

Roll No. 522622

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) About three decades ago, three friends M, N and P formed a private limited company named MNP Private Limited. They began their operations with four looms and hardly couple of employees in a deserted small village of Gujarat one of India's promising textile belts. Over the following years, with the hard labour and dedication of team, the business grew in size, volume as well as in profitability too. This help MNP Private Limited to expand its business from domestic market into exports market in the financial year 2018-19. With higher export margins and timely payment by foreign clients, later its business further emerged as a vertically integrated textile yarn manufacturer, knitted fabric and also ready-made garments producer.

By 2022, MNP's leadership had an ambitious plan for further expanding into two new domestic plants with double of its existing capacity in the Northern part of the country, to make pan India presence. But they were also knowing that they have

to look beyond their internal sources of funds and debt financing to achieve their goals. Because, in the recent past, the management had a bad experience for overboarding bank financing. At the same time, the company never had an outside shareholder. Therefore, they are also hesitating to have someone unknown to them on the Board.

Considering the whole scenario, their Company Secretary, suggested the top management to engaged some renowned consulting firm to explore the possibilities for some good quantum of equity infusion, so that their proposed expansion program can be funded properly. This process was also suitable to the company's founders, as they were accustomed with the private equity model as a viable alternative to an IPO, with much lower regulatory compliances. Therefore, they assigned their Company Secretary an assignment to explore and appoint some Private Equity firm interested in India's textile sector. After couple of options being explored and evaluated by the Company Secretary, he finally sorted out M/s High Tide Capitals, a Mumbai based private equity firm, actively looking for a large investment in India's textiles sector. In the meanwhile, one of the competing funds of M/s High Tide Capitals, after hearing this news offered a substantially high share purchase price offer to the top management of MNP Private Limited.



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After considering various pros and cons, the top management decided to opt with M/s High Tide Capitals as their partner. Because, to capitalize firm's significant expertise in the domestic textile industry as well as their links at the global textile trades through their Headquarters based at London. With this M/s High Tide Capitals joined as a minority shareholder, the relationship and mutual trust built with MNP gave a considerable sway over hiring, procurement, and other key aspects of the business. As a result, this gave a pace for setting transformations both in MNP's culture and its stature amongst its peers. M/s High Tide Capitals also help in addressing gaps of MNP's governance aspect that was one of the key hinderance in its ambitious expansion project.

At the time of M/s High Tide Capitals investment, MNP Private Limited had no formal business plans and also does not have effective budgeting process through which the costs of several inputs were to be properly tracked. However, M/s High Tide Capitals also helped MNP Private Limited to design a proper business plan and budgeting process from scratch. All these support from M/s High Tide Capitals, has help to become an integral part of MNP's corporate culture and removed a bottleneck that had hampered plans for scaling operations. With passage of time, M/s High Tide Capitals is not considered as an outsider for MNP's top management, rather they are an integral part of top management.

Based upon the case study, answer the following :

- (i) What is a private equity ?
- (ii) What are the characteristics of private equity invested by High Tide Capitals ?
- (iii) What are the different types of private equity investments ?
- (iv) Who are the investors in a private equity firm, like the High Tide Capitals ?
- (v) What are the alternative sources of arranging funds besides private equity ?

(2 marks each)

- (b) RNP Financial Services Limited is registered with SEBI as a merchant banker for providing various capital market services to its clients, including management of public issues, underwriting, etc. With recent changes in its top management, new leadership being more ambitious did not give due importance to the regulatory compliances and more focused on business expansion. As a result, team did lot of non-compliances. One of their old client, made this complaint with the SEBI. As a result, SEBI conducted their internal enquiry and observed that RNP Financial Services Limited has continuously violating various rules and regulations applicable to merchant bankers. Accordingly, SEBI issued formal show cause notice. But, the new management made couple of



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false and misleading submissions to SEBI. As a result, SEBI carried out a full-fledge investigation into the affairs of RNP Financial Services Limited by appointing an appropriate Investigating Authority. During the course of investigation, authority appointed by SEBI has also seized various records and books of the company.

In the context of Securities and Exchange Board of India Act, 1992 and the various rules & regulations made thereunder, answer the following :

- (i) What are the powers of SEBI with regard to issue of directions to an intermediary ?
- (ii) What are the grounds on which SEBI can conduct an investigation into the affairs of the intermediary ?
- (iii) What are the powers of the Investigating Authority in the case ?
- (iv) If penalty is imposed on RNP Financial Services Limited, what factors should be taken into account by SEBI or Adjudicating Officer while adjudging the quantum of penalty ?
- (v) When and how the Investigating Authority should return the seized records of RNP Financial Services Limited ?

(2 marks each)

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

2. (a) Elaborate the impact of RBI's monetary policies on Indian economy and stock market. (5 marks)
- (b) List down the powers Central Government enjoying under the Securities Contracts (Regulation) Act, 1956 and the Rules and Regulations made thereafter. (5 marks)
- (c) Under the provisions of the Depositories Act, 1996, a depository is the registered owner for the purpose of effecting transfer of ownership of security; but it is the beneficial owner who owns or has control over the legal entity. What is a 'beneficial owner' and 'depository' under the provisions of the Depositories Act, 1996 ? What are the rights available to a beneficial owner ? (2+3=5 marks)
- (d) Your company has been appointed as a Banker to an issue by ABC Limited. Elaborate, who can be appointed as a Banker to an issue under SEBI (Bankers to an Issue) Regulations, 1994, and what are the activities they are authorised to do ?



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OR (Alternative question to Q. No. 2)

- 2A. (i) You have been recently appointed as the Company Secretary in S.K. Limited. One of the youngest Board members wanted to understand from you—what Role a Company Secretary may have, under the Laws Governing to Depositories and Depository Participants ? Explain in detail.
- (5 marks)
- (ii) The capital market intermediaries are vital link between investor, issuer and regulator. Elaborate the concept, with the help of objectives of intermediaries.
- (5 marks)
- (iii) After establishing the Gujarat International Finance Tech-city SEZ as India's maiden International Financial Services Centre, how does it boost the Indian economy ?
- (5 marks)
- (iv) You have been appointed as Company Secretary of SkyBlue Limited, a Special Purpose Acquisition Company. This company is in the process of issuing Specified Security under Section 23(3) of the Companies Act, 2013 through an IPO, and get them listed with an IFSC recognised stock exchange. Please advise the following :

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- (a) Is SkyBlue Limited eligible to issue such an IPO ? If 'Yes' - under what conditions, and if 'No' - why ?

(2 marks)

- (b) What should be the offer size, and how much percentage the sponsors should minimum hold ?

(1 mark)

- (c) What should be the minimum application size ?

(1 mark)

- (d) What should be the acquisition time line ?

(1 mark)

### PART-II

3. (a) The Board of Directors of XYZ Limited are in the process of finalizing their policy relating to Sweat Equity and Share based Employee Benefits. Therefore, before this policy being adopted by the Board, Managing Director wants to understand the provisions of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as applicable to General Employee Benefit Scheme (GEBS) and Retirement Benefit Scheme (RBS). Being Company Secretary, you are being instructed to explain the above in detail.

(5 marks)



- (b) Global Air Limited, is a listed company with Bombay Stock Exchange and is planning to issue 3,00,000 non-convertible debentures (NCDs) @ 6% of ₹ 1,000 each, to strengthening its future projects. List the obligations the company has as required in the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021.

(5 marks)

- (c) Elegance Limited, is the Subsidiary of Prosperity Limited as on 31st March, 2021. The Holding company is listed with National Stock Exchange. Elaborate the Corporate Governance requirements relating to the subsidiary company to be complied by Prosperity Limited under SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

(5 marks)

4. (a) Since 29th August, 2023, VXL Limited has listed its three specified securities, with National Stock Exchange. As part of compliances, specify the compliance requirements it has to do as one-time compliance relating to these specified securities.

(5 marks)

- (b) What are the objectives that C. Achutan Committee had recommended with respect to SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011.

(5 marks)

- (c) You are the Company Secretary of Green Grains Limited, a listed entity. In the last board meeting, one of the Board members wanted to understand the principles of fair disclosure under the SEBI (Prohibition of Insider Trading) Regulation, 2015. Elaborate the requirements under the Codes of Fair Disclosure. (5 marks)

5. (a) Elaborate the prohibitions of certain dealings in securities under the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulation, 2003. (5 marks)

- (b) Power Trends Limited, a listed company, wants to go in for voluntary delisting. The company has decided, to come out with an Exit Offer for the public shareholders. As your organisation is a SEBI Registered Merchant Banker, hence the company has appointed your organisation as the 'Manager to the Exit Offer'. Describe the obligations, you will have before making the detailed public announcement. (5 marks)

- (c) Zebra invested in a mutual fund scheme at a time when its net asset value (NAV) was ₹ 12.65 per unit. 60 days later, the NAV of the scheme was ₹ 12.25 per unit. In the meantime, the scheme distributed ₹ 0.60 per unit as dividend.

(i) Calculate the holding period return for Zebra.

(ii) Calculate the annualized return for Zebra.

(2+3=5 marks)



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

6. Write Short Notes on the following :

- (a) Entities not eligible for Right Issue
- (b) Filing of information documents while Issuance and Listing of Non-convertible Securities issued on a Private Placement Basis
- (c) Exemption by SEBI under Regulation 11 of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011
- (d) Advertisement code for Mutual Funds
- (e) Fixed Delisting Price.

(3 marks each)

*OR (Alternate question to Q. No. 6)*

- 6A. (i) Earth Limited is a leading manufacturer of electrical two-wheeler vehicles. In terms of market capitalisation, it is among top 1,000 listed companies. You have been recently appointed as its Company Secretary. Immediately on joining, one of your assistants wanted to know from you what are the regulatory compliances Company has to comply with under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Explain the requirements.

(5 marks)

- (ii) The Expense Ratio of a mutual fund scheme is the cost of running and managing a mutual fund, which is charged to the scheme. What expenses are covered in the Expense Ratio and how does it affect the NAV ?

(5 marks)

- (iii) Sun Limited, is a leader in the domestic paper manufacturing industry and also a part of Nifty 50 list of National Stock Exchange. Despite the company is doing its best, the Board of Directors have in-principle decided and are in the process of approving the delisting proposal in the next Board meeting. You being the Compliance Officer, have been advised by the Board for Due-Diligence to be carried out by a Peer Review Company Secretary. Elaborate the relevant provisions relating to this process.

(5 marks)