

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 7

NOTE : Answer SIX questions including Question No.1 which is compulsory.

1. Examine and comment on the following. Attempt **any five** :

- (i) The SWOT analysis of target business is carried out as part of due diligence.
- (ii) The non-convertible portion of partly convertible debt instruments issued by a listed company, the value of which exceeds rupees fifty lakh, may be rolled over without change in the interest rate, subject to the compliance and conditions of the Companies Act, 1956.
- (iii) SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 have laid down the general obligations of acquirer, target company and manager to the open offer and penalties have been laid down for non-compliance of these obligations.
- (iv) Foreign direct investment is prohibited in certain activities/sectors.
- (v) Joint ventures are considered appropriate when complementary needs exist between companies and there is compatibility between strategies of both the firms.
- (vi) The search and status report informs the lenders about the status of charges held by them *vis-à-vis* held by others. This becomes a part of due diligence before making any further lendings.

(4 marks each)

2. (a) Write the most appropriate answer from the given options in respect of the following :

- (i) Particulars of charges which are registrable with the Registrar of Companies can be filed by —
 - (a) Company
 - (b) Creditor
 - (c) Company and creditor
 - (d) Shareholder.
- (ii) Which of the following issues is also known as private placement —
 - (a) Public issue
 - (b) Rights issue
 - (c) Bonus issue
 - (d) Preferential issue.

- (iii) The provisions relating to independent director under clause 49 of the listing agreement require that the Board of directors of the company shall have an optimum combination of executive and non-executive directors with not less than _____ of the Board of directors comprising of non-executive directors :
- (a) 50%
 - (b) 51%
 - (c) 25%
 - (d) 10%.
- (iv) The limit on foreign investment made either directly or indirectly through depository receipts mechanism, is _____ of the issued and subscribed capital of the issuing company :
- (a) 50%
 - (b) 51%
 - (c) 49%
 - (d) 25%.
- (v) Which of the following parties is not involved in the issue of Indian depository receipts —
- (a) Issuing company (foreign company)
 - (b) Overseas custodian
 - (c) Overseas depository
 - (d) Indian investors.
- (vi) While submitting the internal/concurrent audit report to NSDL, the auditors must sign the report using the following valid digital signature certificate issued in his/her name —
- (a) Class 1
 - (b) Class 2
 - (c) Class 3
 - (d) Class 2 and Class 3.

(1 mark each)

(b) Distinguish between the following :

- (i) 'Technical due diligence' and 'financial due diligence'.
- (ii) 'Role of knowledge management' and 'role of information technology' in compliance management.

(5 marks each)

3. (a) Under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, 'specified securities' include equity shares and convertible debt instruments. Thus, the conditions specified under the regulations regarding equity shares are equally applicable to public issue of convertible debt instruments also. However, there are certain other requirements which are to be complied with by the issuer of such debt instruments. Mention those additional requirements.

(4 marks)

- (b) Directors of Anjana Ltd. are not holding any shares in Mamta Ltd. Similarly, directors of Mamta Ltd. are not holding any shares in Anjana Ltd. However, husband of Ms. Aditi, director of Anjana Ltd. holds 40% of the paid-up share capital of Mamta Ltd. Board of directors of Anjana Ltd. entered into a contract with Mamta Ltd. for purchase of goods and Ms. Aditi did not disclose her indirect interest in Mamta Ltd. Examine whether director, Ms. Aditi has violated any of the provisions of the Companies Act, 1956 and also the validity of the contract.

(6 marks)

- (c) Neeraj Developers Ltd. is a company engaged in infrastructure development. The company has investments in shares of other bodies corporate including 70% shares in Neeraj Cement Ltd., and it has also advanced loans to other bodies corporate. The aggregate of all the investments made and loans granted by Neeraj Developers Ltd. exceeds 60% of its paid-up share capital and free reserves and also exceeds 100% of its free reserves. Due to its business requirements, Neeraj Developers Ltd. has obtained a term loan from XYZ Bank and the said loan is still subsisting. Now, the company desires to increase its holding from 70% to 85% of the equity share capital in Neeraj Cement Ltd. by purchase of additional 15% shares from other existing shareholders.

Advise the Board of directors of the company about the legal requirements to be complied with by Neeraj Developers Ltd. under the provisions of the Companies Act, 1956 to give effect to the above proposal.

(6 marks)

4. (a) Ragini Financial Services Ltd., a non-banking financial company is accepting public deposits. Prepare a detailed statement of information to be furnished to the Reserve Bank of India.

(6 marks)

- (b) Virendra was a non-executive independent director of Rajni Ltd. He was also a member of audit committee and compensation committee of the company. Rajni Ltd. is also the holding company of Preeti Ltd. and Sweety Ltd.

Sweety Ltd. made large investments in the scrip of Ruchi Ltd. (the target company). It was noticed that Ms. Deepa, wife of Virendra, had traded in the scrip of the target company ahead of large investments made by Sweety Ltd. in the scrip of the target company. The funds for the said trading were provided by Virendra and trading was done through Ramesh Securities Ltd., which is also the stock broker of Sweety Ltd. Ms. Deepa bought a total of 35,000 shares of Ruchi Ltd., at an average price of ₹130 and sold them at an average price of ₹220 after 10 days of investment by Sweety Ltd. in the target company.

Will this deal by Ms. Deepa tantamount to insider trading ? Justify your answer.

(6 marks)

- (c) What are the compliances to be made under European Union (EU) directives in respect of issue of global depository receipts ?

(4 marks)

5. (a) The Board of directors of All India Rubber Manufacturers Association Ltd. has passed a resolution to the effect that no member who is indulging in activities detrimental to the interests of the company be permitted to examine the records or obtain certified copies thereof. A member of the company who is also a member of the rival association demands inspection of the register of members and minutes of general meetings and certified copies thereof. The company refuses the inspection, *etc.*, on the strength of the resolution referred to above. Examine the validity of refusal by the company in the light of the provisions of the Companies Act, 1956 and the remedial action, if any, available to the aggrieved member.

(5 marks)

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- (b) Shareholding of Anshul in Varish Petrochemicals Ltd., a listed company, as on date of last annual return was as follows :

Fully paid-up shares of ₹10 each : 1,000 shares

Fully called-up but partly paid-up shares to the extent of ₹5 each : 500 shares

Subsequent to the last annual return, an amount of ₹1,250 was received from Anshul. Forfeiture of shares corresponding to the amount defaulted by Anshul was sanctioned by the Board of directors of the company.

Comment on the shareholding to be shown against Anshul in the current year and the number of shares and amount forfeited by the company.

(5 marks)

- (c) Due to inadequacy of profits during the year, Varsha Retail Ltd. proposes to declare dividend out of general reserve. From the following particulars, ascertain the amount that can be drawn towards the same applying the Companies (Declaration of Dividend out of Reserves) Rules, 1975 :

	₹
35,00,000 equity shares of ₹10 each	3,50,00,000
87,500, 9% preference shares of ₹100 each fully paid	87,50,000
Securities premium	17,50,000
Profit and loss account (<i>credit balance</i>)	3,15,000
General reserve	1,05,00,000
Net profit for the year	17,85,000
Capital reserve on revaluation of assets	17,50,000

Average rate of dividend during the last five years is 15%.

(6 marks)

6. (a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) The first and foremost in a deal for the management of the target company(ies) is that the investor is to sign _____ which underlines the various terms on which the proposed deal is to be concluded.

- (ii) A copy of the qualified institutions placement (QIP) document should be filed with the SEBI for its record within _____ of the allotment of eligible securities.
- (iii) A merger in which certain shareholders are required to accept cash for their shares while other shareholders receive shares in the continuing firm is known as _____.
- (iv) Whenever a public company intends to issue shares without issuing a prospectus, it is mandatory to deliver to the Registrar of Companies a statement in lieu of prospectus, at least _____ before allotment of shares/debentures.
- (v) In terms of Regulation 13(4) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, a detailed public statement shall be published by the acquirer through the manager to the open offer within a maximum of _____ from the date of public announcement.
- (vi) Every company to which The Companies (Compliance Certificate) Rules, 2001 apply is required to file with the Registrar of Companies, a compliance certificate within _____ from the date on which its annual general meeting is held.

(1 mark each)

- (b) The following balances appeared in the books of Sanjay Coal Ltd., a listed company, on 1st April, 2013 :

	<i>(₹ in lakhs)</i>
Equity share capital of ₹10 each	6,500
9% Preference share capital of ₹100 each fully paid-up	4,000
General reserve	4,000
Profit and loss account	1,500

Examine the implications of the following in the context of buy-back of shares and suitably advise the Board of directors :

- (i) The Board proposes to buy-back company's shares worth ₹4,000 lakh from its shareholders at a price of ₹50 per share.
- (ii) The Board approved the buy-back in its meeting held on 30th August, 2013. Buy-back of shares is to be made on 30th October, 2014 after auditing the accounts for the year 2013-14.

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- (iii) As on 30th August, 2013 there were some shares which were not fully paid-up.
- (iv) Articles of association have no provision for buy-back of shares.
- (v) Company proposes to purchase its own shares out of free reserves.
- (vi) Consequent to the buy-back of shares, the debt-equity ratio is expected to increase to 2.67 : 1.

(10 marks)

7. (a) Explain the compliances required with regard to the following. Attempt **any two** :

- (i) Audit of share transfers in physical form
- (ii) Register of sweat equity shares
- (iii) Capitalisation of profits and issue of bonus shares.

(4 marks each)

(b) Write notes on the following. Attempt **any two** :

- (i) Publication of financial results in newspapers under the listing agreement
- (ii) Depository receipts (DRs) and their advantages
- (iii) Overseas investment by proprietorship concerns/unregistered partnership.

(4 marks each)

8. Critically examine and comment on the following. Attempt **any four** :

- (i) During the diligence process, care should be taken to adhere to certain hospitality issues.
- (ii) Obligations of a target company, once a public announcement is made under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (iii) Requirements of constitution of audit committee.
- (iv) Areas broadly covered by the internal audit of depository participants.
- (v) Foreign companies engaged in manufacturing and trading activities abroad are allowed to set-up branch offices in India for certain specific purposes.

(4 marks each)