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**SYMBIOSIS LAW SCHOOL, HYDERABAD
CENTRE FOR CORPORATE AND COMPETITION LAW**

**“LE DILEMMA”
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MAIN PROBLEM

India is one of the major economies which is contributing around 15% of Global GDP from South Asian Region. The growth in the Indian economy has increased the Gross Domestic Product above 8% and this high growth rate will be sustained for a good number of years. The Indian civil airline industry forms part of the top ten in the world, with a size of \$16 billion. Indian airline industry guarantees massive development potential because of vast and developing working class populace, favourable socioeconomics, economic development, higher expendable earnings, rising yearnings of the working class, and largely low entrance levels. Air traffic has grown enormously and expected to have a growth which would be above 25% in the travel segment. In the present scenario around 12 domestic airlines and above 60 international airlines are operating in India. With the growth in the economy and stability of the country India has become one of the preferred locations for the trade and commerce activities. The growth of airlines traffic in Aviation Industry in India is almost four times above international average. Aviation Industry in India have placed the biggest order for aircrafts globally. Aviation industry everywhere throughout the world has been considered as an oligopolistic market i.e. dominated by a couple of firms, which, are sufficiently substantial enough to impact the size of the market, because of their policy restriction, and capital intensive nature. The conduct of any one firm in an oligopoly depends, overall, on the conduct of others. Along these lines, when they collude, oligopolistic firms may strategically avoid that conduct which is unfavourable to their general interest. Government is finding ways for the promotion of healthy competition in different sectors and industries. In this regard the Government of India passed Competition Act, 2008.

Currently, Aviation Industry in India holds around 69% of the total share of the airlines traffic in the region of South Asia. Foreign equity up to 100% is allowed by the means of automatic approvals pertaining to establishment of Greenfield airports. Foreign equity up to 74% is allowed by the means of automatic approvals pertaining to the existing airports. Foreign equity up to 100% is allowed by the means of special permission from Foreign Investment Promotion Board, Ministry of Finance, pertaining to the existing airports

Torrent Airlines Ltd is an airline company based in India. It is established in the year 1999 and started its commercial operations from 2001. This company was very aggressive from the time of its inception. This company in India is First to introduce the low cost barriers in aviation sector. After the entry into the market soon because of price war in the air transportation sector and the Torrent Airlines Ltd was able to grab 30% of the market share in Indian Aviation Sector. The Torrent Airlines Ltd is one of the major player in Indian Aviation

Sector, having Landing rights almost in all the airports at the domestic level and this company is also having landing rights in 200 major airports across the globe in various cities.

Elite airways Ltd is an Wholly Own Subsidiary of Woodpecker Airlines Ltd, which is based at Singapore. The Elite Airways Ltd started its operations in India in the year 1996. Soon after the government of India decisions, which allowed private players enter into the market. Currently Elite airways Ltd is one of the major airline company having around 15% of share in the Airline market. This Elite airways Ltd is having court sharing agreement with its parent company whereby the customers can book the tickets from their website not only the flights operated by Elite airways Ltd but also for the flights operated by Woodpeckers Airlines Ltd group whereby the customers can have the access to thousand flight destinations operated both by Elite and Woodpecker airways at domestic and international levels.

The remaining share in the market was occupied by other Six Airline companies at the domestic level. Now the board of directors of Woodpeckers Group Ltd and Elite Airways Ltd together have decided to acquire Torrent Airlines and subsequently merge the Torrent Airlines into Elite Airways. The responsibility of negotiating with Torrent Airlines Ltd management was given to the board of directors of Elite airways Ltd in the month of January 2023, they had a meeting with Torrent Airlines Ltd and the board of directors of Elite airways Ltd were successfully able to negotiate the deal whereby the board of directors of Torrent Airlines Ltd prima facie gave their nod for the merger of Torrent Airlines Ltd with the Elite Airways Ltd but the directors of torrent airlines broke into two groups where one group (Herein after Group 1 directors) is in favour of selling the entire share capital of Torrent Airlines Ltd to the Elite Airways Ltd, where the existing shareholders will exit from the Torrent Airlines Ltd and Elite airways Ltd will totally takeover Torrent airlines and merge Torrent airlines into Elite Airways. The decision of selling entire share capital leads to the raise of share prices which benefits the shareholders.

The another group (Herein after Group 2 Directors) are of the opinion that the Torrent Airlines Ltd shall be merged into Elite Airways Ltd with a restructuring arrangement where by the existing shareholders of Torrent Airlines Ltd will be allotted the shares in Elite Airways in 2:1 ratio.

Meanwhile the Woodpecker Ltd company is also in the process of giving proposals based on the decision that is going to arrive at the general meeting of Torrent Airlines Ltd. One proposal is to go for the raising further capital, for paying sum to the existing shareholders of Torrent

Airlines Ltd , if they go with the proposal of selling their entire share capital subjected to the amount that is to be decided by the board of directors of both the companies.

The board of directors of Woodpeckers Ltd are also considering the proposal to raise the debt capital, instead of going for further issue as they were of the opinion that the assets and the cash flows of the company are sufficient to raise the debt capital without further diluting the existing share holders structure of Elite Airways Ltd.

The Woodpecker Ltd company is also framing an another proposal whereby the shareholders of Torrent Airlines will be allotted the shares of Elite Airways Ltd without affecting the cash flows of Elite Airways Ltd.

The Torrent Ltd and Elite Ltd Airways together approach you for framing Restructuring Scheme for the above said combinations as a leading market advisor your team CSR has experts from Law, Finance and management. You are requested to prepare a proposal to combinations for the above discussed.

The laws of Indiana are similar to that of Indian legislations. The Legislations in India Mutatis Mutandis are applicable in given situation.

The participants may take the help of Indian market scenario for the purpose of their arrangements.

Note: - With each qualifying round, some extra information will be provided to the teams, which will assist them in framing the opinion.