

SECURITIES LAWS & CAPITAL MARKET

426

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 8

NOTE : Answer ALL Questions.

PART-I

1. (a) (i) Daksh is planning to invest in Systematic Investment Plan (SIP) of a mutual fund with a fixed sum of ₹ 20,000 on 2nd of every month for four months. The NAV on these dates are ₹ 30.76, ₹ 42.18, ₹ 38.15 and ₹ 40.25 respectively. The entry load was 1.75% throughout the period. Find the average buy price including the amount of entry load.
- (ii) X has made an investment of ₹ 50,000 to buy 5000 units of Philip mutual fund on 4th April, 2021. He decided to sell the units on 14th November, 2021 at NAV of ₹ 20.60. The exit load was 2.25%. Find the sale value & gain made in the transaction.
- (5 marks)
- (b) Whether these entities are eligible or not to make initial public offer ? Answer with reasons in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- (i) The promoters' group was earlier debarred from accessing the capital market by the SEBI and the period of debarment is already over on the date of filing of the DRHP with the SEBI.
- (ii) Recently, one of the promoter is declared as wilful fugitive offender.

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- (iii) The issuer has changed the name in the last one year and earned 40% of the revenue for the preceding one full year from the activity in the new name.
- (iv) The issuer has a net worth of one crore and fifty lakh rupees in each of the preceding three years, calculated on a restated and consolidated basis.
- (v) The issuer has an average operating profit of ₹ 10 crore during the three preceding years, with operating profit in each of the preceding three years.

(5 marks)

(c) In light of SEBI Insider Trading Regulations, explain with reasons whether the following information is deemed as price sensitive :

- (i) Managing Director of ABC Ltd. met with an accident and was hospitalized.
- (ii) EF Ltd. is under negotiation to enter into a foreign collaboration with a Korean company for technical knowhow.
- (iii) RBI has increased its repo rate by 25 basis points.
- (iv) XY Ltd. is proposing for issue of bonus shares for its shareholders.
- (v) The Chairman of RN Ltd. has submitted his resignation to the Board after reading a news article proposing to sell a particular brand to another company by the promoters of the company.

(5 marks)

(d) What do you mean by Disinvestment ? What is the time limit within which the public announcement is to be made in case of disinvestment ? What are the automatic exemptions under SEBI Takeover Regulations, 2011 for disinvestment ?

(5 marks)

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

2. (a) RJS Ltd. is in the list of top 500 listed entities. P is a non-executive chairman of the company. Q, R & T are the promoters of the company. P is related to the one of the promoter T. A is the only woman director (executive director) in the Board. Further, the company is planning to appoint C (aged 70 years) as a non-executive director. Answer the following with reference to the SEBI (LODR) Regulations, 2015 :
- Whether the company still requires to appoint another woman director ?
 - What is your view for the requirement of independent directors of RJS Ltd. ?
 - Who shall approve the related party transactions in the Audit Committee meeting of a listed company ?
 - Whether the appointment of C is valid ?
- (4 marks)
- (b) M is contemplating acquisition of PQR Limited, a listed entity. He presently holds 23% and his sister, who is having common objective, holds 3%. Their combined holding is 26%. M, in view of creeping acquisition limits, desires to acquire further 3% on the assumption that 5% is the ceiling for such acquisition in every financial year. Will M be required to make open offer ?
- (4 marks)
- (c) The equity shares of ABC Limited have been delisted from the stock exchange. When can an application be made for listing of equity shares of ABC Limited ?
- (4 marks)
- (d) Corporates Advisors Ltd. is a listed company. The stock exchange asked certain information about shareholding pattern etc., which the company could not provide even after a further opportunity was given to the company to furnish such information as the company did not maintain the relevant records. What are the penalties leviable against the company under Securities Contracts (Regulation) Act, 1956 ? Will your answer differ, if the information is sought by the SEBI (state the relevant provision) ?

(4 marks)

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- (e) PTM Ltd., a listed company has declared dividend to its registered shareholders on 1st January, 2021 but the company did not pay the dividend till 31st January, 2021.
- (i) Whether the registered shareholder can lodge the complaint on SCORES Portal ?
If yes, then what is the timeline for lodging the complaint on SCORES ?
 - (ii) What happens if registered shareholders fail to lodge a complaint on SCORES within the stipulated period ?
 - (iii) Can the shareholder file complaint on SCORES portal without first approaching to the company ?

(4 marks)

OR (Alternate question to Q. No. 2)

- 2A. (i) The financial information of a listed company as on 31st March, 2018 is as follows :
Authorized equity share capital ₹ 10 crore (1 crore shares of ₹ 10 each); Paid-up equity share capital ₹ 5 crore; General reserve ₹ 3 crore; and Debenture redemption reserve ₹ 2 crore. The Board of directors of your company passed resolution by circulation for buy-back of shares to the extent of 9% of the company's paid-up share capital and free reserves. You are required to examine the validity of the proposal with reference to the provisions of the SEBI Buy-back Regulations.

(4 marks)

- (ii) Prikshit is appointed as an independent director on the Board of PQR Ltd. The Company has issued ESOPs to Prikshit deeming him to be its employee. Answer the following :
- (a) Whether Prikshit is entitled to receive the ESOPs (give reason) ?
 - (b) What would be your answer, if Prikshit is a non-executive director belongs to the promoters group and holds 12% outstanding equity shares of the company ?

(4 marks)

: 5 :

- (iii) XYZ Limited is having three subsidiaries X Ltd., Y Ltd., and Z Ltd. The consolidated income of XYZ Limited is ₹ 300 crore and net worth is ₹ 600 crore. The income and net worth of X Ltd., Y Ltd., and Z Ltd. are as follows :

Company	Income (₹)	Net worth (₹)
X Ltd.	10 crore	65 crore
Y Ltd.	45 crore	14 crore
Z Ltd.	10 crore	18 crore

Examine if there is any material subsidiary of XYZ Limited.

(4 marks)

- (iv) Shakti is aggrieved by the order of the Securities Appellate Tribunal (SAT) and intend to appeal before appropriate authority/court. Briefly explain the procedure and time limit for filing of appeal.

(4 marks)

- (v) NLR Ltd. approved buy-back proposal of 2,00,000 Equity Share in its Board meeting on 25th April 2019. The record date was fixed on 25th June, 2019. The closing market price on NSE as on 25th April, 2019 and 25th June, 2019 was ₹ 2640.40 and ₹ 2514.05 respectively. Determine the number of equity shares which is eligible to be tendered by Small Shareholders' Category (rounded off to lower whole number). Calculate the maximum equity share capital and number of equity shares that can be bought back.

(4 marks)

3. (a) David, General Manager (finance) of Suren Enterprises Ltd., was found to be indulging in insider trading activities. As a result, the company terminated his services. The SEBI also took cognizance of the matter and initiated proceedings against him under Insider Trading Regulations. David pleaded that since his service had already been terminated, SEBI could not initiate any proceedings against him. Suggest, what type of action can be taken by SEBI against him ?

(5 marks)

- (b) What do you know about Dematerialisation ? What is the procedure for Dematerialisation ?

(5 marks)

- (c) SEBI has come out with modified provisions for investment and trading in securities by employees of Asset Management Companies (AMCs) and trustees of mutual funds. Explain briefly the term "access person" under these provisions.

(5 marks)

4. (a) What are the information to be reviewed by the Audit Committee for approval and the information to be provided to shareholders for their consideration of Related Party Transactions (RPTs) in case of a listed entity as per the amended SEBI (LODR) Regulations, 2015 ?

(8 marks)

- (b) The financial data of a listed company Sun Rise Ltd. as on 31st March, 2021 is as follows : <https://www.pyqonline.com>

Equity Share Capital (fully paid-up of face value of ₹ 10 each)	₹ 5,00,000
10% Preference Share Capital (fully paid-up of ₹ 100 each)	₹ 1,00,000
12% Debentures (₹ 100 each)	₹ 2,00,000
Revaluation Reserve	₹ 50,000
General Reserve	₹ 2,00,000
Profit & Loss Account	₹ 2,00,000

The company wanted to place proposal before the Board for buy-back of its equity shares and also simultaneously redeem the entire preference share capital. You, as a Company Secretary, advise the Board on the following issues :

- (i) Maximum limit (in amount) up to which shareholders can approve buy-back of shares.
- (ii) Maximum number of shares that can be bought back and the maximum price that can be paid per equity share bought back.
- (iii) Generally, what should be the ratio of the aggregate of secured and unsecured debts owed to the company after buy-back ?

(7 marks)

Contd.

: 7 :

PART-II

5. (a) (i) What are Currency Futures ?
- (ii) R purchases the following European Call option of Emkey Tech Ltd. and European Put option of Giganet Ltd. What decision he would take on expiry, if the share price of Emkey closes at ₹ 1100 and Giganet closes at ₹ 590 in the following circumstances ? (Ignore any premium paid).
- (a) Emkey : 1050 Call
- (b) Giganet : 525 Put
- (c) Emkey : 1120 Call
- (d) Giganet : 580 Put.
- (b) What do you mean by Capital Market Intermediaries ? What are the different kinds and general obligations of Capital Market Intermediaries ?
- (c) What is Inflation rate ? How to calculate it ? M bought his morning coffee for ₹ 12 in 2019, but now he is paying ₹ 16 in 2023. Calculate the inflation rate.
- (5 marks each)

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

6. Write short notes on the following :
- (a) Currency Derivatives
- (b) Angel Fund
- (c) Block Deal
- (d) Municipal Bonds
- (e) Appointment of compliance officer by intermediaries.

(3 marks each)

OR (Alternate question to Q. No. 6)

- 6.A. (i) An investor can invest in real estate without buying any physical property by way of investment in Real Estate Investment Trusts (REITs). Explain REITs and its benefits.
- (ii) Roshivee wants to invest in the share of blue chip companies. However, due to the expected outbreak of war between two countries, an investment advisor suggested him to invest through option contract. He expects that the price of shares will go down in near future.
- (a) What option contract (put or call option) he should buy ?
- (b) If the present futures contract of Maxwell Ltd. are traded at ₹ 100 and put option involves, a cost of 1.5% (one and a half) based on the strike price. During the month, the war was declared and the price of the share went down to ₹ 97. What will be the gain or loss on ₹ 1,50,000 option contracts ?
- (iii) What is Debenture Trustee ? When is the appointment of Debenture Trustee mandatory ? What conditions a company has to comply for the appointment of Debenture Trustee ? What is the eligibility for being a Debenture Trustee ?

(5 marks each)

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