

DEPUTY GENERAL MANAGER
Investigation Department

IVD/NRO/SGI/GRMR/JS/11193/2012
May 18, 2012

1. **M/s. SGI Research & Analysis Ltd.**
56/A-1, 2nd Floor
LISA Complex, Rama Road
Near Kirti Nagar Metro Station
Opp. Radha Place
Moti Nagar
New Delhi- 110015
(Noticee No.1)

2. **Shri Lokeshwar Dev**
D-209, IRCON Apartments
Sector 18A
Plot No. 14
Dwarka
New Delhi- 110075
(Noticee No.2)

3. **Ms. Priyanka Saraswat Dev**
D-209, IRCON Apartments
Sector 18A
Plot No. 14
Dwarka
New Delhi- 110075
(Noticee No.3)

4. **Shri Pradeep Kumar Sharma**
R/o 134/A
DDA Flats, LIG
Rajouri Garden
New Delhi- 110027
(Noticee No.4)

5. **Shri Baldev Raj Sharma**
R/o 134/A
DDA Flats, LIG
Rajouri Garden
New Delhi- 110027
(Noticee No.5)

6. Smt. Ramesh Sharma

R/o 134/A

DDA Flats, LIG

Rajouri Garden

New Delhi- 110027

(Noticee No.6)

7. Shri Sanjeev Sharma

R/o 26/58, West Patel Nagar

New Delhi- 110008

(Noticee No.7)

8. Smt Sonia Sharma

R/o 26/58, West Patel Nagar

New Delhi- 110008

(Noticee No.8)

Dear Sir/Madam,

Subject: Show Cause Notice under Section 11 and Section 11B of the Securities and Exchange Board of India Act, 1992, Regulation 107 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") received a complaint with regard to the preference shares issued by M/s. SGI Research & Analysis Ltd. (hereinafter referred to as "SGI"/"company"). In the said complaint, it was *inter-alia* alleged that Shri Lokeshwar Dev with his entire staff has vanished with more than fifteen hundred crore rupees belonging to two lakh investors. It was mentioned in the said complaint that SGI had issued 18% preference shares of Rs.10/- each at a premium of Rs.1,500/- per share. It was further mentioned in the complaint that the investors were induced by the promise made by SGI that the shares will be listed after SEBI approval and the listing price would be around Rs. 2,000/- per share. Complaint also mentioned that SGI had informed to complainant that subscription for these preference shares was opened somewhere in October, 2010 and the scheme may get closed in January, 2011.

2. In view of the complaint, SEBI conducted an investigation in this matter. Investigation *inter alia* revealed that,-

- i. SGI is a company incorporated on 10.06.2010 under the provisions of Companies Act, 1956 and having Shri Lokeshwar Dev, Ms. Priyanka Saraswat Dev, Shri Pradeep Sharma, Shri Baldev Raj Sharma, Ms. Ramesh Sharma, Shri Sanjeev Sharma and Ms. Sonia Sharma, as its directors;

- ii. SGI has issued 18% preference shares of Rs.10/- each at an exorbitant premium of Rs.1,500/- per share;
- iii. on each preference share subscriber gets 18% dividend on Rs.10/- and not on Rs.1,510/-, which he has paid. Thus fetching a return of Rs.1.80/- per annum on an investment of Rs.1,510/-;
- iv. there is no reference of redemption premium to be paid to the subscribers;
- v. SGI invited investors to subscribe to its preference shares through its office at Kirti Nagar, Delhi, its agents, its representatives, its associate concern i.e. stockguru.india and its website;
- vi. SGI has represented to the investors that preference shares will get listed after SEBI approval and the listing price would be around Rs. 2000/- per share;
- vii. there were 162 transactions in the bank account no. 02498630000174 of SGI with HDFC Bank, Sector 5, Dwarka, New Delhi branch. All these transactions indicated credit of Rs. 1510/- or in multiples of Rs. 1510/. The copy of said bank details of SGI is enclosed with this show cause notice as **Annexure I**;
- viii. bank entries, as aforementioned, indicated that SGI has collected applications from at least 162 persons towards subscription to 2,940 shares at the rate of Rs. 1510/- per share, aggregating to Rs.44,39,400/-;
- ix. preference shares were subscribed by at least 162 investors;
- x. SGI did not file any draft offer document for the public issue of these preference shares;
- xi. SGI did not apply for listing to any of the stock exchanges as represented to investors and also as required by law;
- xii. Structuring of these preference shares makes it clear that these shares are convertible preference shares.

3. From the findings of the investigation, it is noted that SGI has made an issue of preference shares to 162 investors. In terms of proviso to sub-section (3) of section 67 of the Companies Act, 1956 any offer or invitation of shares or debentures to fifty or more persons is regarded as offer/invitation to public. Therefore, the issue of preference shares by the SGI was an offer to public.

4. For the said issue of preference shares to public, in terms of section 73 of the Companies Act, 1956, SGI was required to apply for the listing of such shares to one or more recognized stock exchange and in terms of regulation 3 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as "ICDR Regulations") was also required to comply with the various requirements of ICDR Regulations.

5. It is noted from the aforesaid that SGI has not complied with the requirements of section 73 of the Companies Act, 1956 and various requirements of ICDR Regulations thereby violating regulations 4(2), 5(1), 5(7), 6, 7, 25, 26, 46 and 59 of the ICDR Regulations. Relevant extract of the provisions of ICDR Regulations alleged to have been violated by SGI is given in **Annexure II** to this show cause notice.

6. Further, investigations have revealed that SGI has informed to the investors that it had applied to SEBI for listing of preference shares and the listing price of the preference shares shall be Rs. 2000/- per share. It is noted that no such application for listing has been made by SGI. Therefore, SGI has misrepresented to the subscribers of the preference shares and thereby fraudulently induced investors to invest in the said preference shares in violation of Regulations 3(b), 4(1) and 4(2)(r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations"). Relevant extract of the provisions of PFUTP Regulations alleged to have been violated by SGI has been given in **Annexure III** to this show cause notice.

7. In view of the above, Noticee no. 1 to 8, i.e SGI, the company and its directors, are called upon to show cause as to why suitable action including appropriate directions under Sections 11(1), 11(4) (b) and 11B of the SEBI Act, 1992 readwith Regulation 107 of ICDR Regulations and Regulation 11 of PFUTP Regulations, should not be passed against them for the violations of Regulations 4(2), 5(1), 5(7), 6, 7, 25, 26, 46 and 59 of the ICDR Regulations and Regulations 3(b), 4(1) and 4(2)(r) of the PFUTP Regulations.

8. Your reply, if any, should reach SEBI, Northern Regional Office, New Delhi, within 21 days from the date of receipt of this show cause notice, failing which it shall be presumed that you have no reply to offer and the case will be decided *ex parte*, on the basis of the evidence available on record. You may also indicate whether you desire a personal hearing in the matter.

9. This show cause notice is being issued without prejudice to any other action that may be taken against you under the SEBI Act, 1992 or the rules and regulations made there under.

10. SEBI has come out with guidelines for passing of consent orders SEBI Circular no. EFD/ED/Cir-1/2007 dated April 20, 2007 (available at <http://www.sebi.gov.in/>). If you

wish to avail the consent process, you may apply in the prescribed form given at the end of the said Circular. Your application should be forwarded to the address mentioned in the said Circular under intimation to the undersigned.

G. Ram Mohan Rao