MERGERS AND ACQUISITIONS MODULE

➢ Introduction to Mergers & Acquisitions

A. Background

B. Types of Re-organisation
   1. Internal Re-organisation
   2. External Re-organisation

C. Stock Swap

D. Section 293 (1) (a) of the Companies Act, 1956

E. Sick Companies

F. Benefits of Re-organisation

G. Re-organisation 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