OPEN BOOK EXAMINATION **342**

Roll No....................................

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

Total number of questions : 6 ***Total number of printed pages : 5***

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

1. (*a*) ABC Ltd. was incorporated in May 2010. It came out with its initial public offer (IPO) in January 2017 and the shares were issued at a premium of ₹ 225 per equity shares. The face value of share is ₹ 10 per equity share.

The company now wants to expand its business and for this purpose it requires further capital of ₹ 10 crores, which it intends to raise the funds through the preferential issue for which the relevant approval from the shareholders have been obtained by the company in the General Meeting held on 30-8-2017.

The average of the weekly high and low of the closing prices of the equity shares are as under :

Number of Weeks	**Average of High and Low** (₹)
20 weeks preceding the relevant date	230.22
2 weeks preceding the relevant date	288.00

From the above information, please answer the following questions :

(*i*) Whether the company can issue preferential issue ? If so, what are the pricing norms of such issue ? Mention the name of the relevant SEBI Regulation and its detailed provisions.

(*15 marks*)

(*ii*) At what price preferential issue shall be made to the Qualified Institutional Buyers (QIBs)

(*10 marks*)

(*iii*) After issue of shares to the QIBs the weekly high and low averages of share price of ABC Ltd. on completion of 26 weeks from the date of listing was ₹ 238.40. Calculate, whether any further amount has to be received from the QIBs, to whom such preferential allotments were made ?

(*10 marks*)

(*b*) Ronak Ltd. is a public company listed on BSE. Its share capital is ₹ 2,75,00,000 consisting of ₹ 27,50,000 shares of ₹ 10 each. The public holding in the company is 47% of the total shares and rest of 53% shares are held by the promoters and its relatives as on 31-3-2013.

The promoters in order to avoid any hostile take over, want to increase their stake by 5% of the total shares in the F.Y. 2013-14 and further want to increase their stake by 5% of total shares in the succeeding F.Y. i.e. 2014-15; 2015-16; 2016-17 and 2017-18 without making any public announcement.

The promoters intend to acquire shares as per the guidelines prescribed under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Takeover Regulations). In light of the above information, please answer the following questions :

(*i*) Whether the promoters can acquire additional 5% stake in the share capital of the company during the F.Y. 2013-14 in terms of SEBI—Takeover Regulations. Narrate your answer with quoting the regulation and also state disclosure requirements.

(*8 marks*)

(*ii*) Whether the promoters can further acquire 5% additional shares as per Takeover Regulations in each of the F.Y. 2014-15; 2015-16; 2016-17 and 2017-18 till it reaches the level of 75% of the share capital of Ronak Ltd.

(*7 marks*)

2. (*a*) You are a practicing Company Secretary named AAA and has been approached by Secretarial Department of LMN Ltd. (a listed company) seeking your opinion on the appointment of following person as Independent Director on the Board of LMN Ltd. :

(*i*) Kanhaiya, whose wife is Director in the RPQ Ltd. (holding company of LMN Ltd.)

(*ii*) Ms. Avneet Kaur, whose spouse once supplied raw material to LMN Ltd. of ₹ 40 lakh during the preceding financial year in which the gross turnover of LMN Ltd. was ₹ 500 crore.

(*iii*) Reggie, who is already having directorship in 19 companies, of which 9 companies are listed public companies.

(*iv*) Khalid, who was earlier a promoter of TCA Ltd. (A subsidiary of LMN Ltd.).

Comment on each of the points, whether above named persons can be appointed as independent directors in LMN Ltd. ?

(*8 marks*)

(*b*) The shares of XYZ Ltd. are listed on NSE. However, trading in the shares of company were rarely held. During the F.Y. 2017-18, the share price (face value ₹ 10) remained constant at a price of ₹ 85 and last transaction in this script was held in the month of June 2017.

However, during the period from May 2018 to June 2018, there were good amount of transactions and it ranges from ₹ 110 to ₹ 254. This gave an alarm to the SEBI and it observed that :

(*i*) Shares are not liquid and were not frequently traded, however it suddenly got momentum.

(*ii*) A significant portion of gross volume of MB, who is a broker of National Stock Exchange, as Investor amounted to 5.59% of the total volume traded on NSE during that period.

(*iii*) A significant portion of gross volume of MB was in the shares of XYZ Ltd. only and that too, squaring off in nature and with the same opposite party.

Under these circumstances, what action the SEBI should take against the broker MB. Your answer should cover the relevant portions of the SEBI Act/its relevant Regulations and also mention, whether the broker MB is liable for the monetary penalty ?

(*12 marks*)

(*c*) What course of action should be followed by a company, if it has accumulated free reserves and is desirous of bridging the gap between the capital and fixed assets. Mention the conditions which must be satisfied before following this course of action and relevant guidelines under the Companies Act, 2013 and SEBI Regulations.

(*10 marks*)

3. A student of an Engineering College is having a Savings Bank Account (SB A/c) in a bank situated in the college campus. His father used to deposit ₹ 20,000 per month for his day to day need and the transactions in his bank account were normal. However, after some time, his savings bank account witnessed large number of credit entries of small-small amount (in hundreds/ thousands of rupees) and it accumulated to the tune of crores of rupees. This credit inflow remained for a period of six months and accumulated upto ₹ 5 crores. The accumulated money was utilized for paying off to a builder for purchase of flat.

Comment on the above transactions from the point of view of the Prevention of Money Laundering Act, 2002 and what action the branch manager of the Bank (where the student is having his SB A/c) should take ?

(*5 marks*)

4. Calculate the total margin payable on a trade of shares of PQR Ltd., market value of which is ₹ 50 lakh if VaR margin rate for these shares is 12% and Standard Deviation of Natural Log (LN) Return of the same security for the last 6 months is 4.5%.

(*5 marks*)

5. A Ltd. have issued 1,50,000 shares, market value of which is ₹ 475 per share. Out of the issued shares only 70% of the shares are available for trading in open market.

B Ltd. have issued 1,75,000 shares, market value of which is ₹ 425 per share. Out of the issued shares only 30% of the shares are available for trading in open market.

C Ltd. have issued 2,00,000 shares, market value of which is ₹ 400 per share. Out of the issued shares only 55% of the shares are available for trading in open market.

Assuming that a Stock Exchange Index consists of only three stocks.

(*a*) Calculate the Total Market Capitalization.

(*2 marks*)

(*b*) Calculate the Free Float Market Capitalization.

(*3 marks*)

6. (*a*) Describe the salient features of Commercial Paper (CP).

(*2 marks*)

(*b*) A company issued Commercial Paper (CP) having a face value of ₹ 5 lakh for 90 days maturity at the interest rate of 10% of issue price. Calculate its issue price.

(*3 marks*)

——— o ———