

MERGERS AND ACQUISITIONS MODULE

➤ **Introduction to Mergers & Acquisitions**

- A. Background
- B. Types of Re-organization
 - 1. Internal Re-organization
 - 2. External Re-organization
- C. Stock Swap
- D. Section 293 (1) (a) of the Companies Act, 1956
- E. Sick Companies
- F. Benefits of Re-organization
- G. Re-organization Costs
- H. Due Diligence

➤ **Scheme of Compromise, Arrangement or Re-construction**

- A. Definitions
 - 1. Company
 - 2. Arrangement
 - 3. Unsecured Creditors
 - 4. Appointed Date and Effective Date
- B. Power to compromise or make arrangements with creditors and members
- C. NCLT's Power to Enforce Compromise or Arrangement
- D. NCLT's Power for Facilitating Reconstruction or Amalgamation
- E. Dissenting Share-holders
- F. Amalgamation in National Interest by Central Government

➤ **Buy-back of Securities**

- A. Regulation and Definitions
 - 1. Associate
 - 2. Control

3. Small Share-holder
4. Tender Offer
- B. Permitted Methods of Buy-back
- C. Provisions in the Companies Act, 1956
- D. Buy-back through Tender Offer
- E. Escrow Account in Tender Offer
- F. Payment to Security-holders in Tender Offer
- G. Buy-back from Open Market
 1. Through stock exchange
 2. Through Book-building Process
- H. General Obligations
 1. Obligations of Company
 2. Obligations of Merchant Banker

➤ **Substantial Acquisition of Shares & Takeovers**

- A. Regulation and Definitions
 1. Shares
 2. Acquirer
 3. Control
 4. Target Company
 5. Persons Acting in Concert
 6. Associate
 7. Immediate Relative
 8. Offer Period
 9. Tendering Period
- B. Compulsory Open Offer
 1. Substantial Acquisition of Shares or Voting Rights
 2. Acquisition of Control
 3. Indirect Acquisition
- C. Voluntary Offer
- D. Offer Size
- E. Offer Price
- F. Mode of Payment
- G. General Exemptions
- H. Exemptions by SEBI
- I. Manager to the Open Offer

- J. Timing of Public Announcement / Public Statement
- K. Dissemination of Public Announcement / Public Statement
- L. Contents of Public Notice / Public Statement
- M. Letter of Offer
- N. Escrow
- O. Other Procedural Requirements
- P. Conditional Offer
- Q. Competing Offers
- R. Payment of Consideration
- S. Completion of Acquisition
- T. Withdrawal of Open Offer
- U. Other Obligations
 - 1. Directors of Target Company
 - 2. Acquirer
 - 3. Target Company
 - 4. Manager to the Offer
- V. SEBI Power to Issue Directions

➤ **De-listing of Equity Shares**

- A. Regulation and Definitions
- B. Situations where de-listing is not permitted
- C. Voluntary De-listing
 - 1. Procedure where no exit opportunity is provided
 - 2. Procedure where exit opportunity is required to be given
- D. Exit Opportunity
- E. Escrow
- F. Letter of Offer
- G. Bidding Period
- H. Share-holder Rights in Book-building Process
- I. Floor Price
- J. Promoter's Right to Reject Offer Price
- K. Successful Voluntary Offer
- L. Payment of Consideration / Return of Equity Shares
- M. Share-holders' Rights Post-Offer
- N. Failure of Offer
- O. Post-Closure Announcement

- P. Compulsory De-listing
- Q. Share-holders' Rights in Compulsory De-listing
- R. Provisions for Small Companies
- S. Listing of de-listed shares

➤ **Valuation**

- A. Background
- B. Valuation Methods
 - 1. Market-based Methods
 - 2. DCF-based Methods
 - 3. Asset-based Methods

➤ **Accounting for Mergers & Acquisitions**

- A. Regulatory Framework
- B. AS 14: Accounting for Amalgamations
 - 1. Definitions
 - 2. Types of Amalgamations
 - 3. Pooling of Interests Method of Accounting
 - 4. Purchase Method of Accounting
 - 5. Consideration
 - 6. Reserves
 - 7. Goodwill
 - 8. Profit & Loss a/c Balance
 - 9. Disclosures
 - 10. Amalgamation after Balance Sheet Date
- C. AS 10: Accounting for Fixed Assets
- D. AS 26: Intangible Assets
- E. ASI 11: Accounting for Taxes on Income in case of an Amalgamation
- F. Ind AS 103: Business Combinations

➤ **Taxation**

- A. Definitions
 - 1. Amalgamation
 - 2. Demerger
- B. Capital Asset – Long Term or Short Term
- C. Transactions not treated as a transfer

- D. Capital Gains Tax
- E. Securities Transaction Tax (STT)
- F. Block Deals
- G. Slump Sale
- H. Sale Consideration – Special Cases
- I. Notional Cost – Special Cases
- J. Depreciation on Transferred Assets
- K. Telecom License Transfer
- L. Preliminary Expenses
- M. Amalgamation / Demerger Expenses
- N. Carry forward and Set off of Loss and Depreciation
 - 1. Amalgamation
 - 2. Demerger

