

Roll No. ....129550.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 15

**NOTE :** 1. Answer **ALL** Questions.

2. All references to sections relate to the Companies Act, 2013 unless stated otherwise.

**PART-I**1. **Case Study :****Background :**

Lalit, Bisen, Roma, Raunak, and Rasik, a practicing company secretary, have formed a brainstorming group to discuss, deliberate, and resolve various issues they encounter in their daily works related to company law. They decided to meet every Sunday evening to share their views on issues brought before the group. Several meetings have taken place, and the important issues discussed in detail are outlined below :

**(i) Change in the name of the company and issues connected therewith :**

Lalit began the discussion by informing the group that his client, Roopam Leathers Limited (the Company), changed its name to Rakshak Leathers Limited in January 2024, following the due process of law. Before this change, the company had filed a suit against one of its suppliers in May 2023 to recover compensation due to a breach of contract. However, in April 2024, the supplier applied to the Court for dismissal of the suit, arguing that Roopam Leathers Limited ceased to exist after the name change and the issuance of a new certificate of incorporation by the Registrar. The Managing Director of the Company has expressed concern about the fate of the litigation against the supplier.

- (ii) **Employees Stock Option Scheme (ESOP/Scheme) :**  
Bisen mentioned that his client, JK Aluminium Limited, is planning a public issue of equity shares and intends to offer options to the directors, officers, or employees of the company under an ESOP. The CFO of the company expressed doubt about whether all employees, directors, and independent directors are eligible for share allotment under this scheme. He also questioned whether the vesting period can be set at 2 years and if a lock-in period of five years can be provided in the scheme.
- (iii) **Books of Account in respect of Branch Office :**  
Roma stated that she has been appointed as the Secretarial Auditor of Janak Textile Limited, which has its registered office in Chennai, India, and a branch office in California, USA. While conducting the secretarial audit for the financial year 2023-24, she noticed that one director of the company had requested financial information beyond the financial returns maintained at the registered office concerning the branch office. However, his request was denied by the Board, which contended that a director can only inspect the summarized quarterly returns sent by the branch office to the registered office. She asked the other group members to analyse the situation.
- (iv) **Dormant status of the company by ROC :**  
Raunak brought up the issue of a dormant company for discussion. He said that his client MM Consultancy Ltd. (the company) received a notice from the Registrar of Companies (the ROC/Registrar) for entering its name in the register maintained for dormant companies. Upon reviewing the company's records, he found that it had not filed its financial statements for two consecutive financial years and an annual return for the preceding financial year i.e. for only one year. He requested the group to discuss and deliberate on this situation, particularly in light of the Managing Director's concern about the validity of the Registrar's notice, and sought clarification on the provisions governing the status of a dormant company at the Registrar's behest.

(v) **Inviting deposits from public by a government company :**

Rasik mentioned that he is a legal advisor to MNO Corporation Ltd; a government company. The balances extracted from the latest audited financial statements of the company are as follows :

Sr.No.	Particulars	₹ in crore
1	Paid-up equity share capital	10
2	Free Reserves	4
3	Securities Premium Account	2
4	Turnover	300

The company proposes to invite deposits of ₹ 4 crore from public. He analysed the proposal and observed that the deposit amount is within the prescribed statutory limit. He then invited comments from the other group members on the proposal.

**Based on the above scenarios, analyse the issues, and provide legal opinions on each case, sequentially, in accordance with the provisions of the Companies Act, 2013, as detailed below :**

(a) Explain the effect of the change in the company's name and advise the Managing Director on whether the Supplier's application for dismissal of the case is tenable.

(3 marks)

(b) Regarding the Employees Stock Option Scheme (ESOP), explain the following :

(i) Whether all employees, directors, and independent directors are eligible for allotment of shares under this scheme ?

(ii) Whether a lock-in period of five years can be provided under the ESOP ?

(3 marks)

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- (c) As brought up by Roma, the request of a director for financial information related to a branch office—beyond the summarized quarterly returns maintained at the registered office of Janak Textile Limited—was rejected by the Board. Analyse the situation and determine, whether the Board's decision to deny the requested information to the director is valid. (3 marks)
- (d) Considering the discussion on the topic of dormant companies, elucidate the provisions under which the Registrar may declare a company as dormant. Also, determine the validity of the notice issued by the Registrar to MM Consultancy Ltd. (3 marks)
- (e) As informed by Rasik under Para (v), the government company proposes to invite deposits of ₹ 4 crore from the public. Explain the prescribed limit up to which a government company can invite deposits from the public, and assess whether MNO Corporation Ltd. can invite deposits of ₹ 4 crore. (3 marks)
2. (a) NSG Ltd. created a charge in favour of Bank A for a loan it took, and the particulars of the charge have already been registered with the Registrar of Companies. Later, Bank A transferred or assigned this charge to Bank B as part of a loan portfolio sale, without altering any other terms and conditions of the original loan agreement. Are there any compliance requirements related to the registration of charges under the Companies Act, 2013, in this case ? (3 marks)
- (b) Abbas is a member of PTR Ltd., an unlisted company that has adopted Articles of Association as per Article 84 of Table F of Schedule I under the Companies Act, 2013, concerning the adjustment of dividends. Abbas owes to the company a total sum of ₹ 10,000, broken down as follows :

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- (1) Calls in arrears : ₹ 3,000
- (2) Unpaid Securities Premium : ₹ 5,000
- (3) Other Debts : ₹ 2,000

PTR Ltd. has declared a dividend of ₹ 10,000 on the shares owned by Abbas. The company proposes to adjust the total debts of Abbas of ₹ 10,000 against the dividend payable to him.

As the Company Secretary of PTR Ltd., how would you respond to the company's proposal to adjust the debts against the dividend payable to Abbas in accordance with the provisions of the Companies Act, 2013 ?

(3 marks)

(c) RK Info Pvt. Ltd. (the company) has the following financial details as of 31st March, 2024, according to its financial statements :

- Paid-up share capital : ₹ 60 crore
- Turnover : ₹ 180 crore
- Outstanding deposits : ₹ 30 crore

The company is planning to appoint Salim, who is currently serving as the whole-time Company Secretary, as its internal auditor.

You are requested to assess the following :

- (i) Is RK Info Pvt. Ltd. mandatorily required to appoint an internal auditor under the provisions of the Companies Act, 2013 ?
- (ii) Can a Company Secretary who is in the whole-time employment with a company be appointed as the internal auditor of the same company according to the applicable provisions of the Companies Act, 2013 ?

(3 marks)

(d) The debenture trustee of DC Limited has observed that the company's management is suspected of siphoning off funds, leading to financial losses for the debenture holders.

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Is the situation a valid reason for the debenture trustee to make an application to the Tribunal for an investigation into the affairs of the company? Is the debenture trustee competent to make such an application to the Tribunal? If so, who is the competent authority to appoint the inspectors to conduct the investigation? Explain with reference to the provisions of the Companies Act, 2013.

(3 marks)

(e) S Ltd. has equity shares with voting rights that are pari passu. X Ltd., Y Ltd., and Z Ltd. each hold 20% of the equity shares in S Ltd. The remaining 40% of the shares are held by retail investors. R Ltd. controls the composition of the Board of Directors of X Ltd., Y Ltd., and Z Ltd. Based on the provisions of the Companies Act, 2013, determine whether R Ltd. qualifies as a holding company of S Ltd.

(3 marks)

3. (a) Guddi Logistics Limited offered 1,00,000 equity shares of ₹ 10 each to a select group of 250 persons, including 60 qualified institutional buyers. The share application money was received by the company on 1st August 2024. However, the company failed to allot the shares by 30th September 2024. During this period, the company utilized this money to pay interest on a cash credit limit sanctioned by its banker. The company secretary raised an objection to the utilization of the share application money for interest payment and suggested the CFO to refund it to the share applicants with interest at 12% per annum, effective from 1st October 2024. The CFO holds the view that the interest will be payable from 15th October, 2024. Considering the provisions of the Companies Act, 2013, examine the validity of the offer made to the select group of 250 persons, as well as the objection and suggestion made by the company secretary to the CFO.

(5 marks)

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(b) Soya Products Ltd. has been operating successfully for several years. In the financial year 2020-21, the company reported a significant increase in revenue and profits. However, in 2024-25, a whistleblower within the company revealed that the financial statements for 2020-21 were manipulated by the company's top management to inflate profits and conceal losses. The whistleblower filed a complaint with the Central Government, providing supporting documents. The Central Government conducted an investigation based on the whistleblower's evidence and concluded that the accounts for 2020-21 should be re-opened and the financial statements re-cast. Referring to the provisions of the Companies Act, 2013, examine the feasibility of re-opening the accounts and re-casting the financial statements for the financial year 2020-21.

(5 marks)

(c) RSV Private Limited., incorporated five years ago, passed a special resolution during its Annual General Meeting (AGM) held on 30th September, 2024, to issue 10 lakh sweat equity shares at a discount to a class of directors and permanent employees. The company's latest financial statement shows an issued, subscribed, and paid-up equity share capital of ₹ 5 crore, divided into 50 lakh equity shares of ₹ 10 each. Considering the provisions of the Companies Act, 2013 :

- (i) Assess the validity of issuing 10 lakh sweat equity shares with a lock-in period of 5 years.
- (ii) Would your answer change, if RSV Pvt. Ltd. were classified as a Start-up company as defined by the Ministry of Commerce and Industry, Government of India ?

(5 marks)

P.T.O.

*Attempt all parts of either Q. No. 4 or Q. No. 4A*

4. (a) Chitra Developers Limited, a listed company, adopted Articles of Association as per Article 84 of Table F of Schedule I under the companies Act, 2013, held a Board of Directors meeting on 1st February 2024, during which an interim dividend of 10% was declared. The dividend amount was transferred to a separate bank account within the prescribed timeline. However, in a subsequent Board meeting on 10th February 2024, the Board resolved to revoke the declared interim dividend. The separate bank account was closed, and the dividend amount was transferred back to the company's general bank account.

In the Board meeting held on 5th August 2024, the financial statements for the year ending 31st March 2024 were approved, and the Board proposed a final dividend of 10%. At the Annual General Meeting (AGM) held on 10th September 2024, the shareholders decided to declare a final dividend at a rate of 20%, considering the earlier revocation of the interim dividend. Considering the provisions of the Companies Act, 2013 :

- (i) Discuss the validity of the Board's decision to declare and subsequently revoke the interim dividend. Additionally, specify the date by which the company should have deposited the interim dividend amount into a separate bank account.
- (ii) Evaluate whether the shareholders' decision to declare a final dividend at the rate of 20%, instead of the 10% proposed by the Board, is legally valid.

(5 marks)

- (b) Alpha Ltd., a parent company, owns 100% of the equity shares of Beta Ltd., its wholly owned subsidiary. The companies have proposed a scheme of merger/amalgamation under Section 232 of the Companies Act, 2013, whereby Beta Ltd. will be merged into Alpha Ltd.

Both companies have submitted an application before the National Company Law Tribunal (NCLT), seeking approval of the scheme without convening meetings of their equity shareholders, secured creditors, and unsecured creditors.

Discuss, whether the National Company Law Tribunal (NCLT) has the jurisdiction to dispense with the requirement of conducting such meetings for the purpose of sanctioning the scheme of amalgamation. Additionally, identify and elaborate on the key factors the Tribunal will consider before issuing an appropriate order. Justify your answer with reference to the provisions of the Companies Act, 2013.

(5 marks)

- (c) Greenfield Infrastructure Ltd., a company engaged in large-scale infrastructure projects, decides to raise funds by issuing 1,00,000 non-convertible secured debentures with a face value of ₹ 100 each, amounting to ₹ 1 crore. The debentures carry an interest rate of 9% per annum, payable annually, and are redeemable after 17 years from the date of issue. The prospectus for subscription of debentures was issued on 1st April, 2022.

To protect the interests of the debenture holders, the company appoints SafeGuard Trustees Ltd. as the debenture trustee. The debenture trustee noted that the company defaulted on the payment of interest for two consecutive years, specifically for the payments due on 31st March 2023 and 31st March 2024.

Considering the facts given above and the provisions of the Companies Act, 2013 :

- (i) Assess the validity of the redemption period for the debentures.
- (ii) Discuss the mandatory compliance requirements for appointing a debenture trustee, including the time limit for such appointment and the execution of the trust deed.
- (iii) Identify the circumstances under which it is the duty of the debenture trustee to appoint a nominee director on the Board of the Company.

(5 marks)

**OR (Alternate question to Q. No. 4)**

- 4A. (i) (a) Rocky Images Ltd. has Varun, –Chief Financial Officer (CFO) and Prateek– Managing Director (MD). There is no wholtime director in charge of finance in the company. Varun (CFO) is of the opinion that if there is any allegation by shareholders for financial statements not complying with accounting standards then MD Prateek will be held responsible and punished whereas Prateek (MD) believes that Varun (CFO) would be held, so an argument started between the two. Discuss the above scenario in line with provisions of Companies Act, 2013.
- (b) Unlisted Resham Cements Ltd. had achieved a turnover two hundred crore in FY 2017-18 and had to file their balance sheet and statement of profit and loss in XBRL mode. Gradually their turnover started declining due to inadequate demand of cements every year and in FY 2023-24 the company could achieve only rupees forty crore turnover. The accountant of the company is of the view that now XBRL mode of filing is not needed any more as the XBRL limit is not reached and five years have expired. Comment on the view of the accountant under Companies Act, 2013.

(3+2=5 marks)

- (ii) Explain the meaning of a “member” under the provisions of the Companies Act, 2013. Can a subsidiary company become a member and shareholder of its holding company ? Can a foreigner be a member of a company ? You are requested to clarify these points with reference to the provisions of the Companies Act, 2013.

(5 marks)

- (iii) The Companies Act, 2013 provides certain protections to employees during the investigation of a company's affairs and grants a remedy of appeal against actions taken by the management. Explain.

(5 marks)

**PART-II****Case Study :****Introduction :**

Disha Beauty Products Limited (the company), incorporated five years ago with its registered office in Mumbai, India, began manufacturing cosmetic products under the brand name 'Kasturi.' The product range includes nail enamel, foundation cream, compact, mascara, eye pencil, etc. Due to its organic composition and maintaining the consistency in the quality the company's products quickly gained popularity, capturing a significant share of the Indian market. Under the leadership of Disha, the Managing Director, the company experienced growth in turnover and profitability, earning a strong reputation in both consumer and industry circles.

**Additional Directors :**

To facilitate future expansion, the company intended to appoint Joe and Jogesh as additional directors due to their extensive experience and business acumen. Disha had previously proposed Joe for a regular director position at the Annual General Meeting (AGM), but the motion failed, and Joe was not appointed, Jogesh is proposed to be appointed as an additional director for the first time. The Board of Directors, exercising powers conferred by the Articles of Association, appointed both Joe and Jogesh as additional directors in the board meeting held on 31st March 2024.

The AGM, originally due on 30th September 2024, could not be held on the due date. The company obtained a three-month extension from the Registrar of Companies and held the AGM on 31st December 2024.

P.T.O.

: 12 :

**Loan/Security to other Company :**

The company provided security for a loan of ₹ 25 lakh taken by Rupa Chemicals Limited (RCL), in which Harshal and Sujit, directors of the company, hold 10% and 15% equity shares, respectively, with voting rights. The Secretarial Auditor observed that this transaction might be invalid. The company argues that it has complied with all legal formalities and asserts that none of the directors is interested in RCL as per the law.

**Board Meeting :**

The Board of Directors planned to issue equity shares to the public and held a meeting on 15th May 2024 to approve the prospectus. Out of the 12 directors, three attended the meeting physically, and one attended via audio-visual means. One other director had informed the company secretary on 1st April 2024, of his intention to attend the next board meeting electronically. The company advised him to attend in person, stating that electronic arrangements could not be made as the intimation of his intention to attend the meeting electronically was not given at the beginning of the calendar year 2024.

**Appointment of relative of the Managing Director :**

Juley, a company secretary and sister of Disha, the Managing Director, is proposed to be appointed as a 'Consultant' with a monthly remuneration of ₹ 2.75 lakh. Disha seeks clarification on the applicable legal provisions concerning this appointment.

**Based on the above information and referring to the provisions of the Companies Act, 2013 you are requested to address the following :**

- (a) Examine the validity of the appointment of Joe and Jogesh as additional directors of Disha Beauty Products Limited. Also, discuss the tenure of their appointment.

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(5 marks)

- (b) The Secretarial Auditor has observed that the transaction involving Disha Beauty Products Limited providing security for a ₹ 25 lakh loan taken by Rupa Chemicals Limited is invalid. Analyse the validity of this transaction. 184 (2)
- (5 marks)
- (c) Determine, whether the quorum was present at the Board meeting held on 15th May, 2024 for the approval of the Prospectus. Additionally, assess whether the company's advice to a director to attend the meeting in person instead of electronically—due to the notice of electronic participation not being given at the beginning of the calendar year—was valid. 74
- (5 marks)
- (d) Determine, discussing the relevant provisions of the Companies Act, 2013, whether the appointment of Juley as a consultant for Disha Beauty Products Limited constitutes a related party transaction. Additionally, explain the necessary approval and disclosure compliance requirements for such transactions.
- (5 marks)

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

6. (a) Draft a specimen notice for the Annual General Meeting (AGM) in accordance with the provisions of the Companies Act, 2013, ensuring that there is no special business to be transacted.
- (5 marks)

- (b) Explain the requirement for constitution, composition, and functions of the Stakeholders Relationship Committee as per the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015. (5 marks)
- (c) XYZ Ltd. intends to allot equity shares on a private placement basis. These equity shares will rank pari-passu with the existing equity shares in all respects. You are requested to provide a specimen draft of the board resolution approving the private placement of shares, in compliance with the provisions of the Companies Act, 2013. (5 marks)
- (d) You are requested to draft sample minutes of a board meeting in which the transaction of a share transfer, along with the usual items of business, was conducted, in accordance with the provisions of the Companies Act, 2013 (5 marks)

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

- 6A. (i) Some members of a company with share capital intend to request the Board of Directors to convene an Extraordinary General Meeting (EGM) to transact the business of buying back shares. If the Board fails to convene the EGM, the members plan to call the meeting themselves.
- You are requested to explain the provisions of the Companies Act, 2013, regarding the calling and holding of an EGM by the Board upon requisition by members, and the timeline for calling an EGM by the requisitionists, if the Board fails to do so. Additionally, examine the feasibility of conducting such an EGM for the buy-back of shares and outline the consequences, if the quorum is not present at a meeting called by the members.

- (ii) You are requested to explain the provisions of the Companies Act, 2013, and the SEBI (LODR) Regulations, 2015, regarding the vigil mechanism/whistleblower policy, addressing the following points :
- (a) Which companies are required to establish a vigil mechanism ?
  - (b) What safeguards against victimization must be provided, and who are they meant to protect ?
  - (c) Who is responsible for overseeing the vigil mechanism in companies with and without an audit committee ?
  - (d) What are the disclosure requirements related to the vigil mechanism ?
- (5 marks)
- (iii) Explain the provisions of Rule 7 of the CSR Rules, 2014, under the Companies Act, 2013, concerning :
- (i) the CSR expenditure,
  - (ii) the ceiling on administrative overheads,
  - (iii) the treatment of surplus arising from CSR activities,
  - (iv) the handling of excess CSR spending, and
  - (v) the acquisition of capital assets.
- (5 marks)
- (iv) Describe the disqualifications for a person to be appointed or to continue as a Managing Director, Whole-time Director, or Manager under the provisions of the Companies Act, 2013, read with the relevant conditions stipulated in Part I of Schedule V thereto.
- (5 marks)