

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) – 201306

**POST GRADUATE DIPLOMA IN MANAGEMENT (2018-20)**  
**END TERM EXAMINATION (TERM -III)**

Subject Name: **Legal Environment of business**  
Sub. Code: **PG21**

Time: **02.00 hours**  
Max Marks: **50**

**Note:**

- 1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.**
- 2. All questions are compulsory in Section A, B & C. Section A carries 2 Case Studies of 10 marks each. Section B carries 2 questions of 10 marks each and Section C carries 5 questions 2 marks each.**

**SECTION A**

**(10×02 = 20 Marks)**

**Q.1. Read the below case and try to answer the questions in your own words**

**Case 1: Maharashtra Development Corp Ltd vs Bajaj Auto Ltd**

Maharashtra Development Corp Ltd, the respondent company, was a State Government corporation and a wholly owned undertaking of the State of Maharashtra. It was a listed public company, incorporated and registered under the provisions of the Companies Act, 1956.

MSL was another company incorporated in pursuance of a protocol agreement entered between the Bajaj Auto Ltd. the appellant company and Western Maharashtra Development corp Ltd. The equity shares of MSL were listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The above-mentioned protocol agreement provided that Bajaj Auto Ltd would grant benefit of know-how and offer its assistance in the manufacture two-wheeler scooters to MSL and would also participate in the equity share capital of MSL on and conditions as set out therein. In accordance with the terms and conditions of the Western Maharashtra Development Corp Ltd did hold 27% of the equity shareholding of MSL and the Bajaj Auto Ltd. continued to hold 24% thereof. The balance 49% of the equity holding of MSL was held by the public.

Clause 7 of the protocol agreement provided that if either party desired to part with or transfer its shareholding or any part thereof, in the equity share capital of MSL, such party was required to give first option to the other party for the purchase of such shares at such rate as may be agreed to the parties or decided upon by arbitration. The procedure to be followed in such a situation was also set out in the said clause.

Subsequently, on the request of Bajaj Auto Ltd. Western Maharashtra Development Corp Ltd considered selling and transferring its 27% share holdings to Bajaj Auto Ltd, and in furtherance thereof, addressed a letter dated April 9, 2003 offering to sell its 27% shareholding in MSL (30.85,712 shares) to the Appellant at a price of Rs 232.20 per share after getting the valuation of the company done by an authorized agency.

In reply thereto, Bajaj Auto Ltd confirmed their interest in buying the shareholding of the respondent. It was however stated that the price at which the shares were offered was not acceptable to the appellant and therefore, requested that a meeting be called for by a high level committee to carry out official negotiations to reach a fair and marketable settlement. Thereafter, the appellant reiterated they were not agreeable to the price of Rs. 232 20 per share as demanded by the Respondent and offered to purchase the 27% shareholding of the respondent at the rate of Rs 75 per equity share.

Thus, there was no concluded contract arrived at between the parties in respect of sale of the said shares and matter was taken to arbitrator as directed by the protocol agreement. The arbitrator, after considering the challenges and the evidences, by a detailed award, held in favour

of the appellant and declared that 30,85,712 equity shares of MSL held by the respondent (its 27% shareholding) are to be sold to the appellant at a price of 151.63 per share.

Being aggrieved by the arbitral award, the respondent challenged the same before the court and challenged the legality of clause 7 of the protocol agreement that forced the respondent to offer the shares first to the other party (the appellant) before selling to somebody else. They submitted that clause 7 created a right of pre-emption, and MSL being a listed public company violated the provisions of Sec. 111A of the Companies Act 1956 as the Section provides that the shares or debentures of a public company and any interest therein shall be freely transferable. It was further argued by the respondent that section 9 of the Companies Act shall have effect notwithstanding anything to the contrary contained in the Memorandum and Articles of Association of the company Therefore, clause 7 of the protocol agreement being contrary to the provisions of the Companies Act, was unenforceable.

- **Discuss the above case claiming the clause 7 of the protocol agreement restricted free transferability of a public company and violated the section of the company act 1956.**

### **Case 2: The Sugar Mill partnership vs Commissioner of Income-tax,**

A joint Hindu family consisting of two branches owned a sugar mill. The two kartas entered into a partnership in 1943, to carry on the business of the sugar mill. The two partners represented the respective joint families, and the partnership deed provided that the death of any of the parties shall not dissolve the partnership and either the legal heir or the nominee of the deceased partner should take his place. One of the kartas died in 1945 leaving as members of his branch of the family, three widows and two minor sons. The other partner continued the business of the sugar mill in the firm name. For the assessment year 1950-51, the assessee applied for registration based on the partnership agreement of 1943. The Income-tax Officer, Appellate Assistant Commissioner and the Tribunal held that there was no partnership between the members of the two families after the death of one of the kartas. On a reference to the High Court, it was held that the partnership business was carried on by the representatives of the two families after the death, of one of the kartas.

- Analyze the case and put forward your point of view about the form of the sugar mill during the assessment year 1950-51.**
- Discuss the legal points of Partnership Act applicable in the above case.**

### **SECTION B**

**(10×02 = 20 Marks)**

**Q3.** Discuss the need and importance of studying Business Environment for a retail organisation (Big Bazar). Outline the components of macro environment that affect the business conditions in India.

**Q4.** What do you understand by the term Memorandum of Association & Articles of Association of a Company under the Companies Act,2013, Discuss the step to be followed by you in the formation of the your XY company

### **SECTION C**

**(05×02 = 10 Marks)**

**5 (A)** Discuss the basic functions that are Undertaken only by the State.

**5(B)** Illustrate the difference between the term “Sale” and “Agreement to sell” according to the law of Sale of Goods.

**5(C)** Shubham Kumar enters into a contract with Yasin & Co to ship his consignment of woollen carpets from Varanasi to Karachi, Pakistan. Subsequently, India declares war against Pakistan. Will the contract still be valid or else it will become void, instead? Give specific reasons of your answer.

**5(D)** briefly discuss the followings:

- Partnership at Will (Sec.7)
- Particular Partnership (Sec.8)

**5(E)** A company named ‘Raghav and Indu Limited’ has applied to ROC for the registration of its name as ‘RIL’. Will the ROC register the name as applied for? Give reasons for your answer.