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FOR CS PROFESSIONAL EXAM PREPARATION

CS Professional 2024 Question Paper · Strategic Management and Corporate Finance

EXAM
CS Professional

YEAR
2024

TYPE
Question Paper

SUBJECT
Strategic Management and Corporate Finance

DATE
December 2024

NEW SYLLABUS

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Roll No. .....

Time allowed : 3 hours ***Maximum marks : 100***

Total number of questions : 6 ***Total number of printed pages : 15***

NOTE : *Answer* ***ALL*** *Questions.*

PART–I

1. Case Study :

(*a*) Go-Fast is a very small company in Amravati, operating its business of repairing electric-two-wheeler. It has a reputation for its fair charges and speedy delivery. For the next five years, a market study offers the following information :

Many college students are being given e-bike by the college authorities themselves and this trend is likely to continue for another five years. Coaching centers provide new e-bikes to all the students during the admission. The fees are inclusive of these costs.

LiFePO4 batteries are fast replacing lead acid batteries in certain market segments and models change every six months. In case of major repairs, affluent people discard the old lead acid batteries e-bike and go in for new LiFePO4 batteries e-bike. However, there are rural markets and certain parts of urban markets which will still be interested in the low-cost lead acid batteries e-bike repaired and re-sold the e-bikes.

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Considering the gravity of the above situation Go-Fast plans to limit its operations to only one city.

You are required to give :

(*i*) A vision statement;

(*ii*) A mission statement;

(*iii*) SWOT analysis;

(*iv*) Some parameters that could be used in above situation relating to the financial and growth perspectives in a Balance Score Card (BSC).

(*1+2+4+3=10 marks*)

(*b*) Dr. D. N. Dutta inherited his father's Dutta's Laboratory in Delhi in 1953. Till 2001, he owned 3 labs in the National Capital Region (NCR). His ambition was to turn it into a national chain. The numbers increased to 5 in 2003 across the country including the acquisition of Platinum Lab in Mumbai. The number is likely to go to 40 within 2-3 years from 18 at present. Infusion of ₹ 26 crore for 26% stake by Pharma Capital in this company has its growth strategy.

The Lab with a revenue of ₹ 70 crore is among top three pathological labs in India with Atlantic (₹ 76 crores) and Pacific (₹ 56 crores). Yet its market share is only 2% of ₹ 3,600 crores market. The top 3 firms command only 6% as against 40-45% by their counterparts in the USA.

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There are about 25,000 to 1,00,000 standalone labs engaged in routine pathological business in India, with no system of mandatory licensing and registration. That is why Dr. D. N. Dutta has not gone for acquisition or joint ventures. He does not find many existing laboratories meeting quality standards. His six labs have been accredited nationally whereon many large hospitals have not thought of accreditation. The College of American pathologists' accreditation of Dutta's Lab would help it to reach clients outside India.

In Dutta's Lab the bio-chemistry and blood testing equipments are sanitized every day. The bar coding and automated registration of patients do not allow any identity mix-ups. Even routine tests are conducted with highly sophisticated systems. Technical expertise enables them to carry out 1660 variety of tests. Same day reports are available for samples reaching by 4 PM and by 8 AM next day for samples from 550 collection centers located across the country. Their technicians work round the clock, unlike competitors. Home service for collection and reporting is also available.

There is a huge unutilized capacity. Now, it is trying to stop other segments. 20% of its total business comes through its main laboratory which acts as a reference lab for many leading hospitals. New mega labs are being built to encash pre-clinical and multi-centre clinical trials within India and provide post graduate training to the pathologists.

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Considering the above situation answer the following :

(*i*) What was the vision of Dr. D. N. Dutta at the time of inheritance of Dutta's Lab ? Has it been achieved ?

(*ii*) What was the business strategy adopted by Dr. D. N. Dutta ?

(*iii*) What is the marketing strategy of Dr. D. N. Dutta to overtake his competitors ?

(*iv*) In your opinion what could be the biggest weakness in Dr. D. N. Dutta's business strategy ?

(*2+2+4+2=10 marks*)

Attempt all parts of either Q. No. 2 or Q. No. 2A

2. (*a*) Elite Kitchenware Co., a multinational company, is undergoing a feasibility study to introduce a new line of high-end kitchen appliances aimed at a specific group of customers. These appliances are designed for individuals with distinctive preferences and special requirements. The product is not standard, and the target market is narrow. The company understands that the demand for this product is large enough to be profitable but small enough to be overlooked by other major industry players. Elite Kitchenware Co. aims to position itself in this niche market by offering unique features tailored to the target market.

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In this scenario, identify the generic strategy suggested by Michael Porter. Also, state the pros and cons of such a strategy.

(*5 marks*)

(*b*) How can the strategic planning process, though unique to each organization, be standardized with common steps ? What are the critical ways in which strategic planning can benefit your organization, and what are the potential limitations associated with it ?

(*5 marks*)

(*c*) "PERT and CPM are two complementing statistical techniques utilized in project management. They exhibit the flow and sequence of activities and events". In this context mention the types of projects where these techniques are used. What are the steps involved in PERT/CPM ?

(*5 marks*)

(*d*) "Sunny Ville Bistro," a cozy neighborhood café, has been struggling to attract a steady stream of customers despite offering high-quality food and excellent service. Recognizing the importance of an online presence, the owners decide to focus on enhancing their digital reputation. Through consistent effort, Sunny Ville Bistro's online reputation improves, attracting more customers and establishing the café as a beloved local spot.

What were the key aspects of Sunny Ville Bistro's marketing strategy, and how did they contribute to the café's improved reputation and increased customer base ?

(*5 marks*)

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OR (Alternative question to Q. No. 2)

2A. (*i*) "TOWS strategies are a product of the trade-off between internal and external factors." Do you agree with this statement ? How can this approach help a strategist in decision-making ?

(*5 marks*)

(*ii*) You are a senior analyst at a large investment firm that is considering diversifying its portfolio by investing in cryptocurrencies like Bitcoin. The firm's leadership team is intrigued by the underlying blockchain technology and wants to understand how it contributes to the success and reliability of cryptocurrencies.

You are asked to prepare a presentation for the leadership team explaining what blockchain technology is and how its three main properties have helped Bitcoin and other cryptocurrencies gain widespread acclaim.

(*5 marks*)

(*iii*) (*a*) A company proposed a list of activities to be carried out as part of its CSR policy :

(*i*) The CSR projects for the benefit of employees of the company and their families only.

(*ii*) A contribution of ₹ 50,000 to a political party under the provisions of section 182 of the Companies Act, 2013.

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(*iii*) A contribution to the PM CARES Fund during covid pandemic.

(*iv*) Local activities like promotion of child and women education.

(*v*) The company plans to organize a Film Festival ceremony in Switzerland.

(*vi*) The company sponsors activities to gain marketing benefits for its products or services.

Whether activities proposed by company were in accordance with provisions of the Act and Companies (Corporate Social Responsibility Policy) Rules, 2014 ?

(*b*) Rivalry among existing competitors is one of Porter's Five Forces. Under what specific conditions does this rivalry become intense ?

(*3+2=5 marks*)

(*iv*) "BrightFuture Tech," a rapidly growing technology firm, is preparing to expand its operations into new markets and introduce innovative product lines. As the company gears up for this expansion, it faces the challenge of ensuring that its human resources are adequately aligned with its strategic goals. The management team recognizes the need for a comprehensive human resource strategy to support this growth.

How should BrightFuture Tech implement its human resource strategy to effectively support its expansion and achieve its strategic goals ?

(*5 marks*)

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PART–II

3. Growth Engine Ltd., a listed company which was incorporated in 2015. The company is booming and favouring the younger generation to work. The Capital Structure of the company as on March 31, 2024 is as follows :

Particulars	**₹ (Crore)**
Authorised Share Capital 200,00,000 Equity Shares of ₹ 10 each	20.00
Issued, Subscribed and Paid-up Share Capital 100,00,000 Equity Shares of ₹ 10 each	10.00
Share Premium	2.00
General Reserve	7.04
Profit & Loss Account	3.16

In the Board Meeting, an agenda for formulation of policy for Sweat Equity Shares has been discussed. As an Independent director of the company, Ratan objected on a clause, which made him ineligible for availing Sweat Equity Shares. He also suggested that either the company should go for Employee Stock Option Scheme or sweat equity shares can be issued in the form of preferential Issue.

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The company decided to issue 30% sweat equity shares to eligible employees to keep them motivated and partners in growth. Lock-in period for sweat equity will be five years. For this purpose, a resolution in General meeting of company was passed in this manner.

"The Resolution specifies 30 lakh sweat equity shares, Current Market price ₹ 50 per share with a consideration of ₹ 10 per share to be issued to eligible employee".

The company seeks your advice with reference to the provision of issue of sweat equity shares under the Companies Act, 2013 and SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 on the following points :

1. Is the issuance of sweat equity shares at a discount appropriate ?

2. Is the size of the sweat equity share issue appropriate, and is the lock-in period justifiable ?

3. Is Ratan eligible to receive sweat equity shares ?

4. Is Ratan eligible for the Employee Stock Option Scheme ?

5. Can sweat equity shares be issued through a preferential issue, as suggested by Ratan ?

(*3+3+3+3+3=15 marks*)

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4. (*a*) What are the guidelines issued by SEBI for the return and resubmission of draft offer documents to ensure completeness for investors, provide greater clarity and consistency in disclosures, and ensure timely processing under Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations) ?

(*5 marks*)

(*b*) X Ltd. is a listed company with a market capitalization of ₹ 1500 crores. The company has been consistently profitable for the past five years and has a strong track record of dividend payments. Due to expansion plans, X Ltd. decides to raise funds through a Follow-on Public Offer (FPO).

X Ltd. wishes to avail the fast-track route for its FPO. Discuss the conditions that the company must fulfill to be eligible for the same.

(*5 marks*)

(*c*) Distinguish between pre and post shipment credit in export financing. Explain with examples.

(*3+2=5 marks*)

5. (*a*) ABC Ltd has an outstanding bank guarantee of ₹ 425 lakh as per the Audited Balance Sheet of March 31, 2023. During the year 2023-24, the Company availed an additional bank guarantee of ₹ 150 lakh. The Company needs an additional bank guarantee of ₹ 850 lakh in December 2023 to meet its one-time requirement. The bank guarantees maturing and cancelled by December 2023 are worth ₹ 300 lakh

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and ₹ 180 lakh respectively. The Bank guarantees cancelled during the year are worth ₹ 200 lakh. The Company has ₹ 950 lakh as its sanctioned Bank Guarantee Limit.

Given these circumstances, you are required to assess whether the company should enhance its bank guarantee or if the existing bank guarantee will suffice to cover the additional requirement of ₹ 850 lakh.

(*5 marks*)

(*b*) An established company maintaining power projects in India, raised ₹ 5,600 crores from Indian Stock Market with an issue price of ₹ 872 (FV of ₹ 10 per share) on 15th February, 2022. Anticipating a huge returns on the share price, the issue was subscribed 22 times and a huge response received to the company's IPO. The company at the time of listing only owned a land for its six power projects which were to be developed for generation of electricity, and there was no revenue income at the time of listing. On 15th March, 2022 the company listed its shares but due to the stock market meltdown, the stock fell to ₹ 654 per share, i.e. a discount of ₹ 218 from its issue price of ₹ 872. Facing huge criticism from its investors, the company decided to issue bonus shares in the ratio of 7 shares for 10 shares held. A Public Interest Litigation was filed challenging the issuance of bonus shares without any revenue income. The case was rejected and dismissed.

Discuss the merits of the case and also the conditions for issue of bonus shares.

(*5 marks*)

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(*c*) What is working capital cycle ? Calculate the working capital cycle of the manufacturing company Classic Ltd as on 31.3.24 with the data given below. (₹ in lakh)

Particulars	**Position as on 31.03.23**	**Position as on 3l.03.24**
Inventory	6	4
Bookdebts	20	24
Sales (mark up 33.33% on cost)	150	200
Cash sales	10	24

Note :

1. All purchases on cash terms.

2. Year may be taken as 360 days for the purpose of calculation.

(*2+3=5 marks*)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. (*a*) (*i*) Rainbow Finance Limited is a newly incorporated Non-Banking Financial Company (NBFC) in the category of Infrastructure and Finance Company. Its assets size is more than 100 billion. You are appointed as the company secretary of Rainbow finance limited. The chairman of board requires you to apprise him about the "'fit and proper criteria" for appointment of director in the company.

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Write a note for the chairman of the board regarding "fit and proper criteria" as contained in the RBI Guidelines on Corporate Governance for NBFCS.

(*3 marks*)

(*ii*) What are the principles of the Stewardship Code as per the Securities and Exchange Board of India (Real Estate Investment Trusts) (Second Amendment) Regulations, 2023 ?

(*3 marks*)

(*b*) ABC Securitization Ltd. (ABC) is a company engaged in the securitization of debt. To achieve this, it has set up a Special Purpose Distinct Entity (SPDE) named XYZ Trust. The trustees of XYZ Trust are Mr. X and Ms. Y. They are exploring the possibility of appointing one more trustee who can act without obtaining registration from SEBI. ABC plans to issue securitized debt instruments backed by a pool of auto loans and seeks to list these instruments on a recognized stock exchange.

As the Company Secretary, you are required to answer the following questions in compliance with all the provisions of the SEBI (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008.

(1) ABC intends to list securitized debt instruments on a stock exchange. What are the mandatory conditions that must be fulfilled for such listing as per the given information ?

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(2) Assuming Mr. X and Ms. Y are not registered with SEBI as trustees, what are the minimum criteria they must meet to obtain registration ?

(3) Who may act as the trustee of Special Purpose Distinct Entity (SPDE) without obtaining registration with the SEBI ?

(*2+1+3=6 marks*)

(*c*) An Alternative Investment Fund (AIF) proposes to appoint a custodian which is an associate of its sponsor. What are the terms and conditions imposed by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2024, on such appointments ?

(*3 marks*)

OR (Alternative question to Q. No. 6)

6A. (*i*) Imagine you are an economic advisor to a developing country experiencing a financial crisis. To stabilize the economy, you suggest seeking assistance from the International Monetary Fund (IMF). What fundamental mission and objectives of the IMF would you highlight to justify this recommendation ?

(*5 marks*)

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(*ii*) As the Company Secretary of EcoRenewables Energy Ltd., identify and justify the five essential feasibility studies necessary for a proposed hydroelectric power project in a remote region in Odisha. Subsequently, outline the key due diligence areas to assess the project's financial viability.

(*5 marks*)

(*iii*) A multinational technology company is planning to raise funds through the issuance of Global Depository Receipts to expand its operations in the European market. The company's legal team is in the process of drafting the "Offering Circular".

What specific contents and information must be included in the "Offering Circular" to ensure that prospective investors have all the necessary details to form their investment strategies ?

(*5 marks*)

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