3=15 marks)**
- a) Factors to be considered in lifting the corporate veil of a company.
 - b) Role of the object clause in corporate governance
 - c) Articles of the company in governing a company and the doctrine of indoor management.