Paper 4: Allied Laws (RGM)

Suggested Answers

OLD SYLLABUS

1. No person shall enter into any agreement which is deemed to have an appreciable adverse effect on competition within India which if done shall be deemed to be an anti-competitive agreement- Section 3 of the Competition Act 2002.

   An agreement is deemed to be anti-competitive if it directly or indirectly determines the price for goods or services, or decides in any manner, the sharing of market on any basis. One such anti-competitive practice which is prohibited is the tie-in arrangements.

   A tie-in arrangement is the practice of compelling a consumer to purchase other goods as a condition for the purchase of the proposed goods. Hence, in this case the suit of the consumer is justified, and the gas company can be penalized.

2. An external aid to the interpretation of statutes, deeds or documents is the rule of harmonious construction. The rule advocates the interpretation of a provision of law by considering related or ancillary provisions in relation to the same matter contained in other provisions of the same act or a different act. A matter dealing with a provision should not be construed in isolation when other matters relating to the same matter are contained elsewhere under the same or a different Act.

   Example 1: the various time limits for holding the AGM of a company must be read with the requirement of producing audited financial statements before the AGM.
   Example 2: minimum subscription in a public issue of capital by a company is prescribed in the Companies Act and the SEBI (ICDR) Regulations.

3. It shall be lawful for the holder of any securities whose name appears on the books of the company to receive and retain any dividends even if the securities have been transferred by him for a consideration, unless the transferee has lodged the securities and all relevant documents with the company within 15 days of the transfer – Sections 27, 27A, 27B of the SCRA.

   The period of 15 days shall be exclusive of -
   Time taken by legal representatives of the transferee, if any,
   Time taken for replacement of lost transfer deeds, if any,
   Postal delays, if any.
   However, nothing contained in the sections shall affect the company's right to pay dividends etc. when falling due, or the transferee's rights to claim dividends when a transfer is refused by the company.

4. Power to call for information – section 6
   Power to direct stock exchange or company to make rules for the purpose – section 8

Power to amend bye laws of stock exchange – section 10
Power to issue directions or instructions to stock exchange or company – section 12A.
Power to inspect books of account of stock exchange or company.

5. Regulation 26(1) & (2) of the SEBI (ICDR) Regulations.

(a) Net tangible assets is Rs.3 crore or more in each of 3 preceding years of which not more than 50% is held in monetary assets.

Proviso - If more than 50% is held in monetary assets, firm commitments shall be made for utilization of the excess in the business/project.

(b) minimum average pre-tax operating profit of Rs 15 crores in at least 3 out of preceding 5 years.

(c) Net worth exceeding Rs.1 crore in each of the 3 preceding years.

(d) The aggregate of the proposed issue and all previous issues in the same financial year does not exceed 5 times the pre-issue net worth as per the audited balance sheet of the preceding financial year.

(e) If the name is changed in the last 1 year, not less than 50% of the revenue of the preceding year is earned in the new name.

An issuer not satisfying the conditions of sub reg (1) may also make an IPO if -

- issue is through book building process and
- not less than 75% of net offer to the public is made to QIBs and
- with an undertaking to refund full subscription on failure to allot to them.