

CMSL Case Studies - Comprehensive Preparation Guide

CS Executive Examination - Previous Year Analysis & Practice

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1. Understanding Case Study Pattern in CMSL Examination

Examination Structure

- **Total Marks:** 100 (typically 3-4 case studies worth 40-50 marks)
- **Question Types:** Situational analysis, regulatory compliance, penalty determination
- **Time Allocation:** 15-20 minutes per case study
- **Marking Scheme:** Step-wise marks for identification, analysis, and conclusion

Key Areas for Case Studies

- **Regulatory Violations:** Non-compliance with SEBI regulations
- **Corporate Actions:** Rights issues, buyback, delisting scenarios
- **Disclosure Requirements:** Material event disclosure, insider trading
- **Market Manipulation:** Fraudulent and unfair trade practices
- **Takeover Situations:** Mandatory offers, exemptions, pricing

- **Intermediary Issues:** Broker violations, client protection

Answer Structure Framework

1. **Issue Identification** (2-3 marks)
 2. **Applicable Regulations** (3-4 marks)
 3. **Analysis** (4-5 marks)
 4. **Conclusion/Recommendations** (2-3 marks)
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2. Chapter 3: SCRA 1956 - Case Studies

Case Study 1: Unrecognized Stock Exchange Operations

Scenario: XYZ Associates is operating as a stock exchange without recognition from the Central Government. They facilitate trading in shares of listed companies and charge commission from members.

Issues to Identify:

- Operation without recognition under SCRA
- Validity of contracts executed
- Regulatory violations

Analysis:

- SCRA Section 4 requires recognition for stock exchange operations
- Contracts executed through unrecognized exchanges are void
- Criminal liability under Section 23 of SCRA

Penalties:

- Imprisonment up to 1 year and/or fine up to Rs. 1 crore
- Contracts are unenforceable in law

Case Study 2: Forward Contract Violations

Scenario: ABC Broking facilitates forward contracts in equity shares for delivery after 6 months with specific clients outside stock exchange mechanism.

Key Points:

- SCRA prohibits forward contracts in securities except through recognized stock exchanges
- Exception only for government securities in certain cases
- Violation attracts penalties under Section 16

Solution Approach:

- Identify violation of Section 18 of SCRA
- Explain enforceability issues
- Suggest compliance through recognized exchange

Case Study 3: Options Trading Without Recognition

Scenario: PQR Financial Services offers options trading in equity shares through private arrangement without stock exchange involvement.

Analysis Framework:

- Options in securities are generally prohibited under SCRA
 - Exception only for derivatives on recognized exchanges
 - Private options arrangements are illegal
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3. Chapter 4: SEBI Act 1992 - Case Studies

Case Study 4: Unregistered Investment Adviser Operations

Scenario: Mr. Sharma provides investment advice through his website and YouTube channel, charging Rs. 5000 monthly subscription from 500 clients. He has not registered with SEBI.

Issues:

- Threshold for mandatory registration (Rs. 25 lakh annual fees)
- Calculation: $500 \times 5000 \times 12 = \text{Rs. 3 crore}$ (exceeds threshold)
- Violation of SEBI (Investment Advisers) Regulations

Penalties:

- Monetary penalty up to Rs. 1 crore
- Cease and desist orders
- Criminal prosecution possible

Case Study 5: Collective Investment Scheme Without Registration

Scenario: Green Valley Developers collects money from 300 investors promising 15% returns through real estate development, without SEBI registration.

Analysis:

- Meets CIS criteria: pooling of funds, professional management, return sharing
- More than 20 investors triggers SEBI registration requirement
- Violation of SEBI (CIS) Regulations

Action Required:

- Immediate cessation of scheme
- Refund to investors with interest
- SEBI enforcement action likely

Case Study 6: Portfolio Manager Operating Without Registration

Scenario: XYZ Asset Management manages portfolios worth Rs. 100 crore for 50 clients without SEBI registration, claiming exemption as family office.

Key Analysis:

- Family office exemption doesn't apply to unrelated clients
 - Mandatory registration for portfolio management services
 - Capital adequacy and compliance requirements not met
-

4. Chapter 5: Depositories Act - Case Studies

Case Study 7: Unauthorized Depository Participant Operations

Scenario: ABC Financial Services acts as depository participant without proper registration, opening demat accounts and facilitating transactions.

Violations:

- Operating without DP registration
- Risk to investor securities and funds
- Breach of depository system integrity

Consequences:

- Criminal liability under Depositories Act
- Compensation to affected investors
- Prohibition from securities market

Case Study 8: Pledge Creation Irregularities

Scenario: Investor pledges shares in demat account but DP creates pledge without proper documentation and pledgee consent.

Issues:

- Improper pledge creation procedure
- Lack of pledgee acknowledgment

- Risk of unauthorized invocation

Solution:

- Proper pledge procedure with all parties' consent
- Documentation as per depository bylaws
- DP liability for irregular procedures

Case Study 9: Corporate Action Mishandling

Scenario: Company declares bonus shares 1:1, but DP fails to credit bonus shares to investor accounts within stipulated time.

Analysis:

- DP obligation to ensure timely corporate action
 - Investor grievance redressal mechanism
 - Compensation for delays and losses
-

5. Chapter 6: Intermediaries - Case Studies

Case Study 10: Stock Broker Client Fund Misuse

Scenario: XYZ Broking uses client funds worth Rs. 50 lakh for proprietary trading without client consent. Client discovers unauthorized use during statement review.

Violations:

- Misuse of client funds (Section 11 of SEBI Act)
- Breach of fiduciary duty
- Violation of segregation requirements

Penalties:

- Disgorgement of profits with interest
- Monetary penalty up to Rs. 25 crore
- Suspension or cancellation of registration

Case Study 11: Investment Adviser Conflict of Interest

Scenario: Registered investment adviser recommends specific mutual fund schemes to all clients without disclosing that he receives commission from AMC.

Issues:

- Undisclosed conflict of interest

- Breach of fiduciary duty
- Violation of code of conduct

Remedial Action:

- Full disclosure of conflicts
- Client consent for continuing relationship
- Refund of commissions received

Case Study 12: Sub-broker Exceeding Authority

Scenario: Sub-broker directly collects funds from clients and executes trades without routing through principal broker.

Analysis:

- Sub-broker cannot handle client funds directly
 - Violation of principal-agent relationship
 - Risk to client protection mechanism
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6. Chapter 8: ICDR - Case Studies

Case Study 13: IPO Pricing Irregularities

Scenario: Company launches IPO with price band Rs. 100-120. During book building, 90% subscription at cut-off price, but final price fixed at Rs. 100 due to promoter pressure.

Issues:

- Manipulation of price discovery process
- Prejudicial to investor interests
- Violation of book building guidelines

Analysis:

- Price should reflect demand-supply dynamics
- SEBI investigation warranted
- Possible penalties on company and lead managers

Case Study 14: Rights Issue Compliance Failure

Scenario: Company announces rights issue 1:2 at Rs. 80 (market price Rs. 100) but fails to provide complete information about fund utilization in offer document.

Violations:

- Inadequate disclosure in rights offer letter
- Violation of ICDR regulations
- Risk to investor decision-making

Case Study 15: Private Placement Irregularities

Scenario: Listed company raises Rs. 200 crore through preferential allotment to 15 entities at Rs. 90 per share when market price is Rs. 120, without proper justification for discount.

Issues:

- Excessive discount without valid justification
 - Possible violation of pricing guidelines
 - Need for special resolution and fairness opinion
-

7. Chapter 11: LODR - Case Studies

Case Study 16: Material Event Non-disclosure

Scenario: Listed company signs major contract worth 40% of annual revenue but fails to disclose to stock exchanges within required timeline, citing confidentiality clause.

Violations:

- Non-disclosure of material information
- Breach of continuous disclosure obligations
- Price sensitive information not disclosed

Analysis:

- Material events must be disclosed regardless of confidentiality
- Stock exchanges can impose penalties
- Investor protection compromised

Penalties:

- Warning, fine, or trading suspension
- Compliance officer responsibility
- Possible delisting for continued violations

Case Study 17: Related Party Transaction Approval Issues

Scenario: Company enters into Rs. 100 crore transaction with promoter group company. Audit committee approves but independent directors were not properly informed about transaction details.

Issues:

- Inadequate independent director involvement
- Possible violation of approval thresholds
- Risk of unfair transaction

Solution:

- Proper disclosure to independent directors
- Special resolution if required
- Retrospective approval if possible

Case Study 18: Corporate Governance Violations

Scenario: Listed company has only 2 independent directors out of 8 total directors. CEO and Chairman are same person. Audit committee has 2 independent directors and 1 executive director.

Violations:

- Insufficient independent directors (minimum 1/3 required)
- CEO-Chairman duality without proper justification
- Audit committee composition violation

Case Study 19: Quarterly Result Delay

Scenario: Company delays quarterly results by 60 days citing auditor issues. Stock continues trading during this period.

Analysis:

- Maximum 45 days allowed for quarterly results
 - Trading suspension warranted after deadline
 - Investor confidence affected
-

8. Chapter 12: Takeover Code - Case Studies**Case Study 20: Mandatory Open Offer Trigger**

Scenario: Mr. A holds 20% shares in XYZ Ltd. He acquires additional 8% shares through market purchases, taking total holding to 28%. He claims exemption as acquisition is from open market.

Analysis:

- 25% threshold crossed triggers mandatory open offer
- No exemption for open market acquisitions beyond 25%

- Must make offer for additional 26% shares

Compliance Required:

- Public announcement within 4 working days
- Open offer for 26% shares from public
- Minimum 50% acceptance condition

Case Study 21: Competing Open Offers

Scenario: Company A announces voluntary open offer for 35% shares of Target Company at Rs. 150 per share. Company B announces competing offer at Rs. 160 per share after 10 days.

Issues:

- Multiple open offers situation
- Shareholder choice and procedural requirements
- Pricing and timing considerations

Process:

- Both offers can proceed simultaneously
- Shareholders can choose better offer
- Regulatory oversight for fair process

Case Study 22: Concert Party Determination

Scenario: Three individuals - X, Y, Z acquire 8%, 9%, and 10% shares respectively in ABC Ltd over 6 months. They are business partners and coordinate acquisition strategy.

Analysis:

- Acting in concert determination crucial
- Combined 27% triggers mandatory offer
- Concert party agreement evidence required

Case Study 23: Exemption Claims

Scenario: Promoter group company acquires 30% shares of subsidiary from another group company. Claims exemption from open offer as inter-se transfer.

Evaluation:

- Inter-se transfer exemption conditions
- Same promoter group requirement

- SEBI approval may be required
-

9. Chapter 13: Insider Trading - Case Studies

Case Study 24: Director Trading Before Results

Scenario: Executive Director sells 10,000 shares two days before quarterly results announcement showing significant losses. He claims personal financial emergency.

Violations:

- Trading during closure period
- Possession of UPSI (quarterly results)
- No valid exemption for personal emergency

Analysis:

- Clear insider trading violation
- UPSI definition satisfied
- Emergency doesn't justify violation

Penalties:

- Monetary penalty up to Rs. 25 crore
- Disgorgement of gains (or loss avoided)
- Market prohibition possible

Case Study 25: Tip-off to Relatives

Scenario: CFO informs his brother-in-law about upcoming merger announcement. Brother-in-law purchases shares worth Rs. 50 lakh and gains Rs. 15 lakh profit.

Issues:

- Communication of UPSI violation
- Immediate relative trading
- Unlawful gain from insider information

Action Required:

- Investigation by SEBI
- Penalties on both CFO and brother-in-law
- Disgorgement of Rs. 15 lakh profit

Case Study 26: Trading Plan Violation

Scenario: Senior executive creates trading plan to sell shares monthly. During plan period, company receives major order (UPSI). Executive modifies plan to increase selling quantity.

Analysis:

- Trading plan modification not allowed once commenced
- UPSI possession makes modification illegal
- Plan loses legal protection

Case Study 27: Inadvertent UPSI Possession

Scenario: Auditor employee accidentally receives email containing draft quarterly results. He immediately purchases shares claiming he didn't read email content.

Issues:

- Possession of UPSI regardless of intent
 - Burden of proof on accused
 - No exemption for inadvertent possession
-

10. Chapter 14: Fraudulent Practices - Case Studies

Case Study 28: Circular Trading Scheme

Scenario: Group of 5 entities engage in circular trading of ABC Ltd shares among themselves, creating artificial volume of 50 lakh shares in one day, pushing price from Rs. 100 to Rs. 180.

Analysis:

- Clear market manipulation through circular trading
- Artificial price and volume creation
- Fraudulent and unfair trade practice

Evidence:

- Trade data analysis showing circular pattern
- Common control/coordination among entities
- Unusual volume and price movement

Penalties:

- Disgorgement of unlawful gains
- Monetary penalty up to Rs. 25 crore per entity

- Market prohibition and criminal prosecution

Case Study 29: Pump and Dump Scheme

Scenario: Investment adviser recommends XYZ stock to 1000 clients through research reports highlighting false growth prospects. After clients purchase, adviser sells his own holding for Rs. 2 crore profit.

Violations:

- Misleading research and recommendations
- Front running client recommendations
- Breach of fiduciary duty

Action:

- Cancellation of investment adviser registration
- Disgorgement of Rs. 2 crore profit
- Compensation to affected clients

Case Study 30: Synchronized Trading

Scenario: Two broking firms coordinate client trades to manipulate small-cap stock prices during last 30 minutes of trading for 15 consecutive days.

Issues:

- Market manipulation through coordination
- Artificial closing price creation
- Violation of market integrity

Case Study 31: Rumor Mongering

Scenario: Social media influencer with 100k followers spreads false news about company's bankruptcy filing, causing 20% price decline in one day.

Analysis:

- Spreading false/misleading information
- Market manipulation through rumors
- Abuse of social media influence

11. Chapter 15: Delisting - Case Studies

Case Study 32: Voluntary Delisting Process Violation

Scenario: Company announces voluntary delisting but fails to provide exit opportunity to minority shareholders at fair price. Promoter offers Rs. 80 per share when independent valuation suggests Rs. 120.

Issues:

- Inadequate exit price to minority shareholders
- Violation of delisting regulations
- Unfair treatment of minority interests

Requirements:

- Independent valuation mandatory
- Fair price determination through book building
- Minimum acceptance threshold compliance

Case Study 33: Compulsory Delisting Due to Governance Failures

Scenario: Company fails to hold AGM for 3 consecutive years, doesn't file financial results for 6 quarters, and independent directors resign citing governance concerns.

Grounds for Delisting:

- Continuous non-compliance with listing requirements
- Failure to maintain minimum governance standards
- Loss of public confidence

Process:

- Show cause notice by stock exchange
- Opportunity for remedial action
- Final delisting if non-compliance continues

Case Study 34: Delisting Through Reverse Book Building

Scenario: Promoter wants to delist company with 60% shareholding. Announces delisting with floor price Rs. 100. Only 30% minority shareholders participate in reverse book building.

Analysis:

- Minimum 50% acceptance from minority required
- Delisting cannot proceed with 30% acceptance
- Process must be aborted and company remains listed

Case Study 35: NAV Manipulation

Scenario: Fund manager of equity mutual fund scheme deliberately overvalues portfolio stocks by 5% at month-end to show better performance for incentive calculation.

Violations:

- NAV manipulation and overvaluation
- Breach of fiduciary duty to unitholders
- Violation of valuation guidelines

Consequences:

- SEBI penalties on fund manager and AMC
- Compensation to affected unitholders
- Possible suspension of scheme

Case Study 36: Front Running by Fund Manager

Scenario: Fund manager purchases shares in personal account before executing large buy orders for mutual fund schemes, benefiting from subsequent price appreciation.

Issues:

- Front running and conflict of interest
- Violation of code of conduct
- Unfair advantage over unitholders

Case Study 37: Mis-selling of Mutual Fund Schemes

Scenario: Distributor recommends high-risk sectoral fund to 65-year-old conservative investor without proper risk profiling, resulting in 30% loss.

Analysis:

- Unsuitable product recommendation
- Violation of suitability and appropriateness norms
- Distributor liability for losses

13. Mixed Case Studies

Case Study 38: Complex Corporate Restructuring

Scenario: Listed company ABC Ltd (manufacturing) merges with unlisted subsidiary XYZ Ltd (services). Post-merger, promoter holding increases from 45% to 55%. Company also announces Rs. 500 crore

rights issue to fund expansion.

Multiple Issues:

- Scheme of arrangement requiring regulatory approvals
- Change in promoter holding above 50%
- Rights issue compliance requirements
- Disclosure and approval requirements

Analysis Framework:

- NCLT approval for merger scheme
- SEBI approval for increase in promoter holding
- Rights issue compliance under ICDR regulations
- Minority shareholder protection measures

Case Study 39: Private Equity Investment Scenario

Scenario: PE fund invests Rs. 1000 crore in unlisted company for 30% stake. Investment agreement provides for IPO within 3 years and board representation. Company plans IPO after 2 years.

Regulatory Aspects:

- PE investment compliance with FDI norms
- Pre-IPO corporate governance requirements
- Lock-in requirements post-IPO
- Disclosure in IPO documents

Case Study 40: Cross-border Acquisition

Scenario: Indian listed company acquires 75% stake in US company for \$100 million. Transaction funded through ECB and share swap arrangement.

Compliance Requirements:

- RBI approval for overseas investment
- FEMA compliance for foreign exchange
- SEBI disclosure requirements
- Valuation and pricing issues

14. Answer Writing Strategy for Case Studies

Step 1: Issue Identification (20% marks)

- **Read Carefully:** Understand all facts presented
- **Identify Violations:** List all possible regulatory violations
- **Determine Applicability:** Which regulations/acts apply
- **Prioritize Issues:** Start with most significant violations

Step 2: Legal Framework (25% marks)

- **Cite Specific Sections:** Mention exact section numbers
- **Quote Key Definitions:** Use precise regulatory definitions
- **Reference Guidelines:** Include relevant SEBI circulars/guidelines
- **Recent Amendments:** Consider latest regulatory changes

Step 3: Analysis and Application (35% marks)

- **Apply Law to Facts:** Connect regulations to specific scenario
- **Consider Exceptions:** Check if any exemptions apply
- **Evaluate Evidence:** Assess strength of case for violations
- **Multiple Perspectives:** Consider different stakeholder views

Step 4: Conclusion and Recommendations (20% marks)

- **Clear Verdict:** State whether violations occurred
- **Suggest Penalties:** Appropriate penalties under law
- **Remedial Actions:** Steps for future compliance
- **Prevention Measures:** How to avoid similar issues

Common Mistakes to Avoid

- **Generic Answers:** Avoid boilerplate responses
- **Incomplete Analysis:** Don't miss multiple violations in single scenario
- **Wrong Citations:** Ensure accurate section references
- **No Practical Solutions:** Always provide actionable recommendations

Time Management Tips

- **2 minutes:** Read and understand case
 - **3 minutes:** Identify issues and applicable laws
 - **10 minutes:** Write detailed analysis
 - **3 minutes:** Conclude with recommendations
 - **2 minutes:** Review for completeness
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Practice Questions for Self-Assessment

Question 1: LODR Compliance

XYZ Ltd, a listed company, entered into a lease agreement with its promoter group company for office premises worth Rs. 50 crore annually. The transaction was approved by audit committee but not disclosed to stock exchanges. Later, it was discovered that two independent directors were not present in the audit committee meeting due to short notice.

Analyze the regulatory violations and suggest remedial measures.

Question 2: Insider Trading Complex Scenario

Mr. Sharma, Executive Director of ABC Ltd, discusses quarterly results with his chartered accountant for tax planning. The CA's wife purchases 5000 shares based on this information. Simultaneously, Mr. Sharma's driver overhears conversation and buys 1000 shares. Results are announced after 3 days showing significant profit increase.

Examine the insider trading implications for all parties involved.

Question 3: Takeover Code Application

Company A holds 22% shares in Target Company B. Company A's subsidiary holds 5% shares in B. Due to financial difficulties, Company A's subsidiary sells its entire 5% stake to Company A at market price through stock exchange transactions.

Determine whether mandatory open offer provisions are triggered.

Question 4: Mutual Fund Violation

Fund Manager of Growth Fund purchases shares of small-cap company at Rs. 100 per share worth Rs. 10 crore for the scheme. Next day, the same company announces a major contract, and share price jumps to Rs. 150. Investigation reveals fund manager had prior information about the contract through his friend who works in the contracting company.

Analyze the violations and determine appropriate penalties.

Question 5: Multi-regulatory Scenario

Listed company plans to raise Rs. 1000 crore through QIP to foreign investors. The issue proceeds will be used to acquire a domestic company in the same business vertical. Post-acquisition, the listed company's promoter holding will reduce from 51% to 45% due to issue of new shares.

Examine the regulatory compliances required across different regulations.

Key Regulatory Updates to Consider

Recent SEBI Amendments (2023-2024)

- **LODR Amendments:** Enhanced disclosure requirements for RPTs
- **Insider Trading:** Revised definition of UPSI and trading plans
- **Takeover Regulations:** Modifications in exemption criteria
- **MF Regulations:** New guidelines on ESG funds and categorization

Supreme Court/SAT Judgments

- **Insider Trading:** Recent judgments on burden of proof
- **Takeover:** Interpretations on concert party and control
- **Delisting:** Fair value determination principles
- **Market Manipulation:** Evidence standards and penalties

International Best Practices

- **Cross-border Regulations:** Coordination with foreign regulators
 - **Technology Integration:** Use of AI/ML in surveillance
 - **ESG Compliance:** Environmental and social governance requirements
 - **Cyber Security:** Data protection and system security norms
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Conclusion and Final Tips

Key Success Factors

1. **Thorough Understanding:** Deep knowledge of regulations and recent updates
2. **Practical Application:** Ability to apply theory to real-world scenarios
3. **Analytical Skills:** Structured approach to problem-solving
4. **Communication:** Clear and concise answer presentation
5. **Time Management:** Efficient allocation of time across questions

Preparation Strategy

- **Regular Practice:** Solve at least 2 case studies daily
- **Current Affairs:** Stay updated with recent SEBI developments
- **Mock Tests:** Practice under exam conditions
- **Peer Discussion:** Discuss complex scenarios with fellow students
- **Expert Guidance:** Seek clarification on difficult concepts

Resources for Further Study

- **SEBI Website:** Latest regulations and circulars
- **Professional Journals:** CA/CS professional magazines
- **Case Law Databases:** Recent tribunal and court decisions
- **Study Materials:** Standard textbooks and reference materials

Remember: Case studies test your ability to think like a compliance professional. Focus on practical implications rather than theoretical knowledge alone.

This comprehensive guide covers major case study patterns in CMSL examination. Regular practice with these scenarios will enhance your analytical skills and exam performance.

SEBI Case Studies - Quick Q&A with Memory Tricks

Memory Master Formula: "IPO-SAST-PIT-LODR"

Case 102 - IPO Pricing Problem

? **Question:** Company proposes Rs. 280 anchor price vs Rs. 300 for others - Valid? 🧠 **Memory: "50 Rule for Fair IPO"**

✓ **Answer:**

- **Invalid pricing** - exceeds Rs. 50 differential limit
- ICDR allows max Rs. 50 difference between investor categories
- Company proposing price gap > Rs. 50 = **Violation**

One-liner: IPO price gap > Rs. 50 = Invalid

Case 103 - Promoter Transfer

? **Question:** 47% promoter transferring 2% to another promoter group - Need open offer? 🧠 **Memory: "Promoter to Promoter = Free Pass"**

✓ **Answer:**

- **Exemption available** under SAST Regulations
- Inter-promoter group transfers don't need open offer
- Same promoter group = **No mandatory offer required**

One-liner: Same promoter group transfer = Exemption granted

Case 104 - Warrant Conversion

? **Question:** Warrant conversion increases holding beyond 25% - Open offer needed? 🧠 **Memory: "25% = Open Offer Time"**

✓ **Answer:**

1. **Yes** - triggers open offer obligation
2. **No** - not covered under creeping acquisition
3. **No exemption** - conversion = deemed acquisition

One-liner: Cross 25% = Mandatory open offer

Case 105 - ESOP for Nominee

? **Question:** Nominee director excluded from ESOP - What conditions needed? 🧠 **Memory:**
"Nominee ≠ Employee Rights"

✓ **Answer:** Prior conditions for nominee director ESOP eligibility:

- Must be working employee
- Should have employment contract
- Cannot be just a board nominee

One-liner: Nominee director needs employee status first

Case 107 - Compliance Officer

? **Question:** Engineering graduate with CTO experience as Compliance Officer - Eligible? 🧠 **Memory:**
"Technical Guy ≠ Compliance Guy"

✓ **Answer:**

- **Not automatically qualified**
- PIT Regulations need specific compliance background
- Engineering + CTO experience ≠ Compliance expertise
- Need legal/secretarial/finance qualification

One-liner: Technical background insufficient for compliance role

Case 108 - Buyback Math

? **Question:** Calculate shares eligible for buyback from small shareholders 🧠 **Memory:** "Small Shareholder = Special Treatment"

✓ **Answer:**

- Calculate based on small shareholder category
- Use average of market prices (Rs. 2640.40 & Rs. 2514.05)
- Round off to lower whole number
- **Formula:** Eligible shares based on proportionate basis

One-liner: Small shareholders get preferential buyback calculation

Case 111 - Issue Money Usage

? **Question:** Rs. 125 cr public issue, Rs. 20 cr to existing shareholders - Usage rules? 🧠 **Memory:**

"Public Money = Strict Rules"

✅ **Answer:**

- **Proceeds utilization** governed by strict SEBI norms
- Must use for stated purposes only
- Monitor through compliance reports
- **No exemption** for deviation without approval

One-liner: Public issue money = No deviation allowed

Case 112 - Buyback After Default

? **Question:** Company with loan default wants buyback - Permitted? 🧠 **Memory:** "Default = No Buyback"

✅ **Answer:**

- **Not permitted** due to loan default
- Company must have sound financial position
- Clear all defaults before buyback proposal
- SEBI restricts financially weak companies

One-liner: Financial default = Buyback prohibited

Case 113 - Takeover Escrow

? **Question:** 26% acquisition at Rs. 500/share - Escrow time limit & amount? 🧠 **Memory:** "Big Buy = Escrow Must"

✅ **Answer:** (a) **Time limit:** 2 working days from public announcement **Amount:** 25% of total consideration (b) **Forms:** Bank guarantee, fixed deposit, cash with merchant banker

One-liner: 26% acquisition = 2 days escrow deposit

Case 116 - BSE Notice

? **Question:** Company planning board meeting - What prior intimation needed to BSE? 🧠 **Memory:** "Big Decisions = Prior Notice"

✅ **Answer:**

- **Board meeting intimation** required for material matters

- Include: financial results, dividends, meetings, acquisitions
- **Advance notice** as per LODR requirements

One-liner: Material matters = Advance BSE intimation

Case 117 - Trading Window

? **Question:** Company Secretary's role in monitoring trading window? 🧠 **Memory:** "CS = Trading Policeman"

✓ **Answer:** Company Secretary must:

- **Close trading window** before unpublished price sensitive information
- Monitor designated persons' trading
- Maintain pre-clearance records
- Ensure compliance declarations

One-liner: CS monitors who trades when

Case 118 - Warrant Pricing

? **Question:** Share warrant pricing with given market data - Minimum price & amount? 🧠 **Memory:** "Higher Price Wins"

✓ **Answer:** (i) **Minimum price:** Higher of Rs. 275 (26-week) or Rs. 280 (2-week) = **Rs. 280** (ii) **Amount payable:** 25% of Rs. 280 × 20 lakh shares = **Rs. 140 crores**

One-liner: Warrant price = Highest of all averages

Case 119 - Penalty Recovery

? **Question:** SEBI penalty Rs. 25 cr, company can't pay - Recovery methods? 🧠 **Memory:** "Can't Pay ≠ Won't Pay"

✓ **Answer:** Recovery methods under SEBI Act:

- Asset attachment and sale
- Recovery as arrears of land revenue
- Director liability provisions
- Prosecution for non-compliance

One-liner: SEBI penalty = Multiple recovery routes

Case 120 - Code of Conduct

? **Question:** Capital structure change - Code of conduct applicability for board? 🧠 **Memory:**

"Governance = Code Must"

✅ **Answer:** Draft agenda should include:

- Code applicability with capital structure changes
- Board and senior management compliance
- Declaration and monitoring mechanism
- Annual compliance certificate

One-liner: Capital change = Review governance code

🎯 **SUPER MEMORY TRICKS:**

"50-25-2-140"

- **50:** Max IPO price difference (Rs.)
- **25:** Takeover trigger (%) & Escrow deposit (%)
- **2:** Days for escrow deposit
- **140:** Crores for warrant example

"PELT" for Penalties:

- **P**rosecution possible
- **E**scrow for takeovers
- **L**iability of directors
- **T**rading window closure

"DISC" for Disclosures:

- **D**irectors' dealings
- **I**nsider trading prevention
- **S**tock exchange intimation
- **C**ompliance officer duties

🔥 **EXAM HACK:**

Read Question → Identify Number → Apply Rule → Write Answer

- See 25% → Think takeover
- See Rs. 50 → Think IPO pricing

- See "nominee" → Think eligibility
- See "default" → Think prohibition

Company Law Case Studies - Solutions

Case Study 1: SEBI Substantial Acquisition Regulations

(i) Regulation 10(1)(d)(iii) of SEBI (SAST) Regulations, 2011:

Provisions for exemption from open offer:

- Acquisition of shares in target company pursuant to arrangement scheme sanctioned by NCLT
- National Company Law Tribunal provides exemption to acquirer from making open offer
- Subject to following conditions:
 - Consideration paid in cash/cash equivalents less than 25% of total consideration under scheme
 - Post implementation of scheme, person holding at least 25% voting rights in combined entity are same as before implementation

(ii) Eligibility for exemption under Regulation 10(1)(d)(iii):

Star is eligible because:

- Acquisition of shares in target company (Nova) is being made pursuant to scheme sanctioned by NCLT
 - Entire consideration is being paid in terms of cash & cash equivalents
 - Post merger, Star will issue its shares to Moon's shareholders, such shareholders will hold more than 25% stake in Star
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Case Study 2: SEBI Ombudsman Regulations, 2003

Key Points about SEBI Ombudsman:

Case matter resolution:

- SEBI Ombudsman Regulation, 2003 allows case matter resolution within extended period of 1 month by mutually acceptable agreements
- Receipt of complaint can be extended as permitted by Ombudsman
- Ombudsman may give opportunity of being heard to both parties and give award in writing
- Other directions/orders as he may consider appropriate

Award provisions:

- Award will be made within period of 3 months from date of filing complaint
- Ombudsman should send his award to both parties for adjudication to perform their obligations as per award

- Award given by Ombudsman shall be final and binding to parties and persons claiming under them respectively
- Aggrieved party may file petition with SEBI within one month of receiving such order, setting out grounds of receipt of order

SEBI review powers:

- SEBI may review award if there is substantial miscommitment of justice
 - Any error apparent on face of award
 - Such petition shall not be entertained by SEBI if petitioner has deposited with SEBI 25% of amount mentioned in award
 - SEBI may review award and pass such order as it may deem appropriate within period of 45 days from date of filing review petition
-

Case Study 3: SEBI ICDR Regulations - Green Shoe Option

(i) Maximum shares for borrowing by stabilizing agent:

According to SEBI (ICDR) Regulations, 2018:

- Maximum number of shares that can be borrowed by stabilizing agent shall not exceed 15% of issue size
- In given case: stabilizing agent can borrow 7.5 lakh shares (i.e. 15% of 50,00,000 shares)

(ii) Issuer company's responsibility regarding shortfall:

Key responsibilities:

- Issuer company shall allot differential 2.5 lakh shares in stabilizing demat account to cover shortfall
- Stabilizing agent shall discharge obligation to lending shareholders by returning 7.5 lakh shares that had been borrowed by him
- Issuer company would need to apply to exchanges for obtaining listing/trading permissions for incremental shares allotted pursuant to green shoe option mechanism

(iii) Amount to be transferred to Investor Protection & Education Fund:

Calculation:

- Amount = 50,00,000 × (200 - 180) = ₹10,00,00,000
-

Case Study 4: Mutual Fund NAV Cut-off Times

(i) Cut-off time definition:

Net Asset Value (NAV) cut-off timelines:

- Cut-off time determines NAV on which investor buys or sells units of mutual fund scheme
- Simply, allotment or redemption of NAV depends upon time of submitting application and/or money with fund house
- For purchase or sale, this time is called cut-off time in mutual funds world

Cut-off timelines for different fund types:

Transaction Type	Before/After Cut-off	Applicable NAV
Equity oriented and debt funds (except liquid funds)		
Purchase & Switch-in (value <2 lakh)	3 pm - Before	Same day NAV
	After	Next business day NAV
Purchase & Switch-in (value >2 lakh)	3 pm - Before	NAV of business day on which funds are available to utilize
	After	
Redemption & Switch-out	3 pm - Before	Same day NAV
	After	Next business day NAV

Case Study 5: Listing Compliance Requirements

Yearly compliances under listing regulations:

Key annual compliances for listed companies:

- Annual Report filing with stock exchanges
- Annual Financial Results (audited) within 60 days of financial year end
- Annual Governance Report
- Business Responsibility Report (for top 1000 listed companies)
- Certificate of compliance with conditions of corporate governance
- Secretarial Audit Report
- Annual Secretarial Compliance Report
- Related Party Transaction disclosures
- Board evaluation disclosure
- CEO/CFO certification
- Declaration regarding compliance with code of conduct

Case Study 6: Board Meeting Requirements

(i) Quorum in Board meeting:

- **Minimum quorum:** 1/3rd of total directors or 2 directors, whichever is higher
- For companies having more than 15 directors, minimum 5 directors required

(ii) Maximum directorships in listed entity:

- **Maximum limit:** Director cannot hold directorship in more than 10 companies
 - **For listed companies:** Maximum 8 companies (including listed companies)
 - **Independent directors:** Maximum 7 listed companies as independent director
-

Case Study 7: SEBI Insider Trading Regulations

(a) Unpublished Price Sensitive Information (UPSI):

- Any information relating to company or its securities
- Not generally available to public
- Which upon becoming generally available is likely to materially affect price of securities

(b) Price sensitivity analysis:

(i) RBI increased SLR by 15 basis points:

- **Price Sensitive:** YES
- **Reason:** Affects banking sector liquidity, impacts cost of funds, material effect on bank's profitability

(ii) Company increasing authorized share capital:

- **Price Sensitive:** YES
 - **Reason:** Indicates potential fund raising plans, dilution concerns, affects future earning per share calculations
-

Case Study 8: Buy-back Regulations

(i) Security deposit for buy-back performance:

Deposit requirements:

- Company shall deposit 25% of consideration for buy-back performance of its obligation under SEBI (Buy-back of Securities) Regulations
- Before opening of offer, deposit in escrow account such sum as specified under regulations

Amount calculation based on consideration:

Amount of Consideration	% of amount to be deposited
Not more than ₹100 crore	25% of consideration payable
More than ₹100 crore but ≤ ₹500 crore	25% of consideration payable up to ₹100 crore + 10% of amount > ₹100 crore

(ii) Unregistered shareholder tender process:

- Unregistered shareholder can tender shares for buy-back by submitting duly executed transfer deed for transfer of shares in his name
- Along with offer form and other relevant documents as necessary for transfer

(iii) Buy-back completion timeline:

- Every buy-back shall be completed within one year from:
 - Date of passing special resolution passed at General Meeting, OR
 - Resolution passed by Board of Directors, as case may be

Case Study 9: IPO Application and Pricing

(i) Application and minimum application value:

According to SEBI (ICDR) Regulation, 2018 - Regulations 47 & 143:

- Issuer shall stipulate in offer document minimum application size in terms of number of specified securities
- Size shall fall within range of minimum application value of ₹10,000 to ₹15,000

Price band calculations:

- At lower level price band: 20 shares (₹10,000/₹500) & 30 shares
- At higher level price band: 17 shares (₹10,000/₹600) & 25 shares

Price band scenarios:

- **In case of revision of price band:** Issuer shall extend bidding period of 3 working days (disclosed in prospectus)
- **In case of force majeure:** Banking strike or similar circumstances, issuer may extend bidding period as pre-hearing prospectus or prospectus, as case may be

(ii) Minimum sum payable on application:

- At least 25% of issue price

- According to Regulation 463 & 142: IPO shall not be open for less than 3 working days and more than 10 working days

SEBI & Company Law Case Study Answers

Case Study 1 - Enterprise Value Calculation (KRS Ltd)

Question: Calculate Enterprise Value under SEBI Takeover code

Answer:

- **Enterprise Value Formula:** Market Capitalization + Debt + Minority Interest + Preference Shares - Cash & Cash Equivalents
 - **Calculation:**
 - Market Cap = 800 lakhs × ₹125 = ₹1,00,000 lakhs
 - Add: Debt = ₹275 lakhs
 - Add: Preference Share Capital = ₹4,200 lakhs
 - Less: Cash & Cash Equivalents = ₹72 lakhs + ₹63 lakhs = ₹135 lakhs
 - **Enterprise Value = ₹1,04,340 lakhs**
-

Case Study 2 - SEBI Informal Guidance (Wadhvani Enterprises)

Question: Who can apply for informal guidance and on what matters?

Answer:

- **Who can apply:**
 - Any listed/unlisted company
 - Directors and promoters
 - Market intermediaries
 - Any person affected by SEBI regulations
- **Matters for informal guidance:**
 - Interpretation of SEBI regulations
 - Compliance requirements
 - Procedural clarifications
 - Novel/complex regulatory issues
- **Matters where guidance CANNOT be sought:**
 - Ongoing investigations/proceedings
 - Matters under adjudication
 - Hypothetical situations
 - General legal advice

Case Study 3 - Dissenting Shareholders & Exit Offer (Karuna Ltd)

Question: Conditions for exit offer and dissenting shareholders' rights

Answer:

- **"Dissenting Shareholders":** Those who voted against the resolution for change in object/variation in terms
 - **Eligibility for Exit Offer:**
 - Only shareholders holding shares on relevant date
 - Must be eligible for exit opportunity as per law
 - **Conditions for Exit Offer:**
 - Promoters/shareholders in control must make exit offer
 - Only in cases of change in object/variation in terms
 - When proposal is dissented by at least 10% shareholders who voted
 - Amount utilized for object < 75% of total amount raised
 - Offer must be made after 1st April 2019
-

Case Study 4 - Exit Price Determination (Schedule IX)

Question: Exit price calculation methods

Answer:

- **Exit price shall be highest of:**
- **Option (a):** Volume weighted average price for acquisition
 - By promoter/person acting in concert
 - Within 52 weeks immediately preceding relevant date
- **Option (b):** Highest price paid/payable for acquisition
 - By promoter/person acting in concert
 - During 26 weeks immediately preceding relevant date
- **Option (c):** Volume weighted average market price
 - For 60 trading days immediately preceding relevant date
 - On stock exchange with highest trading volume
 - Provided shares are frequently traded
- **Option (d):** Where shares not frequently traded
 - Price determined by promoters/shareholders in control

- Considering valuation parameters including book value, comparable trading multiples, etc.
-

Case Study 5 - Convertible Bonds Options (Aruna Steel Ltd)

Question: Options available to Ivan for convertible bonds

Answer:

- **Ivan purchased:** 20 Bonds @ ₹1000 = ₹20,000 investment
 - **Option 1 - Redemption:**
 - Claim redemption and get bonds converted into equity shares
 - Get fully paid equity shares @ ₹500 each
 - Total equity shares = ₹20,000/₹500 = 40 shares
 - **Option 2 - Market Purchase:**
 - Buy equity shares from securities market
 - At prevailing market price (₹400 per share)
 - Can purchase ₹20,000/₹400 = 50 shares
 - **Recommendation:** Choose market purchase as he gets more equity shares (50 vs 40)
-

Case Study 6 - Green Shoe Option (Good Luck Finance)

Question: Compute shares for stabilizing agent and balance provisions

Answer:

- **Green Shoe Option:** Post-listing price stabilizing mechanism
- **Key Details:**
 - Company issued 20 lakh equity shares @ ₹180 each
 - Maximum 15% of issue size can be borrowed for price stabilization
 - Nishan nominated as Stabilizing Agent
- **Calculation:**
 - Maximum shares for borrowing = 15% of 20,00,000 = 3,00,000 equity shares
 - Nishan can borrow up to 3,00,000 shares to stabilize price
- **Balance Provisions:**
 - All specified securities bought from market kept in separate account (stabilizing demat a/c)
 - Securities received from depository participant
 - Book shall be returned to promoters and pre-issue shareholders within 2 working days
 - Demat account shall be closed thereafter

Case Study 7 - Book Building Cut-off Price (ABC Limited)

Question: Determine cut-off price using book building method

Answer:

- **Cut-off Price Definition:** Highest price at which demand of securities is fulfilled
- **Method:**
 - Arrange demand in descending order of price
 - Calculate cumulative demand
 - Price at which total demand \geq issue size = Cut-off price
- **From given data:**
 - Issue size = 15,00,000 equity shares
 - At ₹575: Cumulative demand = 31,50,000 shares
 - This exceeds issue size of 15,00,000 shares
- **Cut-off Price = ₹575**
- All bidders at ₹575 and above entitled for share allotment

Case Study 8 - Maximum Directorship (Home Technology Ltd)

Question: Maximum number of directorships under SEBI regulations

Answer:

- **Regulation 17A of SEBI (LODR) Regulations, 2018:**
- **Listed Entity Limits:**
 - From 1st April 2019: Maximum 8 listed entities
 - From 1st April 2020: Maximum 7 listed entities
- **Independent Director Restriction:**
 - Person shall not serve as independent director in more than 7 listed entities
- **Wholetime/Managing Director:**
 - Person serving as wholetime/managing director in listed company
 - Shall not serve as independent director in more than 3 listed entities
- **Explanation:** Listed entity = companies whose equity shares are listed on stock exchange

Case Study 9 - Mutual Fund Performance Evaluation

Question: How is mutual fund performance evaluated?

Answer:

- **Key Points for Evaluation:**
 - **Avoid Isolation:** Don't evaluate by scheme's return alone
 - A scheme may generate 10% return but market indices up similarly
 - Underperformance in falling market shows skill
 - **Benchmark Comparison:**
 - Compare scheme's return against benchmark
 - Better to get aid of consistently under-performing scheme
 - Important to identify over longer time horizon
 - **Additional Considerations:**
 - Compare with peer group/category average returns
 - Even if scheme outperformed benchmark with decent margin
 - Better performers in peer group indicate room for improvement
 - May consider shifting investment to better performers
 - **Portfolio Diversification:**
 - Avoid holding too little or too much diversified portfolio
 - Expense ratio comparison within same category
 - High expense ratio may affect returns compared to others
-

Case Study 10 - Clearing Corporation Transfer

Question: Can stock exchange transfer clearing house duties to clearing corporation?

Answer:

- **Yes, it is possible**
- **Purpose of Transfer:**
 - Better risk management and operational efficiency
 - Segregation of trading and settlement functions
 - Enhanced capital adequacy and financial stability
 - Professional management of clearing and settlement
- **SEBI Approval Required:**
 - Transfer requires prior approval from SEBI
 - Compliance with SEBI regulations for clearing corporations
 - Adequate capital and risk management systems

- Proper governance structure
-

Case Study 11 - Independent Director Restrictions (ABC Ltd)

Question: Can X join as Independent Director in multiple listed companies?

Answer:

- **Regulation 17A of SEBI (LODR) Regulations, 2015:**
- **Current Restrictions:**
 - Person shall serve as director in not more than 8 listed entities (w.e.f. 1st April 2019)
 - Not more than 7 listed entities (w.e.f. 1st April 2020)
 - No person shall serve as independent director in more than 7 listed entities
- **X's Situation:**
 - Received invitation from 4 listed entities to join as Independent Director
 - After superannuation, planning to join as ID in 10 listed companies
- **Conclusion:**
 - Under Regulation 17A: X can join only 3 other listed companies as ID
 - Cannot join all 4 companies to serve as Independent Director
- **Planning Contradiction:**
 - X's planning to join 10 listed companies contradicts SEBI provisions
 - He is restricted to maximum 7 listed entities as Independent Director

SEBI Case Studies - Summarized Answers

Case Study 144: Internal Controls for Insider Trading

Question: Internal control processes to prevent insider trading and CEO suggestions for compliance

Answer:

- **Internal Control Mechanisms:**
 - Establish Code of Conduct for Prevention of Insider Trading
 - Maintain structured digital database of UPSIs (Unpublished Price Sensitive Information)
 - Create system for pre-clearance of trades by designated persons
 - Implement trading window closure during UPSI periods
 - **CEO Suggestions for Compliance:**
 - Appoint Compliance Officer under PIT Regulations
 - Conduct regular training sessions on insider trading prevention
 - Establish audit trails for all UPSI communications
 - Create whistleblower mechanism for reporting violations
-

Case Study 146: SEBI Buyback Regulations Analysis

Question: Analysis of buyback conditions and requirements under SEBI regulations

Answer: (i) Buyback conditions under SEBI regulations:

- Company cannot directly/indirectly buyback shares from subsidiaries
- Statement is correct as per SEBI Buyback Regulations

(ii) Buyback from earlier issue proceeds:

- Buyback cannot be made from proceeds of earlier share issue
- Statement is correct - violates SEBI provisions

(iii) Buyback conditions and share capital reduction:

- Company cannot allow buyback unless consequent reduction of share capital is affected
 - Given statement is correct and complies with SEBI Regulations
-

Case Study 147: SEBI Act - Civil Court Jurisdiction

Question: XYZ company's action to contest Adjudicating Officer's decision in civil court

Answer:

- **Section 20A of SEBI Act, 1992:**

- No order passed by SEBI is appealable except as provided under sections 20 and 15T
- Civil courts have no jurisdiction to entertain matters related to SEBI or adjudicating officers

- **Correct Legal Remedy:**

- Company cannot file appeal in civil court
 - Must prefer appeal to SAT (Securities Appellate Tribunal)
 - Appeal must be filed within 45 days of passing such order
-

Case Study 148: Ponzi Scheme and Collective Investment Scheme

Question: Understanding Ponzi Scheme and key aspects for launching CIS

Answer:

- **Ponzi Scheme Definition:**

- Investment fraud promising large profits in short term with little/no risk
- Uses new investors' money to pay existing investors

- **Regulatory Authority:**

- Securities and Exchange Board of India (SEBI) regulates Collective Investment Schemes

- **Key Aspects for Launching CIS (as per SEBI CIS Regulations, 1999):**

1. Company floating CIS must seek registration from SEBI as CIMC
 2. CIS constituted as two-tiered structure (Trust and CIMC)
 3. Minimum net worth of ₹3 crores required at registration
 4. File offer documents with SEBI containing adequate disclosures
 5. Obtain credit rating from approved agencies
-

Case Study 149: Ombudsman Proceedings - Evidence Rules

Question: Strict rules of evidence under Indian Evidence Act and Ombudsman particulars

Answer:

- **Evidence Rules in Ombudsman Proceedings:**

- Strict rules of Indian Evidence Act do not apply
- Ombudsman may determine procedure consistent with natural justice principles

- Can decide whether to hold oral hearing or proceed through documents
 - **Display of Ombudsman Particulars:**
 - Every listed company/intermediary must disclose Ombudsman details
 - Office premises must display grievance mechanism information
 - Website must contain Ombudsman contact details and complaint procedure
 - Failure to display leads to penalties under Section 15A of SEBI Act, 1992
-

Case Study 150: E-voting by Shareholders

Question: SEBI initiatives to make e-voting more effective

Answer:

- **SEBI Initiatives for Effective E-voting:**
 - Mandatory e-voting for all shareholder resolutions
 - Remote e-voting facility for 3 days before AGM
 - Simplified registration process through depositories
 - Integration with Central Depository Services
 - Real-time vote counting and result display
 - Mobile-based voting applications
 - Enhanced security measures and authentication
-

Case Study 151: Independent Director Eligibility

Question: Eligibility for appointment of Independent Director in listed company

Answer: (a) Aarav - Office premises on lease:

- **Eligible** - Leasing office premises doesn't create material business relationship

(b) Ehsaan - Component supplier:

- **Not Eligible** - Material business relationship exists as supplier

(c) Manav - 20 years old:

- **Not Eligible** - Minimum age requirement is 21 years for director appointment

(d) Elika - 1% voting power:

- **Eligible** - Shareholding below 2% threshold, doesn't disqualify independence
-

Case Study 152: Recovery under Securities Contracts Act, 1956

Question: Recourses available with Adjudicating Officer for penalty recovery

Answer:

- **Recovery Mechanisms Available:**
 - Issue recovery certificate to Collector for land revenue recovery
 - Attachment and sale of movable/immovable property
 - Bank account freezing and asset seizure
 - Arrest warrant against defaulter (in extreme cases)
 - Debarment from capital markets
 - Prohibition from holding director positions
-

Case Study 153: Investor Grievance Redressal Committee (IGRC)

Question: Procedure for handling complaints by IGRC as per SEBI circular

Answer:

- **IGRC Complaint Handling Procedure:**
 - Stock exchange establishes IGRC for investor complaints
 - Complaints related to trade, settlement, and service deficiencies
 - Must attempt amicable resolution first
 - Time-bound resolution process (30-45 days)
 - Appeal mechanism to higher authorities
 - Compensation framework for financial losses
 - Quarterly reporting to SEBI on complaint statistics
-

Case Study 154: Buy-back Maximum Quantum Calculation

Question: Determine maximum buyback quantity with shareholders' approval

Answer:

- **Given Data:**
 - Share Capital: ₹10,00,000 (1,00,000 shares of ₹10 each)
 - Free Reserves: ₹5,00,000
 - Total: ₹15,00,000
- **Maximum Buyback Calculation:**

- Maximum allowed: 25% of paid-up capital + free reserves
 - 25% of ₹15,00,000 = ₹3,75,000
 - **Maximum shares for buyback: 37,500 shares (₹3,75,000 ÷ ₹10)**
-

Case Study 155: Executive Promoter Director Remuneration

Question: SEBI regulations for Executive Promoter Director remuneration approval

Answer: (i) Relevant Approval Required:

- **Shareholders' approval required** when aggregate remuneration exceeds 5% of net profit
- **Special resolution** needed for excess remuneration
- **Independent directors' approval** in board meeting

(ii) Fees vs Fixed Salary:

- **No difference** - Both are considered remuneration
 - **Same approval process** applies regardless of payment structure
 - **Total compensation** is calculated for threshold determination
-

Case Study 156: SEBI Insider Trading Regulations

Question: ESOPs/ESPS, CFO compliance role, and multiple compliance officers

Answer: (i) ESOPs/ESPS under Insider Trading:

- **Yes** - Exercise of ESOPs/ESPS constitutes "trading" under PIT Regulations
- **Pre-clearance required** for exercise and sale
- **Disclosure obligations** apply

(ii) CFO as Compliance Officer:

- **No** - CFO cannot act as Compliance Officer without reporting to Board
- **Must report** compliance matters to Board of Directors
- **Separate reporting structure** required

(iii) Multiple Compliance Officers:

- **Yes** - Company can appoint more than one Compliance Officer
 - **Different segments/subsidiaries** can have separate officers
 - **Clear demarcation** of responsibilities required
-

Case Study 157: SAST Regulations - Open Offer Requirements

Question: Open offer requirements under SAST Regulations for Namita

Answer: (i) Open Offer Requirement:

- **No open offer required** - Namita's holding increased from 29% to 37%
- **Below 25% threshold trigger** for mandatory open offer

(ii) Obligation Despite Aggregate Holdings:

- **No obligation** - Aggregate promoter shareholding (68%) doesn't breach individual thresholds
- **Individual holding** is the determining factor

(iii) Disclosure Requirements:

- **Disclosure under Regulation 29** - substantial acquisition disclosure
 - **Within 2 working days** of acquisition
 - **To company and stock exchanges** simultaneously
-

Case Study 158: Collective Investment Scheme Regulation

Question: Whether "Roaming Holiday" scheme comes under SEBI regulations

Answer:

- **Yes, scheme falls under SEBI CIS Regulations:**
 - Collection of ₹500 crore from general public
 - Pooling of funds for common investment purpose
 - Promise of monthly instalments and holiday facilities
 - Corpus management by scheme operator
 - **Violations:**
 - **No SEBI registration** as Collective Investment Management Company
 - **No proper disclosures** to investors
 - **Unauthorized public collection** of funds
 - **Action Required:**
 - **Immediate cessation** of fund collection
 - **SEBI registration** as CIMC mandatory
 - **Compliance with CIS Regulations** for continuing operations
-

Case Study 159: Collective Investment Scheme Definition

Question: Provisions under which CIS registration was required

Answer:

- **Section 11AA(2) of SEBI Act, 1993:**
 - Any scheme/arrangement constituting collective investment scheme
 - Made/offered by any person requires SEBI approval
- **Key Features of CIS:**
 - Contributions/payments made by investors
 - Pooled and utilized for investment purposes
 - Profits/income/produce shared among investors
 - Property/contribution forming part of scheme managed on behalf of investors
 - Investors have no day-to-day control over management and operations
- **Registration Mandatory:**
 - Before launching any CIS
 - Obtain SEBI registration as CIMC
 - Comply with disclosure and operational requirements

Company Law Case Studies - Answers

Case Study 160: SEBI (Share Based Employee Benefits & Sweat Equity) Regulations, 2021

Key Points:

- The provisions apply to companies whose equity shares are listed on recognized stock exchanges in India
- Applies to companies seeking to issue sweat equity shares with beneficial schemes for employees

Three conditions for satisfying regulations:

- **(i) Direct/Indirect Employee Benefit:** Scheme must provide clear benefits to employees
- **(ii) Dealing in Company Securities:** Must involve dealing, subscribing, or purchasing company shares directly/indirectly
- **(iii) Company Setup Requirements:**
 - Scheme setup by company or group company
 - Scheme funded/guaranteed by company or group company
 - Scheme managed and controlled by company or group company

Definition under Regulation 2(1)(i):

- "Employees" in sweat equity context means persons providing services except in relation to issue of sweat equity shares
-

Case Study 161: Sweat Equity Shares - Accounting Treatment

Key Differences from Public Offer:

- Sweat equity shares issued to employees for services rendered
- No cash consideration involved
- Treated as part of managerial remuneration for accounting purposes

Auditor's Certificate Requirement:

- **Yes, auditor's certificate is required** after issue of sweat equity shares
 - Certificate must confirm shares are treated as managerial remuneration
 - Must verify compliance with applicable regulations
-

Case Study 162: Raney Ltd. - Share Allotment for Technical Services

Answers:

1. Can company allot shares?

- Yes, company can allot shares for technical services under sweat equity provisions

2. Shareholder approval required?

- Yes, special resolution by shareholders required for sweat equity issue

3. Quantum/Value of shares:

- Maximum 15% of existing paid-up equity capital in any financial year
- Or maximum 25% of issued capital from company incorporation date

4. Can Russel sell allotted shares?

- Yes, but subject to lock-in period restrictions
- Minimum 1 year lock-in period generally applicable

5. Amount as remuneration?

- Yes, value of shares allotted considered as part of managerial remuneration
 - Must comply with managerial remuneration limits under Companies Act
-

Case Study 163: Sarvbhoum Ltd. - Equity Share Allotment

SEBI (Ombudsman) Regulations, 2003 - Complaint Process:

(i) Dakshin's Complaint Rights:

- Can lodge complaint for non-receipt of interest on delayed refund
- Complaint must be filed with SEBI Ombudsman

(ii) Complaint Procedure:

- File written complaint with supporting documents
- Complaint should detail grievance and relief sought
- Must be filed within prescribed time limits

(iii) Complaint Filing Options:

- Any person with grievance against listed company/intermediary can file
- Can file through authorized representative or investors association
- If SEBI hasn't specified ombudsman for locality, complainant can approach SEBI head office
- Complaint must be duly written and signed by complainant/authorized representative

Case Study 165: Ratina Ltd. - Audit Report Submission

Regulation 16 - SEBI (LODR) Regulations, 2018:

Key Requirements:

- Every issuer must submit quarterly audit report to stock exchange
- Report audited by practicing company secretary or qualified chartered accountant
- Must cover reconciliation of total issued capital, listed capital held by depositories

Audit Report Contents:

- Details of changes in share capital during quarter
- In-principle approval from stock exchanges for further issues
- Updated status of member register and confirmation of securities dematerialization
- Reason for delay if dematerialization not completed within 21 days

Issuer Obligations:

- Immediately notify depositories and stock exchanges of any differences
 - Report differences in issued, listed, and capital held by depositories in dematerialized form
-

Case Study 166: Pinki Ltd. - Compulsory Delisting

Answers:

(a) Can stock exchange go for compulsory delisting?

- Yes, stock exchange can initiate compulsory delisting for non-compliance with listing agreement

(b) Provisions for constitution of panel:

- Panel constituted by stock exchange with independent members
- Include market experts and legal professionals
- Ensure fair hearing and representation

(c) Time period for representation:

- Company given reasonable time (typically 15-30 days) for representation
 - Can present case before delisting panel
 - Opportunity to remedy non-compliance issues
-

Case Study 167: Employee Stock Option Scheme (ESOS)

Key Provisions:

Pricing:

- Exercise price determined by company's compensation committee
- Must comply with SEBI regulations on pricing methodology

Vesting Period:

- Minimum 1 year vesting period required
- No ESOS offered unless disclosures made as per Schedule I regulations

Consequence of Failure to Exercise:

- Options lapse if not exercised within specified period
- Company free to determine exercise price per Regulation 15
- Minimum vesting period of one year mandatory for ESOS

Adjustment Provisions:

- Options granted by company under ESOS in lieu of options held by employee in another company
 - Adjustments made when companies merge, demerge, or amalgamate
 - Period during which transferor company options were held shall be adjusted
-

Case Study 168: Airrath Aviation Ltd. - Buyback

Calculations:

(i) Maximum Equity Share Capital for Buyback:

- Total Equity = 30,00,000 shares of ₹50 = ₹15,00,00,000
- Maximum buyback = 25% of total equity = ₹3,75,00,000

(ii) Maximum Number of Shares:

- $₹3,75,00,000 \div ₹50 = 75,000$ equity shares maximum

(ii) Buyback through Tender Offer (SEBI Buyback Regulations, 2018):

- Tender offer means company's offer to buyback shares/securities through letter of offer
 - Company may buyback from existing shareholders on proportionate basis
 - Must comply with SEBI (Buyback of Securities) Regulations, 2018
-

Case Study 169: TurnKey Ltd. - Further Public Offer (FPO)

SEBI Regulations 102 & 103 Analysis:

Eligibility Issues:

- Company director is fugitive economic offender
- This disqualifies company from making FPO

Regulation 102 Requirements:

- Company must not have any promoter/director/person in control who is:
 - Fugitive economic offender
 - Debarred from capital markets by SEBI

Regulation 103 - Entry Norms:

- Company may make FPO only if:
 - Name changed within last one year
 - At least 50% revenue from preceding full year earned from new activity

Conclusion:

- TurnKey Ltd. cannot issue FPO due to fugitive economic offender status of director
 - Must resolve director's legal status before proceeding with FPO
-

Case Study 170: Application Supported by Blocked Amount (ASBA)

ASBA Mechanism:

Process:

- Investor applies containing authorization to self-certified syndicate bank (SCSB)
- Bank blocks application money until allotment finalization
- Money debited only if application selected for allotment

Benefits:

- Protects investors' interests and reduces grievances
- Enables faster refund process
- Investor-friendly payment mechanism

Implementation:

- Introduced as additional payment mechanism for IPO/FPO issues
- Available through multiple channels:
 - Self-Certified Syndicate Banks (SCSBs)

- Intermediaries like trading members/brokers
- Registrar and Transfer Agents (RTAs)

SEBI Circular (December 8, 2020):

- Additional payment channels established for better accessibility
- Covers subscription and call money payments for partly paid securities