CS EXECUTIVE NEW SYLLABUS
CAPITAL MARKET & SECURITIES LAWS
Topic Name: PART-B
ATTEMPT ALL QUESTIONS

Time: 90 Minutes. **Marks-50**

Q1. Case Study. **(10 marks)**

The term buy-back implies the act of purchasing its own shares/securities by a company. This facility enables the Company to go back to the holders of its own shares/securities and make an offer to purchase such shares/ securities from them.

The corporates adopts various tools, viz., mergers, amalgamations and takeovers for restructuring the business. All these activities, in turn, impacts the functioning of the capital market, more particularly the movement of share prices. As the shares of companies are held by different segments of society, viz., entrepreneurs, Body Corporates, institutional investors and individual shareholders including small investors, it is reasonable that there should be equality of treatment and opportunities to all shareholders, transparency, proper disclosure and above all protection of interests of small and minority shareholders.

Similarly, buy-back of securities is a corporate financial strategy which involves repurchase of its outstanding shares by a company.

There are generally two ways a company can return cash to its shareholders –

- declaration of dividend; or
- through buy-back of shares.

A buy-back represent a more flexible way of returning surplus cash to its shareholders as it is governed by a process laid down by law, it is carried out through the stock exchange mechanism and is more tax efficient as it does not involve the company to make payment of dividend distribution tax and it has the benefits of long term capital gains.

Buy-back leads to reduction in outstanding number of equity shares, which may lead to improvement in earnings per equity share and enhance return on net worth and create long term value for continuing shareholders. In India, while buy-back of securities is not permitted as a treasury option under which the securities may be reissued later, a company can resort to buy-back to reduce the number of shares issued and return surplus cash to the shareholders.

The buy-back of securities is governed by Section 68, 69 and 70 of the Companies Act, 2013 and Rule 17 of the Companies (Share Capital and Debentures) Rules, 2014. For Listed Companies, the SEBI Regulations for Buy Back will also be applicable.

Answer the following questions

1. 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.

2. Your company is planning to buy back shares from the open market through stock exchange method. You are required to state the provisions and procedure to implement the proposal as per the SEBI (Buy-back of Securities) Regulations, 2018.

Q2. Answer the following questions. **(5 marks each)**

1. Karuna Ltd. made an Initial Public Offer (IPO) of equity shares in March, 2020 and was granted listing on stock exchange. Soon, thereafter, the promoters of the company started contemplating a change in the objects clause mentioned in the offer document. To give effect to the same, the company convened an extraordinary general meeting of shareholders in April 2020. Though the requisite resolution was passed by the company, there were, nevertheless, the dissenting shareholders too. The promoters decided to provide an exit opportunity to the dissenting shareholders. In the light of the above, answer the following
(i) Who are the dissenting shareholders?

(ii) What is the eligibility of shareholders for availing the exit offer?
(iii) Enumerate the conditions required to be complied with to give effect to this recourse which was availed by the promoters.
(iv) How the exit offer price will be determined?

2. Due to growing numbers of startups in India, one of the leading listed startup has apprehension that the experienced employees may leave the company to get higher pay package. The CEO desires to issue Sweat Equity Shares to the employees to retain them. You being a Company Secretary advise the management about pricing of the shares under the SEBI (Share Based Employee Benefits & Sweat Equity) Regulations, 2021.

Q3. Answer the following questions. (5 marks each)

1. Manohar shares issued on private placement basis NSE. Prepare a brief note for the directors of Manohar Ltd. regarding applicable provision relating to Listing Application and documents required to be attached to listing application under the SEBI (Issue & Listing of Non-Convertible Securities Regulations, 2021.

2. RJS Ltd. is in the list of top 500 listed entities. P is a non-executive chairman of the company. QR & 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:
(i) Whether the company still requires to appoint another woman director?
(ii) What is your view for the requirement of independent directors of RJS Ltd.?
(iii) Who shall approve the related party transactions in the Audit Committee meeting of a listed company?
(iv) Whether the appointment of C is valid?

Q4. Answer the following questions. (5 marks each)

1. Romeo International Limited, an Indian public limited company, is listed on BSE. On Friday i.e. 14th December, 2018 one of the shareholders of the Company, Ganesh, who was already holding 30% stake in the company, made a public announcement for an open offer for the acquisition of Rs. 13 crore equity shares (Face value Rs. 10 each), constituting 26% of the equity share capital of the Romeo International Limited. The offer price per share according to Takeover Regulations is arrived at Rs. 500 per share. Explain the following with reference to SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011:
(a) What is the time limit for depositing amount in escrow account and explain with the relevant provisions, what amount should be deposited in escrow account in this case?
(b) Explain the forms of maintaining the escrow account.

2. David, General Manager (Finance) of Suren Enterprises Ltd., was found to be indulging in insider trading activities. As a result, the company termi nated 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?

Q5. Answer the following questions. (5 marks each)

1. In case if a Company is found to be in violation of the SEBI (Prohibition of Fraudulent & Unfair Trade Practice relating to Securities Market) Regulations, 2003, what are the actions SEBI can take against the company?

2. Managing Director of AB Ltd., a listed company wishes to implement the procedure for voluntary delisting from a few stock exchanges subject to listing of at least one stock exchange having nationwide terminals. As a Company Secretary prepare a note on your Managing Director in the light of SEBI (Delisting of Equity Shares) Regulations, 2021.

BEST OF LUCK