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CS Executive 2024 Question Paper · Capital Market and Securities Laws

EXAM
CS Executive

YEAR
2024

TYPE
Question Paper

SUBJECT
Capital Market and Securities Laws

DATE
June 2024

NEW SYLLABUS

525

Roll No. .....

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

Total number of questions : 6 ***Total number of printed pages : 12***

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

PART–I

1. (*a*) Maxgrow Ltd. (a listed company) is manufacturing the solar PV modules in India. It is a cash rich company with cash reserve of ₹ 500 crore. It declared a dividend of ₹ 20 per share (face value ₹ 10 each). Before the record date, many mutual fund houses. HNIs and Institutional investors shown interest in the shares of Maxgrow Ltd. through block deal. Ranjan, a shareholder did not receive the dividend declared by the company after the expiry of prescribed period.

Since last two months, there is heavy fluctuation in the price of the shares of Maxgrow Ltd. and with very thin trading volume. The stock exchange based on its surveillance system, took stringent action in the interest of the investors.

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Technet Ltd, subsidiary of Maxgrow Ltd. is in the business of data analytics since last two years. It is providing the services to the fortune 500 companies across the world. The management wishes to list its securities with the stock exchange, by floating an IPO.

After analyzing the case study, answer the following (with reasons) :

(*i*) Is block deal window also open for individual investors ?

(*ii*) What are the timings of executing transaction through block deal window ?

(*iii*) What first course of action is available to the shareholder for default of payment of dividend by the company ?

(*iv*) What types of preventive surveillance restrictions can be imposed by the stock exchance (name any *four*) ?

(*v*) Is it possible to list shares for a two year old company in the stock exchnage ?

(*2 marks each*)

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(*b*) Centre for Youth Ltd. (CYL) is a section 8 company and operating since last 20 years. Its prime area of activities is to promote education and employability amongst unserved population. Currently the major donations come through advertisement in social media. As the company started providing education towards financial literacy, it needs more funds to cater the growing demand. The management is of the view that as CYL is a not-for-profit entity, it can't raise funds through open market for fulfilling its objects. You being a SEBI law consultant, advise the management on the below aspects for raising of funds through Social Stock Exchnage (SSE) (with reasons) :

(*i*) What are the provisions for section 8 company to tap the public fund under SEBI regulations ?

(*ii*) Will it make any difference if CYL is a charitable trust ?

(*iii*) What type of instrument is allowable for CYL for fund raising ?

(*iv*) What will be your answer, if 40% target population is general public ?

(*v*) If CYL was debarred by Ministry of Home Affairs for carrying out its activities, can it still raise funds through SSE ?

(*2 marks each*)

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

2. (*a*) As a company secretary, you are required to advise on the following issues :

(*i*) Can a foreign bank, operating in India, be registered as a depository participant ?

(*ii*) Manoj Soni, a lawyer by profession, has a Demat account with a scheduled commercial bank but he wants to open another account with another depository participant. Can he do so ?

(*iii*) Manmohan Reddy holds shares of XYZ Pvt. Ltd. in Demat Form. Advise how he would get the right issue shares ?

(*iv*) Are debt instruments viz; debentures and commercial papers available for Demat at the Depository ?

(*1+1+1+2=5 marks*)

(*b*) One of the investors wants to invest in the growing real estate market. The entry and exit from the physical real estate is not cost effective and illiquid. Is there any way to invest in real estate like other securities ? State briefly.

(*5 marks*)

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(*c*) Mohan purchased a 3 month call option for 100 shares in PQR Ltd. at a premium of ₹ 30 per share, with an exercise price of ₹ 550. He also purchased a 3 month put option for 100 shares of the same company at a premium of ₹ 10 per share with an exercise price of ₹ 500. Calculate the profit or loss that Mohan would make assuming that the market price falls to ₹ 400 at the end of 3 months.

(*5 marks*)

(*d*) The IFSCA (Issuance and Listing of Securities) Regulations, 2021 allowed a company incorporated in a foreign jurisdiction to list its securities in India. In this context, state the type of listing and eligibility criterion.

(*5 marks*)

OR (Alternate question to Q. No. 2)

2A. (*i*) Write short note on an investment advisor. Explain in brief the general obligations and responsibilities of investment advisors.

(*5 marks*)

(*ii*) What are the key differences between WPI and CPI ?

(*5 marks*)

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(*iii*) The rising FED rate will certainly impact the fund flow to rest of the word. Elucidate the statement in the Indian context.

(*5 marks*)

(*iv*) Registrars and Share transfer Agents (RTA) ease the burden of a listed entity on day-to-day resolution of matters pertaining to the securities. State in brief, the pre and post issue activities performed by an RTA.

(*5 marks*)

PART–II

3. (*a*) PBR Ltd. is a toy manufacturing listed company with its head office in Jaipur, Rajasthan. PBR Ltd. wishes to issue Further Public Offer (FPO). It has changed its name in the last one year immediately preceding the date of filing the documents for FPO. Being a Company law consultant, advise the management for eligibility for issue of FPO and lock-in period requirements for promoters' holding, which is in excess of minimum promoters' contribution.

(*5 marks*)

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(*b*) Sanaya Ltd. (a listed company) wants to implement Sweat Equity shares scheme for its employees. The company is also willing to issue shares under the scheme to one its whole-time director 'Jeevan'. Jeevan holds 21% of the outstanding equity share of the company. Whether the company can issue Sweat Equity shares to Jeevan ? What type of information to be disclosed to the stock exchange after issue of Sweat Equity shares ?

(*5 marks*)

(*c*) Neeraj, an experienced technocrat, worked as an Executive director of an unlisted company. One of the leading listed companies (top 10), offered him Chief Executive Officer's post, at a higher pay scale. Neeraj knows that there is numerous SEBI compliance applicable for a listed company. Being a company secretary in practice, advise Neeraj about SEBI regulations on following :

(*i*) Requirement of appointment of women director.

(*ii*) Meeting & Quorum of the Board Meeting.

(*iii*) Composition of an Audit Committee.

(*1+2+2=5 marks*)

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4. (*a*) A large mutual fund asset management company holding a portfolio of ₹ 2,000 crore. It has launched a new Multi Cap Fund and wishes to engage bollywood celebrity to popularize this scheme. Is it permissible under SEBI regulations ? Will it make any difference, if the company intends to disseminate the awareness in general about the mutual fund industry ?

(*5 marks*)

(*b*) Following persons desires to change their status from promoters to public i.e. re-classification of promoters shareholders to public shareholders. With reference to SEBI regulations, advise whether they are eligible for reclassification ?

(*i*) Raman is acting as a Company Secretary

(*ii*) Naina defaulted repayment of loans and declared as wilful defaulter as per RBI guidelines

(*iii*) Mayank is holding 15% of total voting rights.

(*iv*) The trading of equity shares of the company suspended by the stock exchange.

(*v*) Minal acting as a Chief Financial Officer.

(*5 marks*)

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(*c*) The share price of a listed industrial paint manufacturing company is continuously falling for the last one month, due to rising price of the crude oil, which is the prime raw material for the company's products. The management feels that the product situation will improve in near future. The CEO of the company advised to buy-back its shares, as he considers this as a right time to do so. Advice the management about the approval requirement from Board/shareholders and opening of escrow account for funding of buy-back offer.

(*5 marks*)

5. (*a*) Harish Ltd. and Monish Ltd. are planning to float an IPO in March 2025 worth ₹ 600 crore and 500 crore respectively. Harish Ltd. is a pharmaceutial company and incorporated five years ago and is satisfying the conditions of regulation 6(1) of the SEBI (ICDR) Regulations 2018. Monish Ltd. is a start-up, engaged in the business of Organic farming technology and is operational since last two years. Many private equity players have already invested in the company and planning to sell their holding during the IPO. Calculate, the maximum permissible allotment to an anchor investor by both companies (assuming face value of ₹ 10 in each case).

(*5 marks*)

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(*b*) Nirav attained the age of 18 years recently. He understands the concept of compounded return, thus started investing in a Systematic Investment Plan (SIP) from his monthly pocket money for an amount of ₹ 5,000 per month at the beginning of every month. The NAV of the scheme at the beginning of each month is given as below :

Month 1 : ₹ 10, Month 2 : ₹ 10.50, Month 3 : ₹ 10.80, Month 4 : ₹ 11.00, Month 5 : ₹ 11.30

The NAV at the end of the 5th month is ₹ 12.10

What will be the value of holding of Nirav the end of 5th month under this SIP plan ?

(*5 marks*)

(*c*) Miraj Ltd. (''Target Company") is a listed company. The existing holding of promoters' group in Miraj Ltd. is 45%. One of the promoters' groups wants to transfer 2% shares to another promoters' group.

Miraj Ltd sought your expert opinion on the requirement of open offer and applicability of exemption under SEBI (SAST), Regulations, 2011 for making compulsory open offer.

(*5 marks*)

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

6. (*a*) Exotica venture capital fund (leading foreign fund house) had invested in a startup company & qualified as promoter. The company is willing to come up with Initial Public Offer. Exotica fund is thinking of selling its entire shareholding just after the listing of shares. Advise the Exotica fund by referring SEBI regulations for lock-in period of pre-issue shareholding. What will be your answer, if the majority of the IPO proceeds is used for capital expenditure ?

(*b*) Rajesh, is an ace investors in the primary capital market. Due to rising response of High net-worth individual investors in the IPO market, the non-institutional quota generally subscribed multifold, thus very few chances remain to get allotment in the non-institutional category. State by quoting the SEBI provisions, the application sizes under the non-institutional category and how and when he gets more chances for shares allotment.

(*c*) The concept of ‘‘Green debt security” has been introduced in SEBI regulations; narrate any five purposes for which money raised through green debt security can be utilized.

(*5 marks each*)

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OR (Alternate question to Q. No. 6)

6A. Write short notes on the following :

(*i*) Composition of Risk Management Committee

(*ii*) Quarterly disclosures by a Collective Investment Management Company

(*iii*) Distinguish between Regular and Direct plan of a mutual fund scheme

(*iv*) Enterprise Value

(*v*) Fraud under SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

(*3 marks each*)

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