

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

DIRECTIONS UNDER SECTIONS 11(1) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATIONS 11 AND 13 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 IN RESPECT OF BEETAL CAPITAL SERVICES LIMITED AND ITS DIRECTOR MR. KAWITANSH KHANNA IN THE MATTERS OF SG GLOBAL EXPORTS LIMITED AND CLASSIC GLOBAL IMPEX LIMITED

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI) had issued show cause notices (hereinafter referred to as the notices) dated January 17, 2005 to Beetal Capital Services Limited and its Managing Director, Mr. Kawitansh Khanna (hereinafter to be referred as the parties), pursuant to an investigation into the buying, selling and otherwise dealing in the shares of S G Global Exports Limited (hereinafter referred to as the SGEL) and Classic Global Impex Limited (hereinafter referred to as CGIL), advising them to show cause as to why proceedings under Sections 11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the SEBI Act) read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 should not be initiated against them.

2. Investigation of SEBI in the matter of SGEL revealed that though, no trading happened in the shares of the said company, certain members of the Ludhiana Stock Exchange Limited (LSE) had in their books of accounts, showed trading in the shares in thousands. It was alleged that shares were

shown as bought at low rates and then sold at high rates to enable the clients to obtain capital gain entries which were set-off by clients against losses declared under the Voluntary Disclosure of Income Scheme of 1997 (VDIS). The entity, Beetal Capital Services Limited was alleged that it had made endorsements of transfers as per the list provided to it by the company without any transfer deeds and non-verification of the specimen signatures. The notice had alleged that Beetal Capital Services Limited had failed to exercise due diligence and care as required under Clauses 1 and 3 of the Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 (the Regulations). It was also alleged in the notice that the entity also failed to maintain records in accordance with Regulation 14(3) of the Regulations. The notice has contemplated issuance of directions *inter alia* restraining the entity from accessing the securities market and prohibiting them from associating with capital market activities. Similar irregularities and charges were alleged against the parties in the notice dated January 17, 2005 issued in the matter of CGIL.

3. The parties have replied to the aforesaid notices, vide letters dated August 12, 2005 (in the matter of CGIL) and August 17, 2005 (in the matter of SGEL). Thereafter, various opportunities were afforded to the parties and they finally appeared in a hearing on February 3, 2011. Written submissions dated February 15, 2011 (in the matter of CGIL) and February 21, 2011 (in the matter of SGEL) were also submitted. I have considered the notice, the written as well as the oral submissions made by the parties and other material available on record.

4. During the hearing, it was *inter alia* submitted that Beetal Capital Services Limited has been dissolved and that the proceedings have become infructuous. It was also contended that the allegations levelled in the notices pertained to the entity's activities as a registrar and share transfer agent and

that the proceedings under Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992, could not be proceeded against it, as it ceased to be a registered intermediary by the time notices were issued. The parties have submitted that the charges against Beetal Capital Services Limited were dropped by the Commissioner of Income Tax (Appeals)- I, Ludhiana, vide order dated August 27, 2004. I have perused a copy of the notice dated March 31, 2009 issued under section 560(3) of the Companies act, 1956 by the Registrar of Companies, Jalandhar, stating that at the expiration of three months from the date the name of the entity (Beetal Capital Services Limited) shall be struck off from the register and the said entity would be dissolved, unless cause is shown to the contrary. It has now been submitted that the entity has been dissolved. Further, it has been contended that Mr. Kawitansh Khanna is neither the managing director nor a whole time director and that he was not the officer in default. I further note that the allegation against the said individual is in view of his capacity as a director in the entity. It has also been submitted that entity had no association or relation with the said companies or their promoters/Directors and that the entity's assignment was limited only to act as Share Transfer Agent with limited scope of work as per the agreement. It was also the submission that the entity had surrendered its certificate of registration as a share transfer agent to SEBI during October 1999. It is the submission of the parties that the surrender of the certificate of registration was accepted by SEBI in the year 1999. The notices were issued against it under Sections 11B of the Securities and Exchange Board of India Act, 1992 in the year 2005 for the irregularities which happened during 1996-1999. As Beetal Capital Services Limited has been dissolved during the year 2009, the proceeding against it has abated. Further, the proceeding against Mr. Kawitansh Khanna is in view of his position as a director in the said entity. Therefore, it would be appropriate to dispose of the notices issued to the parties in the matters of SGEL and CGIL.

5. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Section 11B thereof and Regulations 11 and 13 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby dispose of the notices dated January 17, 2005 issued to Beetal Capital Services Limited and Mr. Kawitansh Khanna, in the matters of SG Global Exports Limited and Classic Global Impex Limited (now known as Divine Impex Limited), without any directions.

**DR. K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**

**PLACE: MUMBAI
DATE: JULY 19, 2011**