OPEN BOOK EXAMINATION **NEW SYLLABUS**

342

Roll No.…………………

Time allowed : 3 hours *Maximum marks : 100*

Total number of questions : 6 *Total number of printed pages : 3*

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

1. Amazing Co. Ltd. (ACL) is a company listed on BSE and NSE for over 15 years. The financial performance of the company is rated to be good while the stock performance is lacklustre. The liquidity in the stock is random and often neglected. Poor liquidity is often attributed to poor holding of stock in the hands of retail investors. The shareholding pattern of the company as filed with the stock exchange is as under :

S.No.	*Category of shareholder*	*No. of shareholders*	*No. of shares (₹10 each)*
1.	Promoter & promoter group and persons acting in concert	15	29,56,500
2.	Public financial institutions	4	1,50,000
3.	Foreign institutional investors	2	50,000
4.	Bodies corporate	15	27,340
5.	Resident individuals	102	34,450
6.	Others	6	3,400
		144	**32,21,690**
7.	GDR	74	1,24,400
		218	**33,46,090**

The company also allotted 1,67,304 convertible debentures of ₹100 each to promoters, which are due for conversion in the next six months. Each debenture will be converted into one equity share of ₹10 each at a premium of ₹90 each.

In light of the above, answer the following :

(a) What is the percentage of public holding required to be maintained in ACL under Rule 19A of the Securities Contracts (Regulation) Rules, 1957 ? How much of the promoter holding is required to be diluted to comply with the continuous listing requirements ? Also, mention the percentage of holding by each category of shareholders.

(8 marks)

(b) Justify whether the underlying shares issued against GDR constitute public holding.

(8 marks)

(c) What are the options available to promoters for increasing public holding and the pros and cons of each process ?

(12 marks)

(d) Whether the acquisition by way of convertible debentures trigger the provisions of takeover code ? Analyse with relevant provisions.

(8 marks)

(e) Briefly describe the process of offer for sale (OFS) for dilution of promoter holding.

(14 marks)

2. (a) XYZ Ltd. is considering merger with ABC Ltd. The shares of XYZ Ltd. are currently traded @ ₹25 each. It has 2,00,000 shares outstanding and its earnings after tax (EAT) amount to ₹4,00,000.

ABC Ltd. has 1,00,000 shares outstanding, current market price per share is ₹12.50 and its EAT are ₹1,00,000. The merger will be effected by means of stock swaps (exchange). ABC Ltd. has agreed to a plan under which XYZ Ltd. will offer the current market value of the shares of ABC Ltd. :

(i) What are the pre-merger earnings per share (EPS) and P/E ratio of both the companies ?

(ii) If P/E ratio of ABC Ltd. is 8, what is the current market price of the share of the company ? What is the exchange ratio ? What will be the post-merger EPS of XYZ Ltd. ?

(iii) What must be the exchange ratio for XYZ Ltd. so that pre and post-merger EPS be the same ?

(10 marks)

(b) Poor due diligence erodes the confidence of public investing in capital market. Justify and elaborate as to what constitutes due diligence.

(10 marks)

(c) What are the norms for framing a corporate disclosure policy ?

(10 marks)

3. Explain briefly about money market mutual funds (MMMFs).

(5 marks)

4. What do you understand by exchange traded funds (ETFs) ? Briefly discuss the various types of ETFs traded on stock exchanges.

(5 marks)

5. What do you mean by investible weight factors (IWFs) ? Explain with the help of an example.

(5 marks)

6. What do you understand by a designated depository participant (DDP) ? Describe the eligibility criteria required to be fulfilled to become a DDP.

(5 marks)

————0————