

Scanner Appendix

CS Executive Programme Group - II
(2022 Syllabus)
Solutions of December - 2024)

Paper - 5 : Capital Market and Securities Laws

Chapter - 1 : Basics of Capital Market 2024 - June [2] (b)

A Real Estate Investment Trust (“REIT”) is a collective investment scheme that owns, operates or finances income producing real estate. REITs provide all investors the chance to own valuable real estate, present the opportunity to access dividend-based income and total returns, and help communities grow, thrive, and revitalize.

REITs allow anyone to invest in portfolios of real estate assets the same way they invest in other industries through the purchase of individual company stock or through a mutual fund or exchange traded fund (ETF). The stockholders of a REIT earn a share of the income produced through real estate investment without buying any finance property. Benefits of REITs include:

- (i) **Less Capital Intensive:** Direct investment in real estate property is very capital intensive. But each shares of REITs will be comparatively more affordable (it will not require large capital outflows).
- (ii) **Suitable for small investors:** Investing through REITs will eliminate dealing with builders, thereby avoiding potential exposure to big builders.
- (iii) **Transparency:** REITs stocks are listed in stock market, hence details will be available on public domain.
- (iv) **Assured Dividends:** REITs generates income in form of dividend. REITs dividend payment is relatively assured as most of their income is in the form of rental (lease) income.

- (v) **Tax Free:** Dividend earned by the investors of REIT will be tax free.
- (vi) **Fast Capital Appreciation:** Capital appreciation can be phenomenal.
- (vii) **Easy to buy:** Investment in REITS is easier than investment in Real Estate properties.

REITs are similar to mutual funds and shares and they provide income by way of dividend to its shareholders and capital appreciation as REITs stocks are listed on stock exchanges.

Chapter - 2 : Secondary Market in India

2024 - June [1] (a)

- (i) **Availability of block deal:** The block deal is also open for individual investors subject to the minimum order size for execution of trades in the Block deal window shall be ₹ 10 Crore.
- (ii) **Timing of Block-Deal Window:** Morning Block Deal Window: This window shall operate between 08:45 AM to 09:00 AM.
Afternoon Block Deal Window: This window shall operate between 02:05 PM to 2:20 PM.
- (iii) **Action available to the shareholder:** It is mandatory for investors to first take up their grievances for redressal with the entity concerned, through their designated persons/officials who handle issues relating to compliance and redressal of investor grievances. In case, the entity concerned fails to redress the complaint within the timeline, the investor may then file their complaint in SCORES. Investors who wish to lodge a Complaint on SCORES (complainant) are required to register themselves with SCORES portal.
- (iv) **Types of Preventive Surveillance:** The types of Preventive Surveillance restrictions that can be imposed by the Stock Exchange are:
 - (a) Stringent On boarding norms for Trading Members - Stringent net worth, back ground, viability etc. checks while on boarding Trading Members.
 - (b) Index circuit filters - It brings coordinated trading halt in all equity and equity derivative markets at 3 stages of the index movement, either way viz., at 10%, 15% and 20% based on previous day closing index value.

- (c) Trade Execution Range - Orders are matched and trades take place only if the trade price is within the reference price and execution range.
- (d) Order Value Limitation - Maximum Order Value limit allowed per order.
- (e) Cancel on logout - All outstanding orders are cancelled, if the enabled user logs out.
- (f) Kill switch - All outstanding orders of that trading member are cancelled if trading member executes kill switch.
- (g) Risk reduction mode - Limits beyond which orders level risk management shall be initiated instead of trade level.
- (h) Compulsory close out - Incoming order, if it results in member crossing the margins available with the exchange, such order will be partially or fully cancelled, as the case may be, and further disallow the trading member to create fresh positions.
- (i) Capital adequacy check - Refers to monitoring of trading member's performance and track record, stringent margin requirements, position limits based on capital, online monitoring of member positions and automatic disablement from trading when limits are breached.
- (j) Fixed Price Band/Dynamic Price band - Limits applied within which securities shall move; so that volatility is curbed orderliness is bought about. For non-derivative securities price band is 5%, 10% & 20%. For Derivative products an operating range of 10% is set and subsequently flexed based on market conditions.
- (k) Trade for Trade Settlement - The settlement of scrip's available in this segment is done on a trade for trade basis and no netting off is allowed.
- (l) Periodic call auction - Shifting the security form continuous to call auction method.
- (m) Rumour Verification - Any unannounced news about listed companies is tracked on online basis and letter seeking clarification is sent to the companies and the reply received is disseminated.

- (v) **Condition for listing:** In the given case, Technet Ltd. is in business of data analytics since last two years and wishes to list its securities with the stock exchange, by floating an IPO. An issuer not satisfying the condition stipulated in regulation 6(1) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, shall be eligible to make an initial public offer only if the issue is made through the book-building process and the issuer undertakes to allot at least seventy five per cent. of the net offer to qualified institutional buyers and to refund the full subscription money if it fails to do so. Therefore, Technet Ltd. opt for the route as available under Regulation 6(2) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 for making an initial public offer and listing thereof.

2024 - June [1] (b)

- (i) According to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, Section 8 companies are included in the definition of “Not for Profit Organization” and a Not for Profit Organisation can raise the funds from public through Social Stock Exchange (SSE). [Regulation 292A (e) and Regulation 292G of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018].
- (ii) No, the answer will not change, as the Charitable trusts are also included in the definition of Not for Profit Organisation. [Regulation 292A (e) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018].
- (iii) A Not for Profit Organization may raise funds on a Social Stock Exchange through:
- (i) issuance of Zero Coupon Zero Principal Instruments to institutional investors and/or noninstitutional investors;
 - (ii) donations through Mutual Fund schemes as specified by SEBI;
 - (iii) any other means as specified by SEBI from time to time. [Regulation 292G of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018]
- Therefore, CYL is allowed for raising fund through the above-mentioned instruments.

- (iv) The Social Enterprise shall have at least 67% of its activities, qualifying as eligible activities to the target population, to be established through:
- members of the target population to whom the eligible activities have been provided constitute at least 67% of the immediately preceding 3-year average of the total customer base and/or total number of beneficiaries.
- In the given situation, if 40% target population is general public and unserved population, then CYL is not be identified as Social Enterprise and thus, not eligible for fund raising through SSE. [Regulation 292E(2)(c) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018]
- (v) A Social Enterprise shall not be eligible to register or raise fund, if the Social Enterprise or any of its promoters or directors or trustees has been debarred from carrying out its activities or raising funds by the Ministry of Home Affairs. In the given case, CYL was debarred by Ministry of Home Affairs, thus, it cannot register or raise fund through SSE. [Regulation 292H(e)]

2024 - June [2] (c)

Since the market price at the end of 3 months falls to ₹ 400 which is below the exercise price i.e. ₹ 550 under the call option, the call option will not be exercised. Only put option becomes viable.

Particulars	₹
Gain per share (₹ 500 — ₹ 400)	100
Total gain per 100 shares @ ₹ 100 per share	10,000
Cost or premium paid (₹ 30 × 100) + (₹ 10 × 100)	4,000
Net gain	6,000

2024 - June [2A] (Or) (ii)**Key differences between Wholesale Price Index (WPI) & Consumer Price Index (CPI)**

- Primary use of WPI is to have inflationary trend in the economy as a whole. However, CPI is used for adjusting income and expenditure streams for changes in the cost of living.

- WPI is based on wholesale prices for primary articles, administered prices for fuel items and exfactory prices for manufactured products. On the other hand, CPI is based on retail prices, which include all distribution costs and taxes.
- Prices for WPI are collected on voluntary basis while price data for CPI are collected by investigators by visiting markets.
- WPI covers all goods including intermediate goods transacted in the economy while CPI covers only consumer goods and consumer services.
- WPI weights primarily based on national accounts and enterprise survey data and CPI weights are derived from consumer expenditure survey data

2024 - June [2A] (Or) (iii)

The Federal Funds Rate is the interest rate at which the top US banks borrow overnight money from common reserves. All American banks are required to park a portion of their deposits with the Federal Reserve in cash, as a statutory requirement.

The Fed Fund Rate gives the direction in which US interest rates should be heading at any given point of time. If the Fed is increasing the interest rates, lending rates for companies and retail borrowers will go up and vice versa. In India, hike in repo rate may not impact the countries outside India. On the other hand, US interest rates matter a lot to global capital flows.

Some of the world's richest institutions and investors have their base in USA. They constantly compare Fed rates with interest rates across the world to make their allocation decisions.

In the globalised world, markets are connected. An increase in Fed rates will be negative in general for the US stock market and if it leads to another round of sell-offs, it will also have ripple effects on the Indian market.

Any changes in the Fed Fund Rates impact the domestic borrowing market to a large extent. For instance, if the Fed rates go up, it will make the RBI hesitant in cutting rates at that time. The reason is that if RBI cut rates it will lead to heavy pullout of foreign investors from the Indian bond market.

Chapter - 5 : Law Governing to Depositories and Depository Participants

2024 - June [2] (a)

- (i) **Yes**, a foreign bank operating in India, with the approval of the Reserve Bank of India can be registered as a depository participant.
- (ii) **Yes**, Manoj Soni has a choice to open another Demat account with any depository participant.
- (iii) **Right issue in Demat Form:** The concerned company obtains the details of beneficiary holders and their holdings from the depository participant (NSDL or CDSL) as on the record date. The concerned company then issue Right Entitlement (RE) as entitlement to Mr. Manmohan Reddy. The number of shares against those REs will be credited to his Demat account by the company / its RTA.
- (iv) **Availability of Debt instruments in demat form:** All types of equity/ debt instruments viz. equity shares, preference Shares, partly paid shares, bonds, debentures, commercial papers, certificates of deposit, government securities (G-SEC) etc. irrespective of whether these instruments are listed / unlisted / privately placed can be dematerialized with depository, if they have been admitted with the depository.

Chapter - 6 : Securities Market Intermediaries

2024 - June [2A] (Or) (i)

(I) Definition of Investment Adviser:

The SEBI (Investment Advisers) Regulations, 2013 defines that the Investment Adviser means any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called.

(II) General Obligations and Responsibilities:

1. An investment adviser shall act in a **fiduciary capacity** towards its clients and shall disclose all conflicts of interests as and when they arise.
2. An investment adviser shall **not receive any consideration** by way of remuneration or compensation or in any other form from any person other than the client being advised, in respect of the underlying products or securities for which advice is provided.

3. An investment adviser shall maintain an **arms-length relationship** between its activities as an investment adviser and other activities.
4. An investment adviser which is also engaged in activities other than investment advisory services shall ensure that its investment advisory services are clearly **segregated from all its other activities**, in the manner as prescribed.
5. An investment adviser shall ensure that in case of any conflict of interest of the investment advisory activities with other activities, such conflict of interest shall be disclosed to the client.
6. An investment adviser shall not divulge any confidential information about its client, which has come to its knowledge, without taking prior permission of its clients, except where such disclosures are required to be made in compliance with any law for the time being in force.
7. An investment advisor shall not enter into transactions on its own account which is contrary to its advice given to clients for a period of fifteen days from the day of such advice.
8. An investment advisor shall follow Know Your Client procedure as specified by the SEBI from time to time.
9. An investment adviser shall abide by Code of Conduct.
10. An investment adviser shall not act on its own account, knowingly to sell securities or investment products to or purchase securities or investment product from a client.
11. In case of change in control of the investment adviser, prior approval from the SEBI shall be taken.
12. Investment advisers shall furnish to the SEBI information and reports as may be specified by the SEBI from time to time.
13. It shall be the responsibility of the investment adviser to ensure compliance with the certification and qualification requirements.

2024 - June [2A] (Or) (iv)

Registrars and Share transfer Agent means the person appointed by a body corporate or any person or group of persons to carry on the various activities as prescribed under the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

Pre-issue Activities:

- Sending instructions to Banks for reporting of collection figures and collection of applications.
- Providing practical inputs to the Lead Manager and Printers regarding the design of the Bid cum Application form.
- Facilitate and establish information flow system between clients, Banks and Managers to the issue.
- Liaisoning with Regulatory Authorities such as SEBI & Stock Exchanges.

Post Issue Activities:

- Data capturing & validation,
- Reconciliation,
- Provide Allotment Alternatives in consultation with Client/ Merchant Banker and Stock Exchanges,
- Facilitating Listing,
- Uploading of data to the Depositories for crediting of securities electronically,
- Dispatch of Refund orders/ Share Certificates/Credit Advise,
- Periodic Report submission to Regulatory Authorities,
- Reconciliation of Refund payments,
- Attending to post issue Investor queries,
- Web-based investor enquiry system for allotment/refund details

**Chapter - 7 : International Financial Services Centres Authority
2024 - June [2] (d)**

The IFSCA (Issuance and Listing of Securities) Regulations, 2021 enables the following types of listing:

- (i) an initial public offer of specified securities by an unlisted issuer;
- (ii) a follow-on public offer of specified securities by a listed issuer;
- (iii) Listing of specified securities by a start-up company or a SME;
- (iv) Secondary listing of specified securities;
- (v) An initial public offer of specified securities by a Special Purpose Acquisition Companies (SPAC);
- (vi) Listing of depository receipts;
- (vii) Listing of debt securities;
- (viii) Listing of ESG debt securities; and
- (ix) issuance and/or listing of any other securities as may be specified by the Authority from time to time.

Further, the following entities would be eligible for listing of securities on the recognised stock exchanges in IFSC:

- (i) A company incorporated in an IFSC;
- (ii) A company incorporated in India; and
- (iii) A company incorporated in a foreign jurisdiction.

The following entities shall also be eligible in respect of listing of debt securities on a recognised stock exchange, -

- (a) any supranational, multilateral or statutory organisation/ institution / agency provided such organization/institution/agency is permitted to issue securities as per its constitution. Provided that the entity is registered or headquartered in India, IFSC or a Foreign Jurisdiction;
- (b) any municipality or any statutory body or board or corporation, authority, trust or agency established or notified by any Central or State Act or any special purpose vehicle notified by the State Government or Central Government including for the purpose of raising fund by the issuer to develop infrastructure or SMART city; and
- (c) An entity whose securities are irrevocably guaranteed by a Sovereign (India or a Foreign Jurisdiction).

An issuer shall be eligible to list its securities under the IFSCA (Issuance and Listing of Securities) Regulations, 2021 in IFSC only if, -

- (a) the issuer is duly incorporated or established according to the relevant laws of its place of incorporation or establishment;
- (b) the issuer is operating in conformity with its constitution; and
- (c) the listing of securities in IFSC is in accordance with the applicable laws of the jurisdiction of incorporation.

An issuer shall not be eligible to list securities under these regulations if the issuer or any of its promoters, promoter group, controlling shareholders or directors or selling shareholders is:

- (a) debarred from accessing the capital market; or
- (b) a wilful defaulter; or
- (c) a fugitive economic offender.

Listing of specified securities through IPO

An issuer shall be eligible to make an initial public offer only if:

- (a) the issuer has an average pre-tax profit, based on consolidated audited accounts, of at least USD one million during the preceding three financial years; or

- (b) the issuer has an operating revenue of at least USD 20 million in the preceding financial year; or
- (c) any other eligibility criteria that may be prescribed by IFSCA.

Listing of Start-up and Small and Medium Sized Enterprise (SME) Companies

The start-up fulfilling the following criteria shall be eligible to list on the recognised stock exchanges, with or without making a public offer, in IFSC:

- (a) The offer document of the company should be filed within a period of ten years from the date of incorporation/ registration;
- (b) The turnover of the company for any of the financial years since incorporation should not have exceeded USD 20 million.
- (c) The company is working towards innovation, development or improvement of products or processes or services, or it is a scalable business model with a high potential of employment generation or wealth creation.

A small and medium enterprise company shall be eligible to list its specified securities on a recognised stock exchange, with or without making a public offer, if the annual turnover of the company for any of the financial years since incorporation/ registration should not have exceeded USD fifty million.

Listing of Special Purpose Acquisition Companies (SPAC)

A SPAC shall be eligible to raise capital through IPO of specified securities on the recognised stock exchanges in IFSC, only if:

- (a) The primary objective of the issuer is to effect a merger or amalgamation or acquisition of shares or assets of a company having business operations (“business acquisition”);
- (b) The issuer does not have any operating business.

Listing of Debt Securities

The following categories of debt securities shall be eligible for listing on recognised stock exchanges in IFSC:

- (a) Debt securities issued by issuers incorporated in IFSC;
- (b) Debt securities issued by issuers incorporated in India or foreign jurisdiction in any currency other than INR;
- (c) Masala Bonds;
- (d) Any other debt securities as permitted by relevant authority from time to time

Chapter - 8 : Issue of Capital and Disclosure Requirements

2024 - June [3] (a)

Eligibility Requirements for further public offer (FPO)

Regulation 103 of the SEBI (ICDR) Regulations, 2018 stipulates that an issuer shall be eligible to make a further public offer, if it has not changed its name in the last one year period immediately preceding the date of filing the relevant offer document. However, if an issuer has changed its name in the last one year period immediately preceding the date of filing the relevant offer document, such an issuer shall make further public offer if at least 50% of the revenue for the preceding one full year has been earned by it from the activity indicated by its new name.

Further provided that an issuer not satisfying the condition stipulated above, shall make a further public offer only if the issue is made through the book building process and the issuer undertakes to allot at least 75% of the net offer, to qualified institutional buyers and to refund full subscription money if it fails to make the said minimum allotment to qualified institutional buyers.

Lock-in of specified securities held by the promoters in excess of minimum promoters' contribution

Regulation 115 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 prescribed that Promoters' holding in excess of minimum promoters' contribution shall be locked in for a period of 6 months. However, lock in period shall be 1 year in case the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure.

Therefore, PBR Ltd. shall ensure compliance with the above to issue Further Public Offer (FPO).

2024 - June [5] (a)

Regulation 32 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, prescribes that the companies, who complies the requirement of regulation 6(1), the portion available for allocation shall be not more than 50% for QIBs, not less than 35% for retail individual investors and not less than 15% for non-institutional investors. Companies that do not meet the regulation 6(1) requirements, the portion available for allocation shall be not less than 75% to QIBs, not more than 15% to non-institutional investors and not more than 10% to retail individual investors. In an issue made

through the book building process, the issuer may allocate up to sixty per cent. of the portion available for allocation to qualified institutional buyers to anchor investors.

In case of Harish Ltd. which is satisfying the conditions of Regulation 6(1) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, the maximum number of shares to be issued to anchor investors are:

Issue size = ₹ 600 crore

Shares = ₹ 600/ ₹ 10 = 60 crore

Reservation for QIB = 60 crore * 50% = 30 crore

Allocation to anchor investor (out of QIB) = 30 crore * 60% = 18 crore

In case of Monish Ltd., who is not satisfying the requirements of Regulation 6(1) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, the maximum number of shares to be issued to anchor investors are:

Issue size = ₹ 500 crore

Shares = ₹ 500/ ₹ 10 = 50 crore

Reservation for QIB = 50 crore * 75% = 37.5 crore

Allocation to anchor investor (out of QIB) = 37.5 crore * 60% = 22.5 crore.

2024 - June [6] (a)

Regulation 16 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 states that the minimum promoters' contribution including contribution made by alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India referred to in proviso to sub-regulation (1) of regulation 14, shall be locked-in for a period of eighteen months from the date of allotment in the initial public offer. Provided that in case the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure, then the lock-in period shall be three years from the date of allotment in the initial public offer.

Further provided that, promoters' holding in excess of minimum promoters' contribution shall be locked-in for a period of six months from the date of allotment in the initial public offer. In case the majority of the issue proceeds excluding the portion of offer for sale is proposed to be utilized for capital expenditure, then the lock-in period shall be one year from the date of allotment in the initial public offer.

Therefore, Exotica venture capital fund's pre-issue shareholding will be locked-in as mentioned above to the extent of minimum contribution or excess contribution, hence it cannot sell its shareholding just after the listing of shares.

2024 - June [6] (b)

Allocation in the net offer [Regulation 32(3A) and 129 (3A) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018]

In an issue made through book building process, the allocation in the non-institutional investors' category shall be as follows:

- (a) 1/3rd of the portion available to non-institutional investors shall be reserved for applicants with application size of more than ₹ 2 lakh and up to ₹ 10 lakh;
- (b) 2/3rd of the portion available to non-institutional investors shall be reserved for applicants with application size of more than ₹ 10 lakh.

Provided that the unsubscribed portion in either of the sub-categories specified in clauses (a) or (b) may be allocated to applicants in the other sub-category of non-institutional investors.

In view of above, if Rajesh, applied with application size of more than ₹ 10 lakh, the reserved portion will be 2/3rd, hence there will be high chance to get the shares allotted under the IPO.

Chapter - 9 : Share Based Employee Benefits and Sweat Equity

2024 - June [3] (b)

As per Regulation 29 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, the term 'employee' in relation to issue of sweat equity shares means,

- (i) an employee of the company working in India or abroad; or
- (ii) a director of the company whether a whole- time director or not.

Further, Regulation 30 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 states that a company whose equity shares are listed on a recognised stock exchange may issue sweat equity shares in accordance with Section 54 of the Companies Act, 2013 and these regulations to its employees for their providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

In light of the above-mentioned provisions, Sweat Equity Shares can be issued to any director, whether whole-time or not and there is no threshold for holding any equity shares of the company. Hence, Jeevan, who is a whole-time director and who holds 21% of the outstanding equity shares of Sanaya Ltd, is eligible for Sweat Equity Shares of Sanaya Ltd.

According to the Regulation 41 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, the company, within seven days of the issue of sweat equity shares, sends a statement to the recognised stock exchange, disclosing:

- (i) number of sweat equity shares issued;
- (ii) price at which the sweat equity shares are issued;
- (iii) total amount received towards sweat equity shares;
- (iv) details of the persons to whom sweat equity shares have been issued; and
- (v) the consequent changes in the capital structure and the shareholding pattern before and after the issue of sweat equity shares.

Chapter - 10 : Issue and Listing of Non Convertible Securities

2024 - June [6] (c)

“Green debt security” is defined under the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 which means a debt security issued for raising funds subject to the conditions as may be specified by the SEBI from time to time, to be utilised for project(s) and/ or asset(s) falling under any of the following categories:

- (i) renewable and sustainable energy including wind, bioenergy, other sources of energy which use clean technology,
- (ii) clean transportation including mass/public transportation,
- (iii) climate change adaptation including efforts to make infrastructure more resilient to impacts of climate change and information support systems such as climate observation and early warning systems,
- (iv) energy efficiency including efficient and green buildings,
- (v) sustainable waste management including recycling, waste to energy, efficient disposal of wastage,
- (vi) sustainable land use including sustainable forestry and agriculture, afforestation,
- (vii) biodiversity conservation,

- (viii) pollution prevention and control (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy efficient or emission efficient waste to energy) and sectors mentioned under the India Cooling Action Plan launched by the Ministry of Environment, Forest and Climate Change,
- (ix) circular economy adapted products, production technologies and processes (such as the design and introduction of reusable, recyclable and refurbished materials, components and products, circular tools and services) and/or eco efficient products
- (x) blue bonds which comprise of funds raised for sustainable water management including clean water and water recycling, and sustainable maritime sector including sustainable shipping, sustainable fishing, fully traceable sustainable seafood, ocean energy and ocean mapping,
- (xi) yellow bonds which comprise of funds raised for solar energy generation and the upstream industries and downstream industries associated with it,
- (xii) transition bonds which comprise of funds raised for transitioning to a more sustainable form of operations, in line with India's Intended Nationally Determined Contributions, and
Explanation: Intended Nationally Determined Contributions (INDCs) refer to the climate targets determined by India under the Paris Agreement at the Conference of Parties 21 in 2015, and at the Conference of Parties 26 in 2021, as revised from time to time.
- (xiii) any other category, as may be specified by SEBI from time to time

Chapter - 11 : Listing Obligations and Disclosure Requirements

2024 - June [3] (c)

- (i) **Requirement of Appointment of Woman Director:** The Board of Directors shall have an optimum combination of executive and non-executive directors with at least one woman director. The Board of directors of the top 500 listed entities shall have at least one independent woman director by April 1, 2019 and the Board of directors of the top 1,000 listed entities shall have at least one

independent woman director by April 1, 2020. [Regulation 17(1)(a) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

- (ii) **Meetings & Quorum of the Board Meeting:** The Board of directors shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings. The quorum for every meeting of the board of directors of the top 1,000 listed entities with effect from April 1, 2019 and of the top 2,000 listed entities with effect from April 1, 2020 shall be one-third of its total strength or three directors, whichever is higher, including at least one independent director. [Regulation 17(2) & 17(2A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]
- (iii) **Composition of an Audit Committee:** The audit committee shall comprise minimum three directors as members. At least Two-third of the members of audit committee shall be independent directors. In case of a listed entity having outstanding SR equity shares, the audit committee shall only comprise of independent directors. All members of audit committee shall be financial literate and at least one member shall have accounting or related financial management expertise. The chairperson of the audit committee shall be an independent director. [Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]
Accordingly, Neeraj is advised.

2024 - June [4] (b)

- (i) As per regulation 31A(3)(b)(v) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the promoters seeking re-classification and persons related to the promoters seeking re-classification shall not act as key managerial personnel in the listed entity. Raman is acting as Company Secretary of the listed entity. Therefore, Raman is a key managerial person of the listed entity. As 1 promoter is acting as a key managerial person in the listed entity, therefore he is not eligible to apply for re- classification as public shareholder.
- (ii) As per regulation 31A(3)(b)(vi) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the promoters seeking

re-classification and persons related to the promoters seeking re-classification shall not be a 'wilful defaulter' as per the Reserve Bank of India Guidelines. Naina, being a promoter, is declared as wilful defaulter as per RBI guidelines. In this case, Naina is not eligible to apply for re-classification as public shareholder.

- (iii) As per regulation 31A(3)(b)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the promoters seeking re-classification and persons related to the promoters seeking re-classification shall not together, hold more than ten percent of the total voting rights in the listed entity. Mayank is holding 15% of total voting rights in the listed entity. As Mayank, being a promoter, holds more than ten percent of the total voting rights in the listed entity, hence he is not eligible for re-classification as public shareholder.
- (iv) As per Regulation 31A(3)(c)(ii) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the listed entity shall not have trading in its shares suspended by the stock exchanges. As trading of equity shares of the company is suspended by the stock exchange, hence reclassification will not be allowed.
- (v) As per regulation 31A(3)(b)(v) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the promoters seeking re-classification and persons related to the promoters seeking re-classification shall not act as key managerial personnel in the listed entity. Minal is acting as Chief Finance Officer of the listed entity. Therefore, Minal is a key managerial person of the listed entity. As promoter is acting as a key managerial person in the listed entity, and therefore not eligible to apply for re- classification.

2024 - June [6A] (Or) (i)

Composition of Risk Management Committee [Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

- The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director.
- In case of a listed entity having outstanding SR equity shares at least two thirds of the Risk Management Committee shall comprise independent directors.

- The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.

Chapter - 12 : Acquisition of Shares and Takeovers-Concepts

2024 - June [5] (c)

Regulation 3(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 prescribed that no acquirer, who together with persons acting in concert with him, has acquired and holds in accordance with these regulations shares or voting rights in a target company entitling them to exercise twenty-five per cent or more of the voting rights in the target company but less than the maximum permissible non-public shareholding, shall acquire within any financial year additional shares or voting rights in such target company entitling them to exercise more than five per cent of the voting rights, unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations.

Regulation 10 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 inter alia provides for automatic exemptions from the applicability of making Open Offer to the shareholders of the Target Company in respect of acquisition pursuant to inter se transfer of shares amongst persons named as promoters in the shareholding pattern filed by the target company in terms of the listing regulations or as the case may be, the listing agreement or these regulations for not less than three years prior to the proposed acquisition.

It may be noted that exemption provided under Regulation 10 applies only in case of obligation to make open offer as provided under Regulations 3 and 4 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, subject to fulfillment of conditions as mentioned therein. In the given problem matter, an inter-se transfer of 2% shares among promoter group being proposed. The current promoters' holding in Miraj Ltd. is 45%. Thus, Regulation 3(2) would be triggered only in case of acquisition of more than 5% shares within the financial year. However, in the given case of Miraj Ltd., the proposed transaction is for 2% shares, which is within the limit of 5% shares in the financial year. Thus, the proposed transaction would not trigger the requirement of making open offer as provided under

Regulations 3 and 4 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and therefore question of applicability of exemption as provided under Regulation 10 would not arise.

2024 - June [6A] (Or) (iv)

Enterprise Value

Regulation 2(1)(h) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 defines the term Enterprise Value which means the value calculated as market capitalization of a company plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

Enterprise Value = Market capitalization+ Debt+ Minority Interest + Preferred Shares - Total Cash and Cash Equivalents

Chapter - 14 : Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market

2024 - June [6A] (Or) (v)

Fraud

As per regulation 2(1)(c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, Fraud includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

- (a) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
- (b) a suggestion as to a fact which is not true by one who does not believe it to be true;
- (c) an active concealment of a fact by a person having knowledge or belief of the fact;
- (d) a promise made without any intention of performing it;
- (e) a representation made in a reckless and careless manner whether it be true or false;
- (f) any such act or omission as any other law specifically declares to be fraudulent;

- (g) deceptive behaviour by a person depriving another of informed consent or full participation;
- (h) a false statement made without reasonable ground for believing it to be true;
- (i) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And “fraudulent” shall be construed accordingly;

Nothing contained in this clause shall apply to any general comments made in good faith in regard to—

- (a) the economic policy of the government
- (b) the economic situation of the country
- (c) trends in the securities market or
- (d) any other matter of a like nature

whether such comments are made in public or in private.

Chapter - 16 : Buy Back of Securities

2024 - June [4] (c)

As per Regulation 5 of the SEBI (Buy-Back of Securities) Regulations, 2018, the company shall not authorise any buy-back unless a special resolution has been passed at a general meeting of the company authorising the buy-back. However, special resolution is not required where the buy-back is, ten per cent or less of the total paid-up equity capital and free reserves of the company, based on the standalone or consolidated financial statements of the company, whichever sets out a lower amount and such buyback has been authorised by the board of directors by means of a resolution passed at its meeting.

A company is required to deposit in an escrow account such sum as specified under the SEBI (Buy-Back of Securities) Regulations, 2018.

In case company buy-back its shares through Tender Offer:

Regulation 9 of the SEBI (Buy-Back of Securities) Regulations, 2018, stipulates that the company shall, within two working days of the public announcement, as and by way of security for performance of its obligations under the regulations, deposit in an escrow account such sum as specified below.

- (i) if the consideration payable does not exceed Rupees 100 crores; 25 per cent of the consideration payable;
- (ii) if the consideration payable exceeds Rupees 100 crores; 25 per cent upto Rupees 100 crores and 10 per cent thereafter.

In case company buy-back from open market through stock exchange: Regulation 20 of the SEBI (Buy-Back of Securities) Regulations, 2018, stipulates that the company shall, within two working days of the public announcement, create an escrow account towards security for performance of its obligations under these regulations, and deposit in escrow account 25 per cent of the amount earmarked for the buy-back as specified in the resolution of the board of directors or the special resolution, as the case may be.

The escrow account as referred above shall consist of (subject to appropriate margin):

- (i) Cash including bank deposits deposited with any scheduled commercial bank, or
- (ii) Bank guarantee issued in favour of the merchant banker by any scheduled commercial bank, or
- (iii) Deposit of frequently traded and freely transferable equity shares or other freely transferable securities, or
- (iv) Government securities, or
- (v) Units of mutual funds invested in gilt funds and overnight schemes, or
- (vi) A combination of above

Chapter - 17 : Mutual Funds

2024 - June [4] (a)

The Advertisement Code as specified under Sixth Schedule of the SEBI (Mutual Funds) Regulations, 1996, states that celebrities shall not form part of the advertisement.

In view of above, the engagement of celebrity for a particular scheme like Multi Cap Fund is not permissible.

In case the asset management company desires to disseminate the awareness in general about the mutual fund industry, then it is allowed subject the conditions explained hereunder:

SEBI vide its Circular No. CIR/IMD/DF/23/2017 dated 15/03/2017 reviewed advertisement guidelines for mutual funds. In this respect, it has been decided by SEBI to permit celebrity endorsements at industry level, for the purpose of increasing awareness of Mutual Funds as a financial product category.

However, such celebrity endorsements of Mutual Funds at industry level, shall be subject to the following conditions:

- i. Celebrity endorsement shall be allowed only at industry level, for the purpose of increasing awareness of Mutual Funds as a financial product category. Such celebrity endorsements should not promote a scheme of a particular Mutual Fund or be used as a branding exercise of a Mutual Fund house/AMC.
- ii. Expenses towards such celebrity endorsements for increasing awareness of Mutual Funds shall be limited to the amounts that are aggregated by Mutual Funds at industry level for the purpose of conducting investor education and awareness initiatives, in terms of clause F of SEBI circular dated September 13, 2012.
- iii. Prior approval of SEBI shall be required for issuance of any endorsement of Mutual Funds as a financial product, which features a celebrity for the purpose of increasing awareness of Mutual Funds.

2024 - June [5] (b)

Calculation of total number of units with Nirav at the end of 5th Month:

Month (1)	Amount Invested (₹) (2)	NAV (₹) (3)	No. of Units (2/3)
1	5,000	10	500
2	5,000	10.50	476.19
3	5,000	10.80	462.96
4	5,000	11.00	454.55
5	5,000	11.30	442.48
Total			2336.18

$$\begin{aligned}
 \text{Present value of holding} &= \text{No of units} \times \text{closing NAV} \\
 &= 2,336.18 \times ₹ 12.10 \\
 &= ₹ 28,267.78
 \end{aligned}$$

2024 - June [6A] (Or) (iii)

The distinguish between Regular and Direct Plan of a mutual fund scheme is given below:

S. No.	Regular Plan	Direct Plan
1.	Sold through a distributor	Sold directly by the Asset Management Company (AMC)
2.	Higher Expense Ratio (Due to commissions paid to distributor)	Lower Expense Ratio (No commission paid to distributor)
3.	Potentially lower returns to the investor (Due to higher expenses)	Potentially higher returns (Due to lower expenses)

Chapter - 18 : Collective Investment Schemes

2024 - June [6A] (Or) (ii)

Quarterly disclosures

Regulation 49 of the SEBI (Collective Investment Schemes) Regulations, 1999 specify the provisions related to quarterly disclosures by a Collective Investment Management Company. It is prescribed that a Collective Investment Management Company, on behalf of the collective investment scheme shall before the expiry of one month from the close of each quarter that is 31st March, 30th June, 30th September and 31st December publish its unaudited financial results in one daily newspaper having nationwide circulation and, in a newspaper, published in the language of the region where the Head Office of the Collective Investment Management Company is situated.

However, the quarterly unaudited report shall contain details as specified in the SEBI (Collective Investment Schemes) Regulations, 1999 and such other details as specified in the regulations and as are necessary for the purpose of providing a true and fair view of the operations of the collective investment scheme.

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