

**CORPORATE AND ECONOMIC LAWS****Time Allowed: 3 Hours****Full Marks: 100**

The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)**1) Choose the correct option:****[15x2=30]**

ABC Ltd. is a public limited unlisted company with ₹50 crore equity capital of ₹10 each. It has taken over 70% equity of a company called BCG Ltd which is a listed company with equity capital of ₹20 crores divided into share of ₹10 each. ABC Ltd. And BCG Ltd. Have decided to merge.

The CEO of BCG Ltd. has some queries which you have to answer.

Answer the question from (i) to (iv) based on the above case study.

(i) Is the decision to merge is in order?

- a) Yes, ABC Ltd. and BCG Ltd. are free to merge with the consent of shareholders.
- b) Yes, ABC Ltd. and BCG Ltd. are free to merge even if the companies fall under special category mergers under section 233 of the Companies Act, 2013
- c) No, ABC Ltd. and BCG Ltd. can't merge as ABC Ltd. is an unlisted company.
- d) Yes, ABC Ltd. and BCG Ltd. are free to merge with the approval of board of directors.

(ii) The scheme for merger should be approved by

- a) At least 50% of the shareholders in value.
- b) At least 75% of the shareholders in value.
- c) At least 50% of the Board of directors.
- d) The key managerial persons of the company.

(iii) What happens if few shareholders do not consent?

- a) The dissenting shareholders has a right of compensation.
- b) The dissenting shareholders can protest against the merger.
- c) The dissenting shareholders have to accept the decision.
- d) Both a & b

(iv) Does the merger require order of NCLT?

- a) No, Companies are free to merge with consent of shareholders
- b) Yes, it requires approval of NCLT.
- c) No, Companies are free to merge with consent of board of directors
- d) No, it requires approval from SEBI as one of the company is listed.



CORPORATE AND ECONOMIC LAWS

- (v) A guarantee company is similar to:
- a) Unlimited company
 - b) LLP
 - c) Partnership
 - d) Sole proprietorship
- (vi) Under Insolvency Bankruptcy code 2016 where extension of time is requested, the Corporate Resolution process shall be completed within a period of _____ from the date of admission of the application to initiate such process.
- a) 60 days
 - b) 90 days
 - c) 180 days
 - d) 240 days
- (vii) The Insolvency and Bankruptcy Board has power of which Court in respect of issue of summons, discovery and production of books, inspection of books/registers and issue of commissions for examination of witnesses:
- a) Session Court
 - b) High Court
 - c) Supreme Court
 - d) Civil Court
- (viii) A company sponsors the expenditure of a primary school of physically disabled students having 200 students. Three employees' children, being physical disabled, have also been admitted in that school:
- a) the school will qualify as CSR project as admission of the employees' children is incidental
 - b) not qualify as CSR project as there are students who are employees' children
 - c) depends on how the company represents the same to the auditors
 - d) depends on Board of Directors
- (ix) In case of secured debentures of public issue, the security is created in favour of:
- a) Public
 - b) SEBI
 - c) Merchant banker
 - d) Debenture trustee
- (x) Selling products/services below the cost is called _.
- a) Undercut pricing
 - b) Under invoicing
 - c) Predatory pricing
 - d) Introductory pricing

**CORPORATE AND ECONOMIC LAWS**

- (xi) Automatic route in FDI means.
- a) Prior permission of RBI not required
 - b) Prior permission of Central Govt. not required
 - c) Prior permission of neither RBI nor Central Govt. is required
 - d) None of the above
- (xii) According to Banking Regulation Act 1949, no Banking Company shall pay dividend on its shares until all its -
- a) Depreciation is fully written off.
 - b) “Capitalized expenses” have been completely written off
 - c) Bad debts are provided in full.
 - d) Contingent liability is settled.
- (xiii) The principle of _ ensures that an insured does not profit by insuring with multiple insurers.
- a) Subrogation
 - b) Contribution
 - c) Co-insurance
 - d) Indemnity
- (xiv) If a unit has investment in plant and equipment of ₹55 crore and turnover of ₹300 crore. It will be classified as:
- a) micro
 - b) small
 - c) medium
 - d) none of the above
- (xv) Access someone’s computer without the right authorization of the owner and does not disturb, alter, misuse, or damage data or system by using wireless internet connection, is called:
- a) Squatting
 - b) Vandalism
 - c) Hacking
 - d) Trespass

Answer:

i	ii	iii	iv	v	vi	vii	viii	ix	x	xi	xii	xiii	xiv	xv
a	b	c	b	b	c	d	a	d	c	c	b	b	d	d

**CORPORATE AND ECONOMIC LAWS****SECTION – B**

Answer any 5 questions out of 7 questions given. Each question carries 14 marks.

[5 x 14 = 70]

- 2) (a) Explain the provisions related to Audit of government companies.
- (b) Describe how alternate director and nominee director can be appointed by companies.

Answer:

(a) Audit of government companies

- In the case of a Government company or any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, the Comptroller and Auditor General of India shall appoint the auditor under Section 139 (5) or 139 (7) and direct such auditor the manner in which the accounts of the company are required to be audited and thereupon the auditor so appointed shall submit a copy of the audit report to the Comptroller and Auditor General of India.
- The audit report among other things, include the following:
 - the directions, if any, issued by the Comptroller and Auditor General of India,
 - the action taken thereon and
 - its impact on the accounts and financial statement of the company.
- The Comptroller and Auditor General of India shall within 60 days from the date of receipt of the audit report have a right to:
 - conduct a supplementary audit of the financial statement of the company by such person or persons as he may authorise in this behalf and for the purposes of such audit, require information or additional information to be furnished to any person or persons, so authorised, on such matters, by such person or persons, and in such form, as the Comptroller and Auditor General of India may direct, and
 - comment upon or supplement such audit report.
- Any comments given by the Comptroller and Auditor General of India upon, or supplement to, the audit report shall be sent by the company to every person entitled to copies of audited financial statements under Section 136 (1) and also be placed before the annual general meeting of the company at the same time and in the same manner as the audit report.
- Test Audit: For Government Company or Company controlled by State Government or Central Government, the Comptroller and Auditor General of India may, if he considers necessary, by an order, cause test audit to be conducted of the accounts of such company, without prejudice to the provisions related to Audit and Auditors. The provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the report of such test audit.

**CORPORATE AND ECONOMIC LAWS****(b) Appointment of alternate director:**

Section 161(2) of the Companies Act, 2013 provides for appointment of Alternate director. According to this section:

- The Board of Directors of a company may, if so authorised by its articles or by a resolution passed by the company in general meeting, appoint a person to act as an alternate director in place of another director (original director) during his absence for a period of not less than 3 months from India.
- A person who is holding any alternate directorship for any other director in the company or holding Directorship in the same company cannot be considered for appointment as above.
- No person shall be appointed as an alternate director for an independent director unless he is qualified to be appointed as an independent director under the provisions of this Act.
- An alternate director shall not hold office for a period longer than that permissible to the original director in whose place he has been appointed and shall vacate the office if and when the original director returns to India.
- If the term of office of the original director is determined before he so returns to India, any provision for the automatic re-appointment of retiring directors in default of another appointment shall apply to the original, and not to the alternate director. It may be mentioned that whether an alternate director shall be appointed or not and who shall be appointed is the prerogative of the Board and not the decision of the original director.

Appointment of nominee Director [Section 161 (3)]

Section 161(3) of the Companies Act, 2013 provides for appointment of Nominee director. According to this section; subject to the articles of a company, the Board may appoint any person as a director nominated by any institution in pursuance of the provisions of any law for the time being in force or of any agreement or by the Central Government or the State Government by virtue of its shareholding in a Government company. It is worth mentioning here “nomination” do not mean “appointment”. The person appointed shall have to be appointed in the proper manner

3) (a) Analyse the provisions related to quorum for meetings of Board.**(b) Discuss the power of Central Government to Provide for Amalgamation of Companies in Public Interest.**

Answer:

- (a)** A quorum is the minimum number of qualified persons who must be present in order to transact business at a duly convened Board meeting. A meeting shall not be deemed to have been properly held unless the quorum was present at that meeting. Presence of requisite Quorum validate decision taken at a meeting.
- The quorum for a Board Meeting shall be one-third of its total strength or two directors, whichever is higher.
 - The directors who participate by video conferencing or by other audio visual means shall also be counted for the purpose of quorum.
 - The continuing directors may act notwithstanding any vacancy in the Board; but, if the number is

**CORPORATE AND ECONOMIC LAWS**

reduced below the quorum fixed by the Act for a meeting of the Board, the continuing(remaining) directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company and for no other purpose.

- Where at any time the number of interested directors exceeds or is equal to two third of the total strength of the Board of Directors, the quorum shall be the number of directors who are present at the meeting and not interested directors and are not be less than two.
- Interested director means every director of a company who is in anyway, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement which is placed in agenda of the meeting.

Exception:

- Section 8 Companies under the Act shall constitute quorum for the Board meeting, either eight members or 25% of its total strength whichever is less. Provided that quorum shall not be less than two members.
 - The provisions of section 174 are not applicable to one-person company in which there is only one director on its Board of directors.
 - For the purpose of calculating quorum, any fraction of a number shall be rounded off as one.
 - Total strength shall not include directors whose places are vacant.
 - As per the SS-1 (Secretarial Standards on the Meeting of Board):
 - Quorum shall be present throughout the meeting.
 - In case of committee meetings, the presence of all members of any committee constituted by the Board is necessary to form the quorum for the meetings of such committee unless otherwise stipulated in the Act, or any other law, or the Articles or by the Board.
- (b) Section 237 (1) states that when the Central Government is satisfied that it is essential in the public interest that two or more companies should amalgamate, the Central Government may, by order notified in the Official Gazette, provide for the amalgamation of those companies into a single company with such constitution, with such property, powers, rights, interests, authorities and privileges, and with such liabilities, duties and obligations, as may be specified in the order.

The order under Sub-Section (1) may also provide for the continuation by or against the transferee company of any legal proceedings pending by or against any transferor company.

Every member or creditor, including a debenture holder, of each of the transferor companies before the amalgamation shall have, as nearly as may be, the same interest in or rights against the transferee company as he had in the company of which he was originally a member or creditor, and in case the interest or rights of such member or creditor in or against the transferee company are less than his interest in or rights against the original company, he shall be entitled to compensation to that extent, which shall be assessed by such authority as may be prescribed and every such assessment shall be published in the Official Gazette, and the compensation so assessed shall be paid to the member or creditor concerned by the transferee company. As per Section 237 (4) Any person aggrieved by any assessment of compensation made by the prescribed

**CORPORATE AND ECONOMIC LAWS**

authority under Sub-Section (3) may, within a period of thirty days from the date of publication of such assessment in the Official Gazette, prefer an appeal to the Tribunal and thereupon the assessment of the compensation shall be made by the Tribunal.

- 4) (a) **Kapoor and Sons Ltd is a listed company with Mr. S K Kapoor as CMD and main stakeholder. Board comprises of the following.**
- (a) **Mr. S K Kapoor, as CMD**
 - (b) **Mr. K Murli, Director (Finance)**
 - (c) **Mr. B B Singh, Director (Commercial)**
 - (d) **Mr K Shekhar, ind. Dir. Appointed in AGM**
 - (e) **Mr.B. Ramesh, Ind. Dir., appointed in AGM**
 - (f) **Mr. Mahesh Singh, nominee of IDBI**
 - (g) **Smt. Rekha Singh, ind. Director, appointed in AGM Ms. Rukmini Mathur, non-executive, non-independent, additional director.**
- With the above directors, please suggest constitution of CSR committee, Audit Committee and Nomination and Remuneration committee as per the Act and Rules.**
- (b) **Ramesh, Rohit and Madan, all graduate in pharmacy, decide to form a start-up business of manufacturing rare medicine for cancer. Rohit plans big and wants to go to public for finance in course of time. Madan has requested his uncle, an NRI based at USA to invest in the company which he has agreed. Ramesh feels that they should go for section 8 company as the target is not to make money. Madan's uncle wants to know the advantages and disadvantages of public and private company in India.**
- You are advised to critically assess the following issues.**
- (i) **In order to fulfil Rohit's plan, what kind of entity should be preferred and why?**
 - (ii) **Can Madan's uncle invest in the company as an NRI?**
 - (iii) **Ramesh's idea of section 8 company is ok?**
 - (iv) **Prepare small note for Madan's uncle.**

Answer:

- (a) I have to suggest constitution of various committees with the existing Board members. I suggest the following.

CSR committee:

In case of CSR committee, there will be at least three directors in the committee with at least one independent director. CSR committee shall be as follows.

- (i) Mr. B Ramesh, as chairman
- (ii) Ms. Rekha Singh, ind. Director, member
- (iii) Mr. K Murli, Director (Finance), member

Since the company has adequate number of independent directors, we can have two instead of one.



CORPORATE AND ECONOMIC LAWS

Since financial issues are involved, D(F) is made member.

Audit committee

- (i) Mr K Shekhar, ind. Dir. as chairperson
- (ii) Mr. Mahesh Singh, nominee of IDBI
- (iii) Ms. Rekha Singh, ind. Director,

As per rule, there has to be three directors, all non-executive, the chairman to be independent and majority shall be independent. This has been complied here.

Nomination and Remuneration committee

- (i) Ms. Rekha Singh, ind. Director, chairperson
- (ii) Mr. B Ramesh, member
- (iii) Ms. Rukmini Mathur, member

All members need to be non-executive and /or independent.

- (b)
 - (i) Private company cannot call for finance from the public. However, a private company can be converted into public company. It is preferred that a public limited company be incorporated so that finance can be taken from the market.
 - (ii) Yes, Madan's uncle can invest in the company, subject to FDI restrictions.
 - (iii) Ramesh's idea of section 8 company is not ok as this is a business, where they are investing as entrepreneur and it is not a NGO or social enterprise.
 - (iv) Note for Madan's uncle.

Advantages of private company

- Many provisions of the companies Act do not apply
- Shareholders are limited are normally known.

Disadvantages of private company

- Cannot invite fund from public
- Cannot increase number of shareholders over 200

5. (a) **Discuss the duties of interim resolution professional**

- (b) **ABC Ltd. is registered as NBFC for last 10 years. The company extended a loan of 10 crores to XYZ Ltd. as normal course of business. The loan was long term for equipment financing and equipment were actually purchased. XYZ Ltd. repaid only one crore and stopped paying further installments. The company had to operation for various reasons. Examine the situation in context of IBC code to get the following queries.**
 - (i) **Which type of creditor ABC Ltd. shall be classified?**
 - (ii) **Where the application can be made?**
 - (iii) **Is IP necessary?**
 - (iv) **Can ABC Ltd. make a petition on its own?**



CORPORATE AND ECONOMIC LAWS

- (v) **What is CIRP in this context?**
- (vi) **What time is expected to resolve?**
- (vii) **Can XYZ Ltd. itself apply for taking over the company?**

Answer:

- (a) As per Section 18(1) of Insolvency and Bankruptcy Code, 2016, the interim resolution professional shall—
 - collect all information relating to the assets, finances and operations of the corporate debtor including information relating to—
 - (i) business operations for the previous two years
 - (ii) financial and operational payments for the previous two years
 - (iii) list of assets and liabilities as on the initiation date; and
 - (iv) such other matters as may be specified.
 - receive and collate all the claims submitted by creditors to him.
 - constitute a committee of creditors.
 - monitor the assets of the corporate debtor and manage its operations until a resolution professional is appointed by the committee of creditors.
 - file information collected with the information utility, if necessary; and
 - take control and custody of any asset over which the corporate debtor has ownership rights as recorded in the balance sheet or with information utility or the depository of securities or any other registry that records the ownership of assets.
 - perform such other duties as may be specified by the Board.
- (b) The queries asked are being replied as follows.
 - (i) In the present case, ABC Ltd. shall be classified as Financial creditor, as ABC Ltd. has extended financial loan to XYZ Ltd.
 - (ii) Application for Resolution process has to be made to NCLT, which is designated “adjudicating authority”.
 - (iii) Yes, IP is necessary in resolution process. Once resolution process commences, the main person shall be the IP, who is authorized to conduct the resolution process.
 - (iv) Yes, ABC Ltd. can also make petition for resolution by itself.
 - (v) CIRP means Corporate Insolvency Resolution Plan.
 - (vi) Time expected to complete the resolution processes is 180 days, which may be extended up to 90 days
 - (vii) XYZ Ltd. can also apply to retain control of the company by giving a resolution plan.

- 6. (a) **Discuss the features and emerging issues of corporate governance in a family owned companies in India.**
- (b) **Explain how the business intelligence process works and also discuss its benefits.**

**CORPORATE AND ECONOMIC LAWS****Answer:**

(a) Features of Corporate Governance in a Family Owned Companies in India are:

- Full time directors/other directors and senior management personnel are either from the family or related to the family members.
- Formation of coterie is common.
- Control and ownership is diluted with shareholding being diluted on passing of generation.
- Conflict of interest is very common where personal interest of the promoter conflicts with the company interest. However, proper procedures are followed as per the Act to avoid legal complication.
- Emotions are attached and therefore, some decision are taken which may not be managerially correct.
- Where the family members are united, the non-family directors/managers are defunct in decision making process. Where family is divided, there are more problems like confusion in leadership, delay in decision making, distrust of outside stakeholders etc. The stability, reputation and performance is effected.
- Some families have clear cut roles of the family members in business with structured succession planning, allotment of each company to each member to avoid conflict.
- Personal image of the chairman/MD/Directors is very important which determines the reputation.
- Many hard-core professional avoid working in family business for obvious reasons.
- Death/disability of senior member in the family results to leadership management crisis.

Emerging issues in Corporate governance in family managed companies in India.

- Separation of ownership and management: In few companies in India, the main promoter or owner have chosen to be investor and not to a part of management even as part time chairman. The whole Board of directors are non-owners and are hard core professionals.
- Family members acquiring professional courses from reputed institutes.
- Promoters are encouraging professionals in the organisation.
- Promoters are more focused on compliances to avoid loss of reputation which may result to price fall in the share market.
- Role and leadership clarity decided at board level
- Owners are accepting and honouring opinion of managers.
- Family's social and emotional issues are being satisfied by forming trusts/foundations which are separate from the business entity, without any conflict of interest.

(b) A business intelligence architecture includes more than just BI software. Business intelligence data is typically stored in a data warehouse built for an entire organization or in smaller data marts that hold subsets of business information for individual departments and business units, often with ties to an enterprise data warehouse. BI data can include historical information and real-time data gathered from source systems as it's generated, enabling BI tools to support both strategic and tactical decision-making processes. Before it's used in BI applications, raw data from different source systems generally must be integrated, consolidated and cleansed using data integration and data quality management tools to ensure that BI teams and business users are analyzing accurate and consistent information. Steps in BI can be:

**CORPORATE AND ECONOMIC LAWS**

- data preparation, in which data sets are organized and modelled for analysis;
- analytical querying of the prepared data;
- distribution of key performance indicators (KPIs) and other findings to business users; and
- use of the information to help influence and drive business decisions.

Initially, BI tools were primarily used by BI and IT professionals. However, now, business analysts, executives and workers are using business intelligence platforms themselves. Self-service business intelligence environments enable business users to query BI data, create data visualizations and design dashboards on their own.

BI programs often incorporate forms of advanced analytics, such as data mining, predictive analytics, text mining, statistical analysis and big data analytics. A common example is predictive modelling that enables what-if analysis of different business scenarios. In most cases, though, advanced analytics projects are conducted by separate teams of data scientists, statisticians, predictive modelers and other skilled analytics professionals, while BI teams oversee more straightforward querying and analysis of business data.

The key benefits that businesses can get from BI applications include the ability to:

- speed up and improve decision-making;
- optimize internal business processes;
- increase operational efficiency and productivity;
- spot business problems that need to be addressed;
- identify emerging business and market trends;
- develop stronger business strategies;
- drive higher sales and new revenues; and
- gain a competitive edge over rival companies.

7. (a) **Discuss the various restrictions which were imposed on communication and trading by insiders.**
- (b) **Analyse the duties and powers of the competition commission of India.**

Answers:

- (a) Restrictions on communication and trading by insiders:

- No insider shall communicate, procure, provide, or allow access to any unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, except where such communication is in furtherance of legitimate purposes. The board of directors of a listed company shall make a policy for determination of “legitimate purposes” as a part of “Codes of Fair Disclosure and Conduct”.
- Due notice shall be given to “insiders” to maintain confidentiality of such unpublished price sensitive information in compliance with these regulations.
- An unpublished price sensitive information may be communicated, procured provided, allowed access to or procured, in connection with a transaction that would:–

**CORPORATE AND ECONOMIC LAWS**

- (a) entail an obligation to make an open offer;
- (b) The board of directors of the that sharing of such information is in the best interests of the company and the information that constitute unpublished price sensitive information is disseminated to be made generally available at least 2 trading days prior to the proposed transaction being effected in such form as the board of directors may determine. The parties may be to execute agreements to contract confidentiality and non-disclosure obligations on the part of such parties and such parties shall keep information so received confidential, except for the purpose of sub-regulation (3), and shall not otherwise trade in securities of the company when in possession of unpublished price sensitive information.
- (iv) The organization shall ensure that a structured digital database containing the nature of unpublished price sensitive information to be maintained internally with adequate internal controls and preserved for a period of not less than eight years (more in case of any investigation)
- (v) No insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information. The insider may prove his innocence by few defenses.
- (vi) In the case of connected persons the onus of establishing, that they were not in possession of unpublished price sensitive information, shall be on such connected persons and in other cases, the onus would be on the Board. The Board may specify such standards and requirements, from time to time, as it may deem necessary for the purpose of these regulations.
- (b) The Competition Commission of India shall take such actions and issue such direction to eliminate practices having adverse effect on competition, promote and sustain competition, protect the interests of consumers and ensure freedom of trade carried on by other participants, in markets in India. It can initiate inquiry into certain agreements and dominant position of enterprise.
- (i) The Commission may inquire into any alleged contravention of the provisions on its own motion or on receipt of any information, from any person, consumer or their association or trade association; or a reference made to it by the Central Government or a State Government or a statutory authority.
- (ii) The Commission shall, while determining whether an agreement has an appreciable adverse effect on competition under section 3, have due regard to all or any of the following factors, namely:—
- creation of barriers to new entrants;
 - driving existing competitors out of the specified market;
 - foreclosure of competition by blocking entry into the market;
 - accrual of benefits to consumers;
 - improvements in production or distribution of goods or provision of services; or
 - promotion of technical, scientific and economic development by means of production or distribution of goods or provision of services.
- (iii) The Commission shall, while inquiring whether an enterprise enjoys a dominant position or not under section 4, shall take into consideration any of the following factors, namely:—
- market share of the enterprise;
 - size and resources of the enterprise;
 - size and importance of the competitors;



CORPORATE AND ECONOMIC LAWS

- economic power of the enterprise;
 - vertical integration of the enterprises;
 - dependence of consumers on the particular enterprise;
 - monopoly or dominant position;
 - entry barriers including barriers such as regulatory barriers, financial risk, high capital cost of entry, marketing entry barriers, technical entry barriers, economies of scale, high cost of substitutable goods or service for consumers;
 - countervailing buying power;
 - market size;
 - social obligations and social costs;
 - relative advantage, by way of the contribution to the economic development, by the enterprise enjoying a dominant position having or likely to have an appreciable adverse effect on competition;
 - any other factor which the Commission may consider relevant for the inquiry.
- (iv) For determining whether a market constitutes a “relevant market” for the purposes of this Act, the Commission shall have due regard to the “relevant geographic market” and “relevant product market”.
- (v) The Commission shall, while determining the “relevant geographic market”, have due regard to all or any of the following factors, namely:—
- regulatory trade barriers;
 - local specification requirements;
 - national procurement policies;
 - adequate distribution facilities;
 - transport costs;
 - language;
 - consumer preferences;
 - need for secure or regular supplies or rapid after-sales services.
- (vi) The Commission shall determine the “relevant product market”, based on:
- physical characteristics or end-use of goods;
 - price of goods or service
 - consumer preferences;
 - exclusion of in-house production;
 - existence of specialised producers;
 - classification of industrial products.

- 8. (a) Discuss the sectors and entities where FDI is prohibited.**
- (b) Explain the procedure of winding up of banking companies.**

**CORPORATE AND ECONOMIC LAWS****Answer:****(a) FDI is prohibited in the following sectors:**

- Lottery Business including Government/ private lottery, online lotteries.
- Gambling and betting including casinos.
- Chit funds (except for investment made by NRIs and OCIs on a non- repatriation basis).
- Nidhi company.
- Trading in Transferable Development Rights (TDRs).
- Real Estate Business or Construction of Farm Houses.
- ‘Real estate business’ shall not include development of townships, construction of residential / commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations, 2014.
- Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
- Activities/ sectors not open to private sector investment viz., (i) Atomic energy and(ii) Railway operations (other than permitted activities).
- Any investment by a person who is a citizen of Bangladesh or Pakistan or is an entity incorporated in Bangladesh or Pakistan requires prior Government approval.
- A person who is a citizen of Pakistan or an entity incorporated in Pakistan can, only with the prior Government approval, invest in sectors/activities other than defence, space, atomic energy and sectors/activities prohibited for foreign investment.

(b) Sections 38 to 44 of the Act lay down the provisions for winding up of a banking company.

Notwithstanding anything contained in the Companies Act, the High Court shall order for the winding up of the banking company, if it is not able to pay its debt or an application has been made by the RBI under section 37 or 38 of this act. The RBI may apply for the winding up of a banking company if.

- (a) It fails to comply with the requirements as to minimum Paid-up capital and reserves as laid down in Section 11, or
- (b) Is disentitled to carry on the banking business for want of license under Section 22, or
- (c) It has been prohibited from receiving fresh deposits by the Central Government or the Reserve Bank, or
- (d) It has failed to comply with any requirement of the Act, and continues to do so even after the Reserve Bank calls upon it to do so, or
- (e) The Reserve Bank thinks that a compromise or arrangement sanctioned by the court cannot be worked satisfactorily, or
- (f) The Reserve Bank thinks that according to the returns furnished by the company it is unable to pay its debts or its continuance is prejudicial to the interests of the depositors.

The banking company cannot be voluntarily wound up unless the Reserve Bank certifies that it is able to pay its debts in full.