

Due Diligence and Corporate Compliance Management

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Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 5

NOTE : Answer SIX questions including Question No.1 which is compulsory.

1. (a) State, with reasons in brief, whether the following statements are correct or incorrect :
- (i) In the case of takeover, public announcement is required to be made by the acquirer either in all editions of an English national daily or in the Hindi national daily with wide circulation at the place where the registered office of the target company is situated.
 - (ii) Indian companies issuing Global Depository Receipts (GDRs) in America and Europe have to comply with the Securities and Exchange Board of India (SEBI) requirements.
 - (iii) A branch office of a foreign company is not allowed to carry out manufacturing activities on its own, but is permitted to sub-contract these to an Indian manufacturer. Branch office established with the approval of RBI may remit its profits outside India.
 - (iv) The stamp duty payable on transfer of shares varies from State to State.
 - (v) A company having a paid-up capital of Rs.2.5 crore is required to submit secretarial compliance certificate.
- (2 marks each)
- (b) Critically examine and comment on the following :
- (i) It is not the duty of the lead merchant bankers to ensure the despatch of share certificates/refund orders.
 - (ii) A remuneration committee may be set-up by the Board of directors as per clause 49 of the listing agreement relating to good corporate governance.
- (5 marks each)
2. (a) Choose the most appropriate answer from the given options in respect of the following :
- (i) When a charge on the assets of a company is created or modified, which one of the following forms is required to be filed with the Registrar of Companies –
 - (a) Form No.21
 - (b) Form No.12
 - (c) Form No. 8
 - (d) Form No.15.

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- (ii) All companies to which Companies (Compliance Certificate) Rules, 2001 apply are required to file with the Registrar of Companies the compliance certificate within –
- (a) 60 Days from the date on which its AGM is held
 - (b) 45 Days from the date on which its AGM is held
 - (c) 30 Days from the date on which its AGM is held
 - (d) 90 Days from the date on which its AGM is held.
- (iii) Which one of the following Acts does not come under the purview of securities laws –
- (a) Securities and Exchange Board of India Act, 1992
 - (b) Foreign Contribution (Regulation) Act, 1976
 - (c) Securities Contracts (Regulation) Act, 1956
 - (d) Depositories Act, 1996.
- (iv) Foreign investment which does not qualify under automatic route –
- (a) Will have to be cancelled and refunded
 - (b) Is prohibited
 - (c) Has to go for government approval
 - (d) None of the above.
- (v) As per compliances under the listing agreement, the Audit Committee shall meet in a year atleast –
- (a) Two times
 - (b) Three times
 - (c) Four times
 - (d) Five times.
- (vi) Maximum period of imprisonment for non-compliance of listing agreement is –
- (a) One year
 - (b) Three years
 - (c) Five years
 - (d) Ten years.

(1 mark each)

(b) Distinguish between the following :

- (i) 'Horizontal merger' and 'vertical merger'; and
- (ii) 'Friendly takeover' and 'hostile takeover'.

(3 marks each)

- (c) Write a note on 'pre-issue due diligence' and 'post-issue due diligence'.

(4 marks)

3. (a) Ambitious Constructions Ltd., a listed company, is planning to acquire controlling interest in Fine Cements Ltd. As a Practising Company Secretary, you are required to advise the managing director of the acquirer company about the meaning of 'trigger point' and the different trigger points to be followed under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

(10 marks)

- (b) Gokul Financial Services Ltd. has made a public issue for 25 crore shares of Rs.10 each at a premium of Rs.370 per share. The following information has been provided to you :

- (i) The company has reserved 25% shares for retail category.
- (ii) The total issue was over-subscribed 3.5 times whereas the retail category was over-subscribed by 7.20 times.
- (iii) The company has fixed a minimum application/bid size as 15 shares. Applications can be made for a minimum of 15 shares and in multiples thereof.
- (iv) Three retail investors Ankur, Bobby and Varsha have applied for 225 shares, 105 shares and 90 shares respectively.

On the basis of above information, calculate the actual entitlement of shares by Ankur, Bobby and Varsha, if the company has finalised the allotment on proportionate basis.

(6 marks)

4. (a) Priyanka Ltd., a listed company wants to make an issue of securities through a rights issue where the aggregate value of securities including premium exceeds Rs.70 lakh. As the Company Secretary of Priyanka Ltd., how will you advise your company in respect of procedures to be followed ?

(6 marks)

- (b) Anjan has applied for shares under the Employees Stock Option Scheme and his option is granted. Now, Anjan wants to transfer his option to one of his friends, Sanjay. Examine the request of Anjan in the light of the SEBI Guidelines, 1999.

(5 marks)

- (c) The managing director of Cautious Bank Ltd. invites you as a Practising Company Secretary to explain him about compilation and preparation of search report before lending funds to a private company. Explain briefly the issues involved in this regard.

(5 marks)

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5. (a) The Board of directors of National Food Corporation Ltd., a listed company decides to go for issue of shares through the Employees Stock Purchase Scheme (ESPS). As a professional, the Board has asked you to draft a due diligence check-list on the following issues :

- (i) Eligibility to participate in the scheme;
- (ii) Shareholders approval; and
- (iii) Pricing and lock-in period.

(10 marks)

- (b) State the procedure for viewing of public documents of companies on MCA portal.

(6 marks)

6. (a) Draft a note to the Board of directors on the major compliances for public issue/ listing of securitised debt instruments on the recognised stock exchange under the SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008.

(8 marks)

- (b) Draft a check-list for an issue of Indian Depository Receipts (IDRs) under Chapter VI-A of the SEBI (Disclosure of Investor Protection) Guidelines, 2000 with respect to the following :

- (i) Eligibility for issue of IDRs;
- (ii) Investors; and
- (iii) Minimum subscription.

(8 marks)

7. (a) Write notes on **any two** of the following :

- (i) Escrow account
- (ii) Foreign direct investment
- (iii) Compliance management.

(4 marks each)

- (b) Distinguish between **any two** of the following :

- (i) 'Operational due diligence' and 'strategic due diligence'.
- (ii) 'Transposition of shares' and 'transmission of shares'.
- (iii) 'Level-I ADR' and 'Level-II ADR'.

(4 marks each)

8. Critically examine and comment on **any four** of the following :

- (i) Indian companies are allowed to make payments for foreign technology collaboration under automatic route subject to certain limits under the FEMA Regulations.
- (ii) As part of good corporate governance practices under clause 49 of the listing agreement, a company is required to make disclosures on certain aspects.
- (iii) Securities audit is a mechanism relieving the company and its directors from the consequences of unintended non-compliance by timely corrective actions.
- (iv) The legal due diligence process varies depending upon the scope of work dictated by the client, the focus, special areas of weakness, the type of business, *etc.*
- (v) Where a company desires to roll over the debentures issued by it, a copy of the notice of the resolution is to be filed with SEBI.

(4 marks each)

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