Test questions for qualified

## Vinod Kothari and Company

Note – in every question, please state reasons for your answer.

1. **A Ltd and B Ltd are the two shareholders, holding 50% each, in C Ltd. A needs to extend a guarantee for money to be borrowed by C Ltd. from a bank for the purpose of its normal business activities.**
   1. **Is this allowed?**
   2. **If yes, what compliances/adherence to the law will you ensure?**
2. **In Q 1 above, what will be the difference if A Ltd was holding 60% and B Ltd was holding 40%, and C was a private company – that is, C (P) Ltd. Assume that the directors of A are also on the board of C.**
3. **Mr S is the Asst Company secretary in a listed company. S had sold shares during the closure of trading window.**
   1. **What are the implications?**
   2. **What difference will it make if S was not in the Secretarial department, but HR department?**
4. **A listed company has bagged an order for Rs 500 crores whereas the turnover of the company is only Rs 2000 crores. Is there any compliance requirement?**
5. **My company is a private company. it wants to issue debentures to a single foreign institutional investor. The investor wants the debenture to be listed.** 
   1. **Can my company, being a private company, get debentures listed?**
   2. **Once my company, being a private company, becomes listed, will the provisions of law apply to it as if it were a listed company ? will my company need an independent director?ovi**
   3. **If the debentures in question are unsecured, what is the stamp duty payable on issuance?**
   4. **If the debentures in question are secured by a mortgage of a small plot of land in Kutch in Gujarat, what is the stamp duty payable on issuance?**
   5. **What will the stamp duty payable on transfer of the aforesaid debentures if**
      1. **The debentures in physical form?**
      2. **The debentures are demat form?**

When a private company becomes a listed Company than the law which are applicable to the listed company shall also be applicable to the aforesaid private company. Provision of law applicable to the Listed Company includes:

* Companies Act, 2013 and Rules and Regulations made thereunder;
* SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015;
* Any other Amendments or law enforceable or applicable for the time being in force.

Section 149(4) of the Companies Act, 2013 states that every listed Company shall have atleast one-third of the total number of directors as Independent Director. As per Regulation 17 of SEBI (LODR) Regulation, 2015, the composition of Board of Directors of listed entity shall consist of atleast one-third of the total number of directors as Independent Directors where the chairman is a non-executive Director and where the chairman is an executive Director than the half of the board should consist of Independent Directors. Independent Director shall hold office for a term of 5 years and shall be eligible reappointment.

Central government levy stamp duty on the issue of debentures and state government shall levy stamp duty only on transfer of debentures and not issue of such debentures. Company is requires to pay stamp duty as prescribed by the central government and not required under state laws.

Answer 1(a) Yes, it’s allowed.

When any insider (any Directors/designated employees/promoter etc.) of the Company trade during the closure of the trading window, such insiders shall be punishable under the Companies Act, 2013 and SEBI (Prohibition of insider trading) Regulation, 2015. Under the said case, S is an assistant Company Secretary and may have access to unpublished price sensitive information of the Company. And if S sells shares during the closure of the trading window than such person shall come under the ambit of the Insider trading.

Yes, it’s also applicable if S is in HR Department on a Condition that S should be a designated person

under the Company’s policy on Insider trading.

Pursuant to Regulation 30 of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015 (LODR), every listed company shall make disclosures of any events/information to the Stock Exchange(s), where the securities of the Company are listed, which in the opinion of the Board of Directors, is material, within 24 hrs. from the occurrence of the event/information. Regulation 4 of LODR, provides the criteria for determination of materiality of events/information. Listed entity shall lay down the policy to determine the materiality of events/information so that such events/information can be promptly disclosed to the Stock Exchange.

Under the given case, Listed Company has bagged an order for Rs. 500 crore, which will potentially increase the turnover of the Company by 25% as compare to the last financial statements and therefore, it shall be considered as material information/event in the opinion of the Board of Directors and disclosure of the same shall be made to the Stock Exchange(s) within 24 hours of occurrence of the event/information.

5 (a)Yes, a private Company can list its debentures.