BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER No.Order/SKS/LD/2023-24/29572)

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of

M/s. Zuari Finserve Limited

[SEBI Registration No:INR000003902)

In the matter of Inspection of M/s. Zuari Finserve Limited.

FACTS OF THE CASE :

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI"**) conducted a comprehensive inspection of M/s. Zuari Finserve Limited (hereinafter referred to as "**Noticee/You")** on October 17, 18, 28 & November 01-02, 2022 at its Office at Plot No. 2, Zamrudpur Community Centre, Greater Kailash Extension, New Delhi – 110048. The period covered in the inspection was from **April 01, 2021 to September 30, 2022** (hereinafter referred to as "**Inspection Period"**). M/s. Zuari Finserve Limited (hereinafter referred to as Zuari /ZFL/Noticee/By Name) is a SEBI-registered Registrar to an Issue, having SEBI registration number as **INR000003902.**

2. Based on the findings of inspection conducted by SEBI and the response of Noticee dated January 25, 2023, SEBI observed certain non-compliances, inter-alia of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations, 2015"**), Code of Conduct as specified in SEBI

(Registrars To An Issue And Share Transfer Agents) Regulations, 1993(hereinafter referred to as **(“RTA/STA) Regulations**, 1993 & SEBI Circulars.

3. Therefore, SEBI initiated adjudication proceedings against the Noticee under provisions of Section 15HB of SEBI Act for the following alleged violations by Noticee.

    a. Agreement with Jonjua Overseas Ltd.(JOL) was inaccurately entered into, by the Noticee.
    b. Delay in the Noticee’s tri-partite agreement with Zuari Industries Limited(ZIL)
    c. Inward Processing :The Noticee followed the practice of recording some of the Inward no. and dates on sticky note instead of actual letter.
    d. The Noticee did not possess and maintain specimen signature cards.
    e. Demat request : The process for checking signature of shareholders was not followed appropriately as the signature cards were not available with the Noticee.
    f. Dividend revalidation requests were processed beyond 15 days.
    g. No automatic “system based alert” mechanism for enhanced due diligence.

APPOINTMENT OF ADJUDICATING OFFICER :

4. Accordingly, vide Order dated July 12, 2023, communicated vide communique dated July 13, 2023, SEBI appointed the undersigned as the Adjudicating Officer under Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as ‘**Adjudication Rules’**) to inquire into and adjudge under the provisions of Section 15HB of the SEBI Act, 1992 for the various violations alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING :

5. A Show Cause Notice No. EAD-11/ADJ/SKS/LD/OW/36931/2023 dated September 05, 2023 (hereinafter referred to as '**SCN**') was issued to the Noticee to show cause as to why an inquiry should not be initiated against it and penalty, if any, be not imposed upon it under the provisions of Section 15HB of SEBI Act, for the violations alleged to have been committed by it.

6. The said SCN was sent to the Noticee through Speed Post Acknowledgement due (hereinafter referred to as 'SPAD') and digitally signed email dated September 08, 2023, and was duly served on the Noticee. The Noticee was given fourteen (14) days' time to make its submissions in respect of the aforementioned allegations made in the SCN. The Noticee, vide letter dated September 21, 2023, submitted its reply to the SCN.

7. In the interest of natural justice, vide hearing notice dated September 22, 2023 which was duly served upon it, the Noticee was granted an opportunity of personal hearing before the undersigned on September 27, 2023. The Noticee availed the opportunity of hearing granted to it on September 27, 2023. During the hearing, the Noticee reiterated the reply submitted to SEBI vide letter dated September 21, 2023.

8. The submissions made by the Noticee vide its reply to allegations in the SCN is as under :

    8.1 With regard to the allegation of inaccuracy in the agreement with J Jonjua Overseas Ltd. (JOL) , the Noticee contended that the bilateral agreement with JOL dated 10.04.2018 was executed as per the terms of SEBI (Registrars to an Issue and Share Transfer Agents) Rules, 1993. However, few clauses had been mentioned inadvertently in the agreement. Initially, when JOL availed RTA services from ZFL, it was an unlisted company and was having electronic connectivity only through ZFL when the agreement was executed between JOL and ZFL, the number of folios and the responsibilities regarding dematerialization and rematerialisation were inadvertently missed in the agreement. However, the revised agreement has been executed between JOL and ZFL.

8.2 *With regard to the delay of entering into a tripartite agreement with Zuari Industries Ltd.(ZIL), the Noticee submitted that in terms of Regulation 9A(1)(b) of SEBI (RTA/STA) Regulations, 1993, all the newly appointed RTAs shall enter into an agreement with the Company which shall define the duties and responsibilities of RTA and the Company. In compliance with the Regulation, it had had duly entered into an agreement with Zuari Industries Limited (formerly Zuari Global Limited) ("ZIL") on 6 May 2022. No time limit has been prescribed in the aforesaid Regulations for entering into this agreement. A tri-partite agreement between ZFL, ZIL and the depositories i.e., National Securities Depositories Limited (NSDL) and Central Depository Services Limited (CDSL) was executed on 6 May 2022. In terms of Clause 23 of Code of Conduct under Schedule III of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 , it is very clear that it is the responsibility of old RTA to hand-over all the records and data of the Company within the prescribed time limit. In compliance with the said Regulation, the old RTA i.e., Link Intime India Private Limited has handed over all the data and records to ZFL. However, it was not practically possible for the old RTA to hand over the complete physical data to new RTA in a fast-track manner as it takes a lot of time to collect and dispatch the bulky physical data. In addition, the software requirements of both the RTAs also needed alignment to ensure that there is no loss of date in transfer process of shareholders data. The above Clause only cited the responsibility of new RTA with respect to handing over of data and records and does not talk about the tripartite agreement which shall be entered between ZFL, ZIL and Link Intime India Private Limited. Further in terms of Regulation 7(4) of SEBI (LODR) Regulations, 2015, the listed entity i.e., ZIL had duly executed the tripartite agreement with ZFL and Link Intime India Private Limited on 31 October 2022 post completion of all the transfer related formalities by old and new RTA successfully.*

8.3 *With regard to Inward Processing not being followed appropriately i.e Inward no. was marked on sticky note instead of, on paper, the Noticee submitted that the letter dated 15/03/2022 was sent by it to the shareholder for removing the discrepancies like mismatching of name appearing in PAN card and requiring executed ISR-4 form and requested to investor to relodge the documents after removing the discrepancies. The shareholder returned the said letter of the RTA along with documents which were received by it on 08/05/2022 being the date mentioned on the sticky note. The letter dated 10/01/2022 was sent by it to the shareholder for removing the discrepancies like mismatching of name appearing in PAN card and requiring executed form SH-13 and requested the investor to relodge the documents after removing the discrepancies. The shareholder returned the said letter to RTA with documents which were received by it on 17/02/2022 being the date mentioned on the sticky note. In the matter of Rajsekhar Loni, the original indemnity bond was sent by shareholders, therefore stamp was not put on original document being a legal document. Therefore, the receipt date was mentioned on the sticky note. In the matter of Dharamveer SIngh, the original indemnity bond was sent by shareholders, therefore stamp was not put on original document being a legal document. Therefore, the receipt date was mentioned on the sticky note.The inward stamp and date was left out inadvertently on these documents. The same has been rectified at the time of inspection and intimated to the inspecting team. The said requests were processed on the same inward number which was placed on the sticky note and it had no intentions to violate any guidelines issued by regulators and that it always complied with the applicable laws, regulations and circular of SEBI with high level of governance.*

8.4 *With regard to non-possession and non-Maintenance of specimen signature cards by the Noticee, the Noticee submitted that JOL was an unlisted company in the beginning and had availed its services for Share Transfer Agent activities in 2018 for electronic connectivity only. At that time there were 115 shareholders, holding the shares in physical form which were dematerialised time to time. Being an unlisted company, it used to seek approvals from the company for dematerialisation of shares for verification* *of signatures and other relevant details. Out of above mentioned 115 shareholders there were 72 shareholders were in physical form and 43 shareholders were in demat form. The scan copy of the signatures of the physical shareholders were provided by the company. However, it has updated the signatures in back office system and maintaining the hard copies of signature cards as well.*

8.5 With regard to handling of Demat Requests, the Noticee submitted that Jonjua Overseas Limited(company) was an unlisted company in the beginning and availed its services for Share Transfer Agent activities in 2018 for electronic connectivity only. At that time there were 115 shareholders holding the shares in physical form which were dematerialized time to time. Being an unlisted company, we used to seek approvals from company for dematerialization of shares. Out of above mentioned 115 shareholders there are 72 shareholders are in physical form and 43 shareholders are in demat form. The signatures of the physical shareholders are available in softcopy with it in a sheet. Later in Feb 2019, the shares were listed in SME after public issue and shares were allotted in the electronic form only. Subsequently, it provided full connectivity to the issuer company. As of now, the demat requests are processed after verifying the records and signatures with its records available in back office.

8.6 With regard to the Dividend Revalidation Requests, the Noticee submitted that reminders were sent to 49984 shareholders of Chambal Fertilizers and Chemicals Ltd. requesting them to claim their unclaimed dividend. It had received 2807 requests from the shareholders against these reminders. Most of the 1426 cases pertain to the requests of shareholders against these reminders. These requests were processed after due diligence like verification of signatures, bank details and other KYC details etc. In view of large number of requests received by us in a short span of time, more time was taken in processing of these 1426 cases. The sending of reminders to the shareholders is a proactive step taken for the benefit of the shareholders *so that they can claim back their unclaimed dividend. As such these cases were not the complaints received from shareholders but the requests which were processed on the basis of the reminder letters sent by RTA to shareholders to claim unpaid dividend.*

8.7 With regard to the System based alerts for enhanced due diligence, the Noticee has submitted in pursuance of Clauses 13 and Clause 14 of SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2/018/73 dated April 20, 2018, it had already identified, the folios for enhanced due diligence and marked these folios in the system restricting any transaction/updation. The system will not allow processing of any requests in these folios without updation of KYC details. Meanwhile, it has also introduced the automatic pop-up alert in these folios.

9. Taking into account the aforesaid facts, I am of the view that principles of natural justice have been duly followed in the matter by granting the Noticee, an opportunity for replying to the SCN and of being heard. Therefore, I deem it appropriate to decide the matter based on the facts/material available on record and replies submitted by the Noticee.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

10. I have carefully perused the charges levelled against Noticee, reply/submissions filed by it and other documents/evidence available on record. The issues that arise for consideration in the present case are:

Issue I. Whether Noticee has violated

1) Regulation 9A(1) (b) of SEBI (Registrars to an Issue and Share Transfer Agents) Regulation, 1993 read with Clause 23 of Code of Conduct specified in Schedule III of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993; Regulation 7(4) of SEBI (LODR Regulations 2015) in case of change or appointment of new STA by listed company; Clause 2,3 and 16 of Code of Conduct specified in

Schedule III read with Regulation 13 of SEBI (RTI/STA) Regulation, 1993.

2) **Clause (a) of Point 1 "Specific Activities" of Schedule 1 of SEB Circular "Instruction to Registrars to an Issue Share Transfer Agents" dated October 11, 1994.**

3) **Clause 25(a) of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue / share Transfer Agents" dated October 11, 1994**

4) **Clause 2.2 of SEBI Circular No.SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated November 03, 2021.**

5) **Point A (7) of table at Annexure A to SEBI Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/670 dated November 26, 2021.**

6) **Point II (13 & 14) of Annexure to SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR /P/2018/73 dated April 20, 2018**

Issue II. Does the violation, if any, attract monetary penalty under Section 15HB of SEBI Act?

Issue III. If the answer to issue no.2 is in affirmative, then what should be the quantum of monetary penalty?

11. Before I proceed further, it is pertinent to mention the relevant text of the abovementioned alleged provisions, which are reproduced as under:

Regulation 9A(1) (b) of SEBI (Registrars to an Issue and Share Transfer Agents) Regulation, 1993

[*9A.Conditions of registration.*— *(1)[registration granted under regulation 8]] shall be subject to the following conditions, namely:-*

(a) ..

(b) without prejudice to its obligations under any other law for the time being in force, it shall enter into a legally binding agreement with the body corporate or the person or group of persons for or on whose behalf it is acting as a registrar to an issue or a share transfer agent stating therein the allocation of duties and responsibilities

between itself and such body corporate or person or group of persons, as the case may be;

<u>Clause 23 of Code of Conduct specified in Schedule III of SEBI (Registrars to an Issue and Share Transfer Agents Regulations)1993</u>

SECURITIES AND EXCHANGE BOARD OF INDIA

(REGISTRARS TO AN ISSUE AND SHARE TRANSFER AGENTS) REGULATIONS, 1993
[Regulation 13]
CODE OF CONDUCT

23*. A Registrar to an Issue and Share Transfer Agent shall hand- over all the records/ data and all related documents which are in its possession in its capacity as a Registrar to an Issue and / or Share Transfer Agent to the respective clients, within one month from the date of termination of agreement with the respective clients or within one month from the date of expiry/cancellation of certificate of registration as Registrar to an Issue and / or Share Transfer Agent, whichever is earlier.*

<u>Regulation 7(4) of SEBI (LODR Regulations 2015)</u>

7(4) In case of any change or appointment of a new share transfer agent, the listed entity shall enter into a tripartite agreement between the existing share transfer agent, the new share transfer agent and the listed entity, in the manner as specified by the Board from time to time:

Provided that in case the existing share transfer facility is managed in-house, the agreement referred above shall be entered into between the listed entity and the new share transfer agent.

<u>Clause 2, 3 and 16 of Code of Conduct specified in Schedule III read with Regulation 13 of SEBI (RTA/STA) Regulations, 1993.</u>

<u>Clause 2 , 3 & 16 :</u>

2. *A Registrar to an Issue and Share Transfer Agent shall fulfill its obligations in a prompt, ethical and professional manner.*
3. *A Registrar to an Issue and Share Transfer Agent shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.*
4. ….

16. *A Registrar to an Issue and Share Transfer Agent shall maintain the required level of knowledge and competency and abide by the provisions of the Act, rules, regulations, circulars and directions issued by the Board. The Registrar to an Issue and Share Transfer Agent shall also comply with the award of the Ombudsman passed under Securities and Exchange Board of India (Ombudsman) Regulations, 2003.*

<u>Regulation 13 of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.</u>

GENERAL OBLIGATIONS AND RESPONSIBILITIES

13. To abide by Code of Conduct.– Every registrar to an issue and share transfer agent holding a certificate shall at all times abide by the Code of Conduct as specified in Schedule III.

Clause (a) of Point 1 "Specific Activities" of Schedule 1 of SEBI Circular "Instruction to Registrars to an Issue Share Transfer Agents"

SCHEDULE I

1.***SPECIFIC ACTIVITIES***

a. STA will receive and attend promptly correspondence received from shareholders/ debenture holders / company / stock exchanges / SEBI / their bodies and will segregate the inward mail as transfer requests, request for endorsements as fully paid-up, receipt of call money, request for change of address, transmission, transposition, deletion of name, other letters from investors.

It will inward the mail pertaining to request for transfer/transmission/ transposition/other request/complaints by maintaining inward register on a day to day basis and also affix stamp containing inward number and date of receipt on all transfer deeds/letter pertaining to above requests/complaints.

Clause 25(a) of "Draft of Agreement between the STA and the Company" of Annexure of Schedule II of SEBI Circular "Instruction to Registrars to an Issue / share Transfer Agents"

***25**. The company and Transfer Agent shall maintain following documents and records pertaining to Transfer activities by way of hard copies and if required may be stored by way of tape drives in computers :*

a) Check-list, inward register, transfer register, buyer / sellers register with net effect as on date of approval of transfer proposals, transfer deeds, specimen signature cards / signature captured on signature scanner, despatch register/ postal journal, objection memos, mandates, Power of Attorney/ Board Resolution, RBI Approval in case of NRI Jumbo Transfer Deeds in case of FIIs, Register of Members, Annual Returns / Return of Allotment, Interest/ Dividend Register.

Clause 2.2 of SEBI Ciruclar No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated November 03, 2021

2.2. *Major mismatch in signature or Signature Card is not available. In case of major mismatch in the signature of the holder as available in the folio of the RTA and the present signature or if the same is not available with the RTA, then the holder / claimant shall furnish original cancelled cheque and banker's attestation of the signature as per Form ISR-2*

Point A (7) of table at Annexure A to SEBI Circular No. SEBI/HO/MIRSD/ MIRSD_RTAMB/P/CIR/2021/67 dated November 26, 2021

Timelines pertaining to various services provided by RTA

Sr No	Nature of Service	Expected Timelines (number of days)
7	Processing of Re-validation of dividend / interest / redemption instruments and sending the remittance request files to the bank / Company	15

Point II (13 & 14) of Annexure to SEBI Circular No. SEBI/HO/MIRSD DOP1/CIR /P/2018/73

13. *The Issuer Company and RTAs shall exercise enhanced due diligence in following cases:*

i. Where dividend/interest/redemption remains unpaid for three years &

above

ii. PAN / bank account details not available in the folio.

iii. Unclaimed suspense account constituted pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations.

iv. IEPF suspense account set up pursuant to Companies Act 2013.

v. Any other stringent criteria as decided by the Issuer Company and the RTAs.

RTAs shall maintain a list of such account folios and share with the Issuer Company at the end of every quarter of a financial year.

14*. RTAs shall have system based alerts for processing of all transactions in such account folios referred above in para 13. In case any request for transactions is received from such folios, the Issuer Company and RTAs shall exercise enhanced due diligence. For the purpose of exercising enhanced due diligence, Issuer Companies and/or RTAs shall call for documents related to proof of identity /address, PAN and bank details , and such other additional procedures that would enable the Issuer Company/RTA to reasonably satisfy itself about the genuineness of the request.*

Issue I : Whether Noticee has violated the provisions as enumerated under para 11 above :

<u>Alleged Violation 1: Inaccuracy in the agreement / tripartitie agreement entered into by the Noticee</u>

a) **<u>Noticee's agreement with Jonjua Overseas Ltd. (JOL) :</u>**

12.1 With regard to the captioned allegation, I note from Inspection Report (IR) that the bilateral agreement entered into with Jonjua Overseas Ltd. (JOL) was inaccurate. The said agreement did not mention the name of the shareholders and the same was left blank further, it did not clearly demarcate the duties and responsibilities between the Noticee and JOL regarding dematerialization and rematerialisation of shares.

12.1.1 Further, based on the copy of the agreement available on record, I note that the Noticee did not mention the number of shareholders and also did not demarcate the duties and responsibilities between itself and its client with regard to dematerialization and rematerialisation in the agreement. In this regard, I note that the Noticee has admitted that few clauses, the number of folios and the responsibilities regarding dematerialization and rematerialisation were inadvertently missed in the agreement. However, by simply making an admission, the Noticee cannot absolve itself from having committed the violation. It is for the RTA i.e. the Noticee in the case in hand to ensure that all clauses in the agreement should be complete thereby ensuring compliance with the relevant SEBI/Exchange Regulations and extant circulars per se. In view of the aforesaid, I find no merit in the submission of the Noticee.

12.1.2 Accordingly, in view of the above, it stands established that the Noticee has violated Regulation 9A(1) (b) of SEBI (Registrars to an Issue and Share Transfer Agents) Regulation, 1993 read with Clause 23 of Code of Couct specified in Schedule III of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 by entering into an inaccurate agreement entered with JOL.

b) **<u>Noticee’s tri-partite agreement with Zuari Industries Limited (ZIL):</u>**

12.1.3 With regard to the above allegation, I note from IR that the Noticee was appointed by Zuari Industries Limited on 06.05.2022 and the tri-partite agreement was entered into on 31.10.2022, after a substantial period of almost six months. In this regard, Noticee made a submission that in terms of Regulation 7(4) of SEBI (LODR) Regulations, 2015, the listed entity i.e., ZIL had duly executed the tripartite agreement with ZFL and Link Intime India Private Limited on 31 October 2022 post completion of all the transfer related formalities by old and new RTA successfully.

12.1.4 With regard to the Noticee’s submission, I note that Regulation 7(4) of SEBI (LODR Regulations 2015) stipulates that “in case *of any change or appointment of a new share transfer agent, the listed entity shall enter into a tripartite agreement between the existing share transfer agent, the new share transfer agent and the listed entity, in the manner as specified by the Board from time to time.* Therefore, I note that the aforesaid Regulation casts responsibility on the listed company i.e. ZIL in the instant case to enter into a tripartite agreement and not the RTA i.e. Noticee in this case. Accordingly, in view of the aforesaid, I note that the Noticee can not be held responsible for the delay in execution of the tripartite agreement which was to be done by ZIL.

12.1.5 Accordingly, in view of the above, I find that the Noticee is not in violation of Regulation 7(4) of SEBI (LODR Regulations 2015) in case of change or appointment of new STA by listed company; Clause 2,3 and 16 of Code of Conduct specified in Schedule III read with Regulation 13 of SEBI (RTI/STA) Regulation, 1993 w.r.t irregularities Noticee’s tri-partite agreement with Zuari Industries Limited (ZIL).

<u>Alleged Violation 2: Discrepancy w.r.t Inward Processing</u> :

13.1. With regard to the captioned violation, I note that it was alleged in the SCN that on many of the letters received by the Noticee, the inward no. was marked on sticky note instead of paper. Further, in one of these cases, it is noted that the date of letter was 15.03.2022 and on sticky note Inward was marked on 08.05.2022, and in another case, date of letter was 10.01.2022 and Inward on sticky note was marked on 17.02.2022. In this regard, I note that the Noticee in its reply to the SCN has admitted that inward stamp and date was left out inadvertently on the documents and that the same has been rectified.

13.1.1 With regard to the aforesaid submission of the Noticee, I note that at the time of inspection, the Noticee failed to follow the instructions applicable to RTA/STA with regard to the receipt of inward mails and that the provision under <u>Clause (a) of Point 1 “Specific Activities” of Schedule 1 of SEBI Circular “Instruction to Registrars to an Issue Share Transfer Agents</u>” states the instruction to the RTA/STA with regard to the specific activities of inward mails. However, I note that the Noticee has failed in complying with the same.

13.1.2 Accordingly, in view of the above, I note that the Noticee has admittedly violated Clause (a) of Point 1 “Specific Activities” of Schedule 1 of SEBI Circular “Instruction to Registrars to an Issue Share Transfer Agents” dated October 11, 1994 by having failed to mark the inward no. and date of receipt on letter instead marking the same on sticky notes.

Alleged Violation 3- Non-possession and non-maintenance of specimen signature cards :

13.2 With regard to the captioned allegation, I note from IR that the Noticee did not have physical signature cards of any of the 72 shareholders in the matter of Jonjua Overseas Limited (JOL) .The signatures of the physical shareholders were only available with the Noticee in soft copy in a sheet.

13.2.1 With regard to the above, Noticee contended as mentioned under para 9 above, vide its reply to the SCN. However, I note that the Noticee did not have physical signature cards of the shareholders of its client M/s.JOL and also did not seek the original signature cards from the Issuer Company and relied upon the scanned signatures in a MS-word document which the Noticee informed was provided by the Issuer Company. Further, I note that Clause 25(a) of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue / share Transfer Agents" provides that "*the Company and Transfer Agent shall maintain following documents and records pertaining to Transfer activities by way of hard copies and if required may be stored by way of tape drives in computers : a) Check-list, inward register, transfer register, buyer / sellers register with net effect as on date of approval of transfer proposals, transfer deeds, specimen signature cards / signature captured on signature scanner, despatch register/ postal journal, objection memos, mandates, Power of Attorney/ Board Resolution, RBI Approval in case of NRI Jumbo Transfer Deeds in case of FIIs, Register of Members, Annual Returns / Return of Allotment, Interest/ Dividend Register.*

13.2.2 In light of the above, I find no merit in the contention of the Noticee and therefore the above allegation against the Noticee that it has violated Clause 25(a) of "Draft of Agreement between the STA and the Company" of Annexure of Schedule II of SEBI Circular

"Instruction to Registrars to an Issue / share Transfer Agents" dated October 11, 1994 and Clause 2, 3 and 16 of Code of Conduct specified in Schedule III read with Regulation 13 of SEBI (RTA/STA) Regulations, 1993, stands established.

Alleged Violation 4: Irregularities w.r.t Demat Request received for Jonuja Overseas Limited

13.3. I note that it was alleged against the Noticee in the SCN that the process for checking signature was not being followed appropriately, as the signatures cards were not available with the Noticee (signatures of the physical shareholders were available in soft copy with the Noticee in a sheet). Further, I note that the signatures database for JOL was not maintained for checking mismatch in the signature and the signatures for shareholders of JOL were also not mapped in the system

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13.3.1 With regard to the aforesaid, Noticee submitted that Jonjua Overseas Limited (JOL) was an unlisted company in the beginning and availed its services for Share Transfer Agent activities in 2018 for electronic connectivity only. It further submitted that at that time there were 115 shareholders holding the shares in physical form which were dematerialized time to time. Being an unlisted company, it used to seek approvals from company for dematerialization of shares and that the signatures of the physical shareholders are available in softcopy with it in a sheet.

13.3.2 In this regard, I note that the Noticee approval from the issuer company i.e. JOL in this case for processing demat requests and JOL in turn used to send the approval which shows that the Noticeee used to seek approval from JOL for processing demat requests. However, the Noticee should have maintained the signatures in the system in order to handle the demat requests from investors in a right manner rather than seeking approval from the JOL every time for processing the Demat requests.Therefore, the Noticee's aforementioned submission is bereft of merits.

13.3.3 Accordingly, in view of the above, I find that the Noticee has violated SEBI Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021 Clause 2.2 of /655 dated November 03, 2021 and Clause 2, 3 and 16 of Code of Conduct specified in Schedule III read with Regulation 13 of SEBI (RTA/STA) Regulations, 1993 by not following process for checking signature as the signatures cards were not available with the Noticee, not maintaining signature database for JOL for checking mismatch in the signature and by having failed to map the signatures for shareholders of JOL in the system.

<u>Alleged Violation 5: Irregularities w.r.t Dividend Revalidation Requests</u>

13.4. It was alleged in the SCN that in 1426 instances of Chambal Fertilizers and Chemicals Limited, the processing of the dividend revalidation requests went beyond 15 days i.e. the requests were proceeded in the range of 16 days to 52 days whereas the Noticee has contended that as large number of requests were received by it in a short span of time, more time was taken in processing the 1426 cases. With regard to the aforesaid, I am of the view that adhering to the timelines set by the regulator is of utmost importance for the smooth functioning of the securities market and interest of the investors and therefore, no Regulation/circular provides exemption in this regard.

13.4.1 In view of the above, I find that the contention of the Noticee has no merits and therefore, it stands established that the Noticee has violated Point A (7) of table at Annexure A to SEBI Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/67 dated November 26, 2021 and Clause 2, 3 and 16 of Code of Conduct specified in Schedule III read with Regulation 13 of SEBI (RTA/STA) Regulations, 1993.

<u>Alleged Violation 6: No System based alerts for enhanced due diligence</u>

13.5. As regards captioned violation, I note from IR that the Noticee did not have an automatic "system based alert" mechanism for enhanced due diligence to generate appropriate alerts in the concerned folios and that identification of folios at the time of processing any request was done manually.

13.5.1 In this regard, I note that the Noticee in its reply to the SCN has submitted that it had introduced the automatic pop-up alert and that it had already identified the folios for enhanced due diligence and marked these folios in the system restricting any transaction/updation. It further submitted that the system would not allow processing of any requests in these folios without updation of KYC details.

13.5.2 With regard to the Noticee's submission, I note that the allegation against the Noticee persisted at the time of inspection and the rectification if any, was introduced post the inspection and accordingly, the Noticee was not compliant with the regulatory requirement at the time of inspection. Accordingly, the submission of the Noticee is not tenable.

13.5.3 Therefore, in view of the above, I find that the Noticee has violated Point II (13 & 14) of Annexure to SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018 and Clause 2, 3 and 16 of Code of Conduct specified in Schedule III read with Regulation 13 of SEBI (RTI/STA Regulation, 1993).

Issue II: **If yes, whether the failure on the part of Noticee would attract monetary penalty under Section 15HB of the SEBI Act?**

12. As it has been established in the preceding paragraphs that the Noticee has violated provisions of RTA/STA Regulations, 1993, SEBI circulars and Code of conduct as specified in para 11 above. Accordingly, I note that the Hon'ble Supreme Court in the matter of **Chairman, SEBI vs. Shriram Mutual Fund {[2006] 5 SCC 361}** wherein the Hon'ble Court had held " *In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant……… A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.''*

13. Therefore, in light of the aforesaid violations as established and placing reliance on the aforementioned decision of Hon'ble Supreme Court, I find that the above violations by Noticee would attract monetary penalty under Section 15HB of SEBI Act.

14. The text of Section 15HB of SEBI Act is reproduced below:

> ***Penalty for contravention where no separate penalty has been provided.***
> **15HB**. : *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board there under for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

Issue No. III:

15. What would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act?

16. While determining the quantum of penalty under Section 15HB of the SEBI Act, it is important to consider the factors as stipulated in Section 15J of the SEBI Act, which reads as under:-

SEBI Act

Factors to be taken into account by the adjudicating officer.

Section 15 J - *While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

Explanation - For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section , 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

17. In the instant case, it is not possible from the material on record to quantify the amount of disproportionate gain or unfair advantage resulting from the violations of Noticee or the consequent loss caused to investors as a result of the default. Further, I also note that facts on record also does not indicate violations of Noticee are repetitive in nature.However, I find that Noticee being a registered intermediary i.e. Registrar to an Issue and Share Transfer Agents is required to comply with the provisions of various Regulations issued by SEBI for safeguarding the interest of investors. Further, such multiple violations of SEBI Regulations by Noticee especially violations of Code of Conduct specified in RTA/STA Regulations would adversely affect the interest of public shareholders and such infractions need to be dealt with appropriate penalty would act as a deterrent for Noticee.

ORDER

18. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by Noticee and also the factors mentioned in Section 15J of the SEBI Act, as enumerated above, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, hereby impose a penalty of **Rs.5,00,000/-(Rupees Five Lakh only)** on Noticee i.e.M/s. Zuari Finserve Limited under the provisions of Section 15HB of SEBI Act.

19. I am of the view that the said penalty is commensurate with the lapse/omission on the part of Noticee.

20. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order on through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

    ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

21. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid to "The Division Chief, EFD1 – DRA - 4, Securities and Exchange Board of India, SEBI Bhavan, Plot no.C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051". The Noticee shall also provide the following details while forwarding DD / payment information:

Case Name:	
Name of Payee:	
Date of Payment:	
Amount Paid:	
Transaction No.:	
Ban Details in which payment is made:	
Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount etc.)	

22. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

23. In terms of the provisions of Rule 6 of the SEBI Adjudication Rules, a copy of this order is being sent to the Noticees and also to SEBI.

Date : October 09, 2023 **Santosh Kumar Sharma**
Place: Mumbai **Adjudicating Officer**