

WTM/ AB / SEBI / ERO / 08 / 2018

**SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: ANANTA BARUA, WHOLE TIME MEMBER
EX PARTE – AD - INTERIM ORDER**

UNDER SECTIONS 11(4), 11B AND 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 35 OF SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008.

IN RESPECT OF

Noticee No	Entity's Name	PAN
1	Guinness Securities Limited	AAACG9843L
2	Mr. Kamal Kumar Kothari	AKYPK8782D
3	Mr. Dharmendra Kothari	AFGPK6680M
4	Mr. Soumen Chatterjee	AKFPC1442D
5	Mr. Tarun Kanti Sengupta	AJDPS7741N
6	Mr. Kunal Vasumallik	ABFPV8759F
7	Mr. Dipak Rudra	ACHPR3694J
8	Mr. Deepak Parakh	AFPPP0732C
9	Mr. Shree Kumar Jhanwar	ACIPJ0418R
10	Mr. Babulal Nolkha	ADHPN4106A
11	Mr. Asish Kumar Ray	ADEPR1722M
12	Ms. Sunita Kothari	AFNPK8049P
13	Mr. Pradeep Kumar Sarkar	ABVPS7800E
14	Mr. Kalyan Mukherjee	AHQPM8981K
15	Mr. Prasant Ray	AANPR2831B
16	S K B Securities Ltd.	AAACG9843L
17	Mr. Provat Mitra	ANDPM9486G
18	Mr. Somnath Bhattacharjee	ADXPB0019J
19	Ms. Lipika Bhattacharjee	ASSPB2706Q
20	Mr. Hemant Kothari	AFOPK6638P
21	Mr. Krishna Maheswari	NA
22	Mr. Aman Mohan Kothari	AUOPK5221B
23	Param Commodities Pvt. Ltd.	AAFCP0003L
24	Mr. Pawan Kumar Modi	AESPM0259F
25	Mr. Murlidhar Sharma	AJMPS1405N
26	Paramarth Agro Marketing Private Limited	AAFCP0005N
27	Apurva Commodities Pvt. Ltd.	AAGCA3264P
28	Mr. Ram Avtar Sharma	ALGPS0914E
29	Awadhoot Marketing Pvt. Ltd.	AAECA9172C

30	Mr. Sudarshana Mitra	AHBPM6874G
31	Mr. Shyamal Mitra	AHBPM6875H
32	Mr. Abhijit Pal	NA
33	Mr. Gaurav Choudhary	AFSPC6498P
34	Superfast Tours And Travels Pvt. Ltd.	AAECS4607A
35	Mr. Mahabir Chand Jain	ACHPJ8058N
36	Mr. Jayant Kumar Jain	AGUPJ4377R

(The aforesaid entities are hereinafter referred to by their respective names/serial numbers or collectively as “the Noticees”)

1. The Securities and Exchange Board of India (hereinafter referred to as ‘SEBI’) has examined irregularities in the affairs of Guinness Securities Limited (hereinafter referred as ‘GSL’/ ‘Guinness’/ ‘Stock Broker’/ ‘Broker/ Trading Member’) as a Stock Broker, pursuant to the finding in this regard by National Stock Exchange ((hereinafter referred as ‘NSE’). GSL is having its registered office at 10, Canning Street, 5th floor, Kolkata 700001 and its corporate office is at 18, Deshapriya Park Road, Kolkata-700026. GSL is registered with SEBI in the following categories:
 - a) As a stock broker of equity, equity derivative and currency derivative segment of National Stock Exchange (Registration Number INZ000167037),
 - b) As a stock broker of equity, equity derivative, currency derivative and Interest Rate derivative segment of Bombay Stock Exchange Limited (Registration Number INZ000167037),
 - c) As a stock broker of equity, equity derivative, currency derivative and Interest Rate derivative segment of Metropolitan Stock Exchange of India Limited (Registration Number INZ000167037),
 - d) As a depository participant of Central Depository Services Limited (Registration Number 433-2007),
 - e) As a Depository Participant of National Securities Depository Limited (Registration Number 239-2004),
 - f) As a Registered Research Analyst (Registration number INH0000003390)

2. Guinness Commodities Pvt. Ltd. is registered with SEBI as a commodity derivatives broker of Multi Commodity Exchange of India Ltd. (MCX) (Registration number INZ000051534). Guinness Corporate Advisors Pvt. Ltd. is registered with SEBI as a Merchant Banker (Registration Number INM000011930). Guinness Portfolio Management Services Private Limited is registered with SEBI as a Portfolio Manager (Registration Number INP000004557).
3. The details of present directors of GSL along with the date of appointment as obtained from the MCA website is as under:

Noticee no.	Name	Designation	Date of Appointment
3	Mr. Dharmendra Kothari	Director	23/04/1998
2	Mr. Kamal Kumar Kothari	Managing Director	01/12/2000
5	Mr. Tarun Kanti Sengupta	Independent Director	08/08/2012
4	Mr. Soumen Chatterjee	Director	29/12/2015

The details of the past directors of GSL and their tenure as obtained from the MCA website is as under:

Noticee No	Name	Tenure of Directors
6	Mr. Kunal Vasumallik	25/07/2012 - 20/06/2018*
7	Mr. Dipak Rudra	6/12/2008 – 16/10/2017*
8	Mr. Deepak Parakh	28/11/2013- 02/05/2016*
9	Mr. Shree Kumar Jhanwar	28/11/2013 – 31/03/2016*
10	Mr. Babulal Nolkha	28/11/2013- 23/09/2014*
11	Mr. Asish Kumar Ray	05/09/2012 – 28/11/2013*
12	Mr. Sunita Kothari	07/08/2000 – 05/09/2012
13	Mr. Pradeep Kumar Sarkar	26/04/2010 – 14/05/2012*
14	Mr. Kalyan Mukherjee	12/10/2009 – 14/05/2012*
15	Mr. Prasant Ray	12/10/2009 - 14/05/2012*

**Including their tenure as Additional Director*

4. The list of shareholders and shareholding pattern, as on July 25, 2018, as reported by GSL is as follows:

Name	No. of Shares	% of Shareholding
Mr. Kamal Kumar Kothari	23,56,920	28.92
J S Enclaves Pvt. Ltd.	14,00,000	17.18
Guinness Finance & Leasing Pvt. Ltd.	12,00,000	14.72
Ms. Sunita Kothari	8,25,210	10.12
Mr. Ichraj Devi Kothari	4,48,000	5.5
Guinness Corporate Advisors Pvt. Ltd.	4,27,500	5.24
Mr. Dharmendra Kothari	4,10,210	5.03
Guinness Commodities Pvt. Ltd.	4,10,000	5.03
Ms. Lalita Devi Kothari	1,55,600	1.91
Dharmendra Kothari & Sons (HUF)	1,40,000	1.72
Mr. Rajesh Kumar Kothari	1,10,000	1.35
Ms. Trishla Devi Kothari	1,00,000	1.23
Guinness Portfolio Mgmt. Services Pvt. Ltd.	62,000	0.76
Mr. Abhijeet Kothari	40,000	0.49
Mr. Hemant Kothari	25,000	0.31
Kamal Kumar Kothari & Sons HUF	17,400	0.31
H.K.Kothari & Sons HUF	18,000	0.22
Mr. Anand Jyoti Kothari	5,000	0.06
TOTAL	8,15,0840	100

5. SEBI received a reference/ email dated October 22, 2018 from National Stock Exchange of India Limited (hereinafter referred to as, 'NSE'), whereby NSE forwarded an interim report of its preliminary observation of the inspection of GSL. The period of inspection was from April 01, 2017 to February 28, 2018. When the inspection conducted by NSE was underway, there

was a sudden spurt in the investor complaints against the GSL pertaining to non-receipt of funds and securities. Therefore, NSE extended the period of inspection till August 31, 2018 to verify the complaints. In its reference dated October 22, 2018, NSE *inter alia* pointed out two major concerns as preliminary observations:

- a. The monthly data of uploading clients funds and securities balances by stock brokers on stock Exchange system as per SEBI circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 for the submission date August 31, 2018 was verified with the statement of depository account(s) along with the statement of shares deposited with clearing member as provided by GSL. On scrutiny of the same it was observed that there was a shortfall observed in the value of shares held by GSL with depositories/ clearing member amounting to Rs. 282.41 crores across 2480 scrips. On discussion with GSL, it was informed to NSE by GSL that there are additional depository accounts where shares were being held by GSL, the details of such depository accounts was not furnished by GSL.
 - b. On verification of client funds and securities balances, it was observed that GSL has not uploaded details for all clients on the stock exchanges as per SEBI circular CIR/HO/MIRSD/MIRSD2/XCIR/PB/2017/107 dated September 25, 2017, and the available uploaded of client data appears to be incomplete/false.
6. Upon receipt of NSE letter dated October 26, 2018, which prima facie indicated misuse of client securities worth Rs. 212.17 crores across 1139 scrips by GSL, SEBI carried out a preliminary analysis. Further, pursuant to Investor Grievance Redressal Panel (hereinafter referred to as, 'IGRP') award dated November 05, 2018 and disablement of membership of GSL by NSE due to insufficient deposit/collateral with effect from November 07, 2018, SEBI vide email dated November 08, 2018 has advised all Stock Exchanges where GSL is a member and Depositories to closely monitor the activities of GSL on a regular basis and update SEBI on the same. Further, a letter dated November 9, 2018 was issued to GSL seeking information and data pertaining to its functioning as a Stock Broker. GSL vide email dated November 13, 2018 furnished their reply admitting shortfall of client funds and securities worth Rs. 160

crores as on November 9, 2018. It was observed that the reply of GSL was incomplete and vague.

7. Following are the observations of SEBI's examination with respect to the reply submitted by GSL vide email dated November 13, 2018:

- a) On perusal of the debtor's data furnished by GSL, it is seen that the amount recoverable is wrong as in all cases the recoverable amount is reflected as either debit/credit balance or stock position of the clients instead of net amount receivable by the Stock Broker. Vide email dated November 15, 2018, GSL was advised to furnish the correct data. No reply has been received in this regard.
- b) GSL has proposed to sell SME stocks worth about Rs. 50 crores to make good the shortfall. Vide email dated November 15, 2018, GSL was asked to inform how and when the said SME stocks were acquired by them and how did they fund the purchase/acquisition of these SME shares. No reply has been received in this regard.
- c) GSL has mentioned that they will restrict pay out of 81 manageable high-net worth individual (hereinafter referred to as, 'HNI') clients who are creditors and closely associated with them and to whom they owe around Rs. 83 crores of funds and securities. Vide email dated November 15, 2018, GSL was asked to furnish the confirmation letters from each of the 81 clients that they are agreeable to their proposal. No reply has been received in this regard.
- d) SEBI further inquired the Stock Broker since it admitted shortfall of Rs. 160 crores of client securities and funds, which indicates misuse of client funds. Vide email dated November 15, 2018, GSL was advised to furnish its reply. However, no reply has been received in this regard.

8. The details of actions taken by Market Infrastructure Institutions (MIIs) are as under:

- (a) NSE has informed that in the IGRP held on November 05, 2018, 3 out of 10 investor complaints placed were concluded and the matter was admitted by IGRP against the trading member. The total of such admissible claim was Rs. 20.82 crores. The process of debiting member's settlement account has taken place and there has been a shortfall of Rs. 20.18 crores. On account of the same, the available deposits of the member will be debited leading to withdrawal of trading rights. NSE vide email dated November 06, 2018 informed that *“due to insufficient deposits/collateral the member Guinness securities limited has been disabled across all segments of the exchange w.e.f. 07 Nov 2018 and the same has been communicated to BSE, NSDL, CDSL, MCX, NCDEX and MSEI”*
- (b) Bombay Stock Exchange (hereinafter referred to as, 'BSE') vide email dated November 20, 2018 informed that it has deactivated the trading terminals of GSL in all segments w.e.f. November 12, 2018 end of the day.
- (c) National Securities Depository Limited (hereinafter referred to as, 'NSDL') vide email dated November 21, 2018 informed that with regard to the irregularities in the matter of GSL, they have taken the following action:
- A show cause notice to GSL has been issued as to why its Participanship should not be terminated under the Bye-Law 6.5.1 (v) & (xiv).
 - Stop new demat account opening with immediate effect.
 - Appoint an auditor for conducting 100% concurrent audit of all client instructions and confirm the said appointment of auditor to NSDL.
- (d) Metropolitan Stock Exchange of India Limited (hereinafter referred to as, 'MSEI') vide email dated November 21, 2018 informed that GSL has been deactivated by MSEI in the CD segment w.e.f. November 15, 2018 end of the day.

(e) Central Depository Services (India) Ltd. (hereinafter referred to as, 'CDSL') vide email dated November 20, 2018 informed that as a risk containment measure to safeguard the interest of Beneficiary Owners (BOs) following actions have been taken by it :

- Statement of accounts were sent to all the active BOs of the Depository Participant (DP).
- Imposed 100% concurrent audit on the DP operations.
- Restrained the DP from opening new demat accounts.
- Restricted the CDSL system timings of the DP from 10:00 a.m. to 06:15 p.m. (Monday to Friday) and from 10:00 a.m. to 2:00 p.m. on Saturday.
- Allowing transactions only pertaining to shifting of account.
- Stationing concurrent auditor at DP office to do pre audit of transactions related to shifting of accounts.
- Deactivating the Easiest login of the DP and all its BO accounts.
- Deactivated Power of Attorney given by BOs to Guinness Securities Ltd. on CDSL system.

(f) Further, CDSL vide email dated December 03, 2018 informed that the Agreement between CDSL and DP - GSL stands terminated.

9. A meeting was convened on November 12, 2018 at SEBI at its Eastern Regional Office (ERO) with NSE, BSE, MCX, NCDEX, MSEI, CDSL & NSDL, and an Inter-Exchange and Depository Team was constituted to examine the irregularities of GSL. They were also advised to continuously monitor the activities of the Stock Broker. NSE was advised to collect the data from other MIIs and furnish a report to SEBI. NSE vide letter dated November 21, 2018 submitted its report. The said report was examined by SEBI and the following are noted:

(i) **Misappropriation of Client Securities by GSL and its associates:**

- NSE vide its reply dated October 26, 2018 indicated possible misappropriation of client securities by GSL. In its reply email dated November 13, 2018, GSL admitted to a

shortfall of Rs. 160 crores. In order to ascertain the extent of misappropriation/shortfall of client securities by GSL, trade data from BSE and NSE from date January 01, 2008 to August 31, 2018 were obtained. Out of this, the top clients where net sale were undertaken in the 1,139 scrips identified in NSE report of October 26, 2018 were perused. Upon filtering this data, it is seen that the following 6 ‘clients’ emerge as the top 6 net sellers. It is observed that heavy trading took place during the aforesaid period in the BO accounts but they did not have any securities available in their respective BO accounts are as follows:

Sl No	Client Name	PAN
1	S K B Securities Ltd.	AAHCS3335G
2	Param Commodities Pvt. Ltd.	AAFCP0003L
3	Paramarth Agro Marketing Pvt. Ltd.	AAFCP0005N
4	Apurva Commodities Pvt. Ltd.	AAGCA3264P
5	Awadhoot Marketing Pvt. Ltd.	AAECA9172C
6	Superfast Tours And Travels Pvt. Ltd.	AAECS4607A

- Subsequent to the examination with respect to the trading of the above 6 clients, it is observed that the total value of client securities misappropriated by GSL through these 6 clients during this period was at least Rs. 233.75 crores across 959 scrips. The client wise observations in respect of the 6 clients are as follows:

a) S K B Securities Ltd.:

It has been observed that client securities of value Rs. 65.73 crores were misappropriated through client name S K B Securities Limited (hereinafter referred as ‘SKB’) in both NSE and BSE during the period January 2008 to August 2018.

Client name	Directors	Directorship in other companies
S K B Securities Ltd.	Mr. Provat Mitra	James Lord & Sons Ltd.
		Star Light Credit (India) Ltd.
		AVT Finance & Investment Pvt. Ltd.

	Mr. Somnath Bhattacharjee	Lytton Traders Private Limited
		Macro Commoddeal Private Limited
	Ms. Lipika Bhattacharjee	Star Light Credit (India) Ltd.
		Parton Traders Private Limited
		Lytton Traders Private Limited
		Macro Commoddeal Private Limited
		Ranpriya Commoddeal Private Limited
		Sadakirti Dealer Private Limited
		Subhdhan Pratisthan Private Limited
		Sidhidata Distributor Private Limited
		Gulmohar Dealcom Private Limited
		Panchsheel Vinimay Private Limited

On verification of the shareholders of S K B, it is observed that the shareholders of GSL viz. Mr. Dharmendra Kumar Kothari, Kamal Kumar Kothari & Sons (HUF), Mr. Abhijit Kothari, Mr. Anand Kothari are also the shareholders in S K B Securities Ltd. It is also observed that Mr. Kamal Kumar Kothari, MD of GSL has the largest shareholding in S K B with 74.36% holding through his HUF.

Client Name	Shareholders/Promoters	Relationship with GSL
S K B Securities Ltd.	Mr. Dharmendra Kumar Kothari (1.97% holding in SKB)	Shareholder and director of GSL (5.03% in GSL) and brother of Kamal Kumar Kothari, MD of GSL
	Kamal Kumar Kothari & Sons (HUF) (74.36% holding in SKB)	Shareholder of GSL (0.31% in GSL). Kamal Kumar Kothari is the MD of GSL
	Mr. Abhijit Kothari (5.42% holding in SKB)	Shareholder of GSL(0.49% in GSL)
	Mr. Anand Kothari (5.42% holding in SKB)	Shareholder of GSL (0.06% in GSL), Son of Kamal Kumar Kothari, MD of GSL

- Further, on perusal of the KYC data submitted by NSDL Database Management Limited ('NDML') w.r.t S K B Securities Ltd., the correspondence address of S K B and the registered office address of GSL is the same.

- Mr Hemant Kothari, a shareholder of GSL was also a director of S K B from November 18, 1999 to July 03, 2012.
- Mr Aman Mohan Kothari, son of Mr. Hemant Kothari was also director of S K B from June 01, 2012 to July 10, 2012.

b) Param Commodities Pvt. Ltd.:

Client securities of value Rs. 55.92 crores were misappropriated through client name Param Commodities Pvt. Ltd. (hereinafter referred to as, 'Param') in NSE alone during the period July 2009 to June 2012. On perusal of MCA website, it is observed that the status of the company is shown as 'Strike off'.

Client name	Directors	Directorship in other companies
Param Commodities Pvt. Ltd.	Mr. Pawan Kumar Modi	Star Light Credit (India) Ltd.
		Maxgro Equities Pvt. Ltd.
		Ever Green Wealth Pvt. Ltd.
		Landmark Equities Pvt. Ltd.
		AVT Finance & Investment Pvt. Ltd.
		Star Light Enclaves Private Limited
		Star Light High Rise Private Limited
		Apurva Commodities Private Limited
		Sangam Agro Agencies Private Limited
		Miatru Agro Marketing Private Limited
		Kalpa Mercantile Private Limited
		Shri Vishnu Krupa Commodities Private Limited
		Utkarsh Agro Agencies Private Limited
		Chirayush Agro Marketing Pvt. Ltd.
		Paramarth Agro Marketing Pvt. Ltd.
		Pawantar Agro Agencies Pvt. Ltd.

	Mr. Murlidhar Sharma	Star Light Credit (India) Ltd.
		Maxgro Equities Pvt. Ltd.
		Ever Green Wealth Pvt. Ltd.
		Landmark Equities Pvt. Ltd.
		Paramarth Agro Marketing Pvt. Ltd.

On verification of the details of directors of Param, it is observed that Mr. Pawan Kumar Modi is one of the Director. It is also observed that he was a Director of Guinness Corporate Advisory Services Pvt. Limited (hereinafter referred to as, 'GCAS'). It is pertinent to note that GCAS is the merchant banking arm of GSL and also a shareholder in GSL having 5.24% stake.

Client Name	Shareholders/Promoters	Relationship with GSL
Param Commodities Pvt. Ltd.	<u>Directors/shareholders:</u>	Was a Director of GCAS
	Mr. Pawan Kumar Modi	
	Mr. Murlidhar Sharma	NA

On perusal of the KYC data submitted by GSL, it is observed that Mr. Kamal Kumar Kothari, MD of GSL is the introducer to open the account of Param.

c) Paramarth Agro Marketing Pvt. Ltd.:

Client securities of value Rs. 25.51 crores were misappropriated through client name Paramarth Agro Marketing Pvt. Ltd. (hereinafter referred to as, 'Paramarth') in both NSE and BSE during the period June 2009 to October 2013. Further, on perusal of MCA website, it is observed that the status of the company is shown as Strike off.

Client name	Directors	Directorship in other companies
Paramarth Agro	Mr. Pawan Kumar Modi	Star Light Credit (India) Ltd.
		Maxgro Equities Pvt. Ltd.

Marketing Private Limited		Ever Green Wealth Pvt. Ltd.
		Landmark Equities Pvt. Ltd.
		AVT Finance & Investment Pvt. Ltd.
		Star Light Enclaves Private Limited
		Star Light High Rise Private Limited
		Apurva Commodities Private Limited
		Sangam Agro Agencies Private Limited
		Miatru Agro Marketing Private Limited
		Kalpa Mercantile Private Limited
		Shri Vishnu Krupa Commodities Pvt. Ltd.
		Utkarsh Agro Agencies Private Limited
		Chirayush Agro Marketing Private Limited
		Pawantar Agro Agencies Private Limited
		Param Commodities Private Limited
	Mr. Murlidhar Sharma	Star Light Credit (India) Ltd.
		Maxgro Equities Pvt. Ltd.
		Ever Green Wealth Pvt. Ltd.
		Landmark Equities Pvt. Ltd.
		Param Commodities Private Limited

It is also observed that Paramarth is a shareholder GCAS. On verification of director details of Paramarth, it was observed that Mr. Pawan Kumar Modi is one of the directors. It is also observed that he was a Director of GCAS. As stated above, GCAS is also a shareholder of GSL having 5.24% stake.

Client Name	Shareholders/Promoters	Relationship with GSL
Paramarth Agro Marketing Pvt. Ltd.	<u>Directors/shareholders:</u>	Was a Director of GCAS
	Mr. Pawan Kumar Modi	
	Mr. Murlidhar Sharma	NA

d) Apurva Commodities Pvt. Ltd.

Client securities of value Rs. 22.95 crores were misappropriated through client name Apurva Commodities Pvt. Ltd. (hereinafter referred to as, 'Apurva') in both NSE and BSE during January 2008 to May 2012.

Client name	Directors	Directorship in other companies
Apurva Commodities Private Limited	Mr. Ram Avtar Sharma	Urban Planet Properties Private Limited
		Sangam Agro Agencies Private Limited
		Miatru Agro Marketing Private Limited
		Kalpa Mercantile Private Limited
		Shri Vishnu Krupa Commodities Pvt. Ltd.
		Utkarsh Agro Agencies Private Limited
		Chirayush Agro Marketing Private Limited
		Pawantar Agro Agencies Private Limited
	Mr. Pawan Kumar Modi	Star Light Credit (India) Ltd.
		Maxgro Equities Pvt. Ltd.
		Ever Green Wealth Pvt. Ltd.
		Landmark Equities Pvt. Ltd.
		AVT Finance & Investment Pvt. Ltd.
		Star Light Enclaves Private Limited
		Star Light High Rise Private Limited
		Sangam Agro Agencies Private Limited
		Miatru Agro Marketing Private Limited
		Kalpa Mercantile Private Limited
		Shri Vishnu Krupa Commodities Pvt. Ltd.
		Utkarsh Agro Agencies Private Limited
		Chirayush Agro Marketing Private Limited
		Paramarth Agro Marketing Private Limited
		Pawantar Agro Agencies Private Limited

	Param Commodities Private Limited
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Apurva is a shareholder of GCAS. On verification of the director details of Apurva, it was observed that Mr. Pawan Kumar Modi is one of the directors of Apurva. It was also observed that he was a Director with GCAS.

Client Name	Shareholders/Promoters	Relationship with GSL
Apurva Commodities Private Limited	<u>Directors/shareholders:</u>	Was a Director of GCAS
	Mr. Pawan Kumar Modi	
	Mr. Ram Avtar Sharma	-----

e) Awadhoot Marketing Pvt. Ltd.:

Client securities of value Rs. 4.71 crores were misappropriated through client name Awadhoot Marketing Pvt. Ltd. (herein referred as Awadhoot) in both NSE and BSE during April 2014 to May 2015. Further, on perusal of MCA website, it is observed that the status of the company is shown as Strike off. As per MCA records, the company has been struck off from July 29, 2018.

Client name	Directors	Directorship in other companies
Awadhoot Marketing Private Limited	Ms. Sudarshana Mitra	Display Commercial Private Limited
	Mr. Shyamal Mitra	Display Commercial Private Limited

On verification of the promoters of Awadhoot, it was observed that Mr. Kamal Kumar Kothari, shareholder/managing director of GSL, was also a director at Awadhoot. Further, Mr. Deepak Parekh and Mr. Babulal Nolakha, past directors of GSL were also shareholders in Awadhoot.

Client Name	Shareholders/Promoters	Relationship With GSL
Awadhoot Marketing Pvt. Ltd.	<u>Directors:</u> Mr. Sudarshana Mitra Mr. Shyamal Mitra	NA
	<u>Shareholders:</u> Mr. Babulal Nolkha Mr. Abhijit Pal	Mr. Babulal Nolkha was one of the Directors of GSL
	<u>Past Directors:</u> Mr. Kamal Kumar Kothari	Mr. Kamal Kumar Kothari, MD and one of the shareholder of GSL with holding of 28.92%.

On perusal of the KYC details of Awadhoot submitted by GSL, the following have been observed:

- Registered address of Awadhoot and the registered address of GSL is same.
- Introducer in the KYC is Mr. Rajesh Kothari, brother of Mr. Kamal Kumar Kothari, MD of GSL.
- Board resolution dated March 08, 2006 of Awadhoot authorised Mr. Kamal Kumar Kothari, MD of GSL and Mr. Dharmendra Kothari, director of GSL to deal with GSL on behalf of the Awadhoot.

f) Superfast Tours and Travels Pvt. Ltd.

Client securities of value Rs. 58.91 crores were misappropriated through client name Superfast Tours And Travels Pvt. Ltd. (hereinafter referred to as, ‘Superfast’) in both NSE and BSE during June 2012 to August 2018. Further, on perusal of MCA website, it is observed that the status of the company is shown as ‘Strike off’.

Client Name	Directors	Directorship In Other Companies
Superfast Tours And	Mr. Mahabir Chand Jain	Superfast Traders Pvt. Ltd.
		Glorious Traders Pvt. Ltd.

Travels Private Limited		Arvind Nivesh Pvt. Ltd.
		Sumangal Fincom Private Limited
		Vijaya Fintrade Private Limited
		Banthia Fintrade Private Limited
		Sudershan Fintrade Private Limited
		Altos Tradefin Private Limited
		Sunshine Securities Private Limited
		Rekha Kunj Pvt. Ltd.
		Sumanglam Infraproject Private Limited
		Panchlingeswar Traders Private Limited
		Kesarinandan Tradelink Private Limited
		Siktangi Steels Private Limited
		Kesarinandan Comtrade Private Limited
	Mr. Jayant Kumar Jain	Panchlingeswar Traders Private Limited
		Rekha Kunj Pvt. Ltd.
		Sunshine Securities Private Limited
		Altos Tradefin Private Limited
		Sudershan Fintrade Private Limited
		Banthia Fintrade Private Limited
		Vijaya Fintrade Private Limited
		Sumangal Fincom Private Limited
		Arvind Nivesh Pvt. Ltd.
		Glorious Traders Pvt. Ltd.
		Superfast Traders Pvt. Ltd.

Incidentally, it is also observed that the Adjudicating Officer (hereinafter referred to as, 'AO') vide order dated March 25, 2014 has imposed a penalty of Rs. 50 lakhs against 10 entities which includes Param Commodities Pvt. Ltd., Paramarth Agro Marketing Pvt. Ltd. and Apurva Commodities Pvt. Ltd. for failure to make necessary public announcement to acquire the shares of a company in accordance with SEBI

(Substantial Acquisition of Shares and Takeovers) Regulations, 1997. During the AO proceedings, GSL vide email dated September 06, 2013 to SEBI informed that SCNs sent to Param Commodities Pvt. Ltd. and Paramarth Agro Marketing Pvt. Ltd. were undelivered as they were unable to get in touch with the said two clients. Further, on perusal of the trade data furnished by BSE, it is observed that trades were executed by GSL from the account of Paramarth Agro Marketing Pvt. Ltd. during September 23, 2013 and October 23, 2013 and further off market transactions were carried out from the account of Paramarth to the client beneficiary account of GSL on April 11, 2014 and from there to the account of Superfast on April 26, 2014 and the said securities are available in the account of Superfast as on October 31, 2018 as per the data obtained from the Depositories. Hence, it is clear that Superfast is also connected to GSL.

From the reply of MCA it is observed that Superfast Tours And Travels Pvt Ltd has been struck off from its records from July 29, 2018. However, it has also been observed that trading has been done from the client code of Superfast Tours And Travels Pvt Ltd subsequent to the date of striking off confirming the fraudulent nature of transactions.

From the above, it emerges that NSE during its inspection compared the balances in the demat accounts of GSL (as obtained from GSL and its Clearing Member) with the monthly data uploaded with the Stock Exchange system w.r.t clients funds and securities balances held by GSL as on August 31, 2018 which showed shortfall of client securities. Further, upon verification of the holding statements provided by the Depositories, the amount of shortfall observed in the value of shares held by GSL with Depositories/clearing member was amounting to Rs. 212.17 crores across 1139 scrips as on August 31, 2018. The valuation of the securities has been worked out on the basis of market price of securities as on August 31, 2018.

In order to ascertain the manner of misappropriation of client securities, 6 clients of GSL who had done large volume of sale of securities during January 2008 to August 2018 were identified. Examination of their trading revealed that they had sold securities without corresponding purchases and GSL had delivered securities of other clients for sale made

by these 6 clients. The total value of securities misappropriated through these 6 clients was Rs.233.75 crores across 959 scrips during the said period.

SEBI noted that from the interconnectedness of the promoters/directors/shareholders of GSL with the cited 6 “clients” it is reasonable to conclude that the clients were just front entities used to siphon off securities whose value is Rs. 233.75 crores across 959 scrips as on August 31, 2018.

In view of the foregoing, it is alleged that GSL has not complied with SEBI circular no. SMD/SED/CIR/93/23321 dated November 18, 1993, SEBI circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016 and Clauses A (1) & (3) of the code of conduct prescribed for Stock Brokers under Regulation 9 of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.

(ii) Lack of Solvency of GSL:

On analysis of the financial details including client trial balance, register of securities, client ledger collected by NSE from the broker for the dates October 23, 2018 and August 31, 2018, it was observed that the total amount payable to the clients were amounting to Rs. 31.85 crores and Rs. 30.11 crores respectively. Total funds for the corresponding dates available with bank/ clearing member/clearing corporation were amounting to Rs. 22.89 crores and Rs. 28.14 crores on respectively, thereby indicating shortfall of funds to the extent of Rs. 8.96 crores and Rs. 1.97 crores respectively. The aforesaid calculation has been done on the basis of Enhanced supervision provisions wherein only the funded portion of underlying deposit(s) have been considered. It indicates that the Member does not have sufficient funds to meet the client obligations for the above mentioned two dates as verified and as detailed in the table below:

SL No.	Particulars	On 31-Aug-2018 (In Rs.)	On 23-Oct-2018 (In Rs.)
A	Balances lying in Client & Settlement bank a/c (as per bank statement)	16,19,975.79	32,15,441.44

B	Balances lying with Clearing Corporations & Exchanges	4,70,75,108.37	3,82,00,108.37
C	Balances lying with Clearing members	23,27,05,687.24	16,06,11,274.51
D	Total Funds available Client/Settlement banks and CC/CM (A+B+C)	28,14,00,771.40	22,89,13,465.79
E	Total Credit Balance of all clients	30,11,43,465.99	31,85,59,602.61
F	Funds unavailable to cover client payables (E-D)	1,97,42,694.59	8,96,46,136.82

Pursuant to IGRP meeting dated November 5, 2018 with respect to 3 complainants such as Lasvin Finvest Private Ltd., Lars Securities Pvt. Ltd. and Mr. Ram Krishna Saraf, the IGRP admitted the claim of the said complainants with an amount of Rs. 20.82 crores. However, GSL did not bring the funds of Rs. 20.82 crores which they owed to the 3 complainants. Consequently, NSE vide email dated November 06, 2018 informed the disablement of the trading terminals from November 7, 2018. Since GSL is unable to honor the cited award, SEBI in its examination observed that it raises a serious question with respect to solvency of the member as a stock broker.

In view of the above, it is alleged that GSL is not complying with the requirement of continuous net worth, as specified in Reg 9 (g) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992 which is one of the conditions for grant of registration r/w SEBI circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016.

iii. Falsification of Books:

a. Wrong Client Trial Balance

GSL vide email dated November 19, 2018 furnished to SEBI its client trial balance. On perusal of the client trial balance submitted by GSL as on October 31, 2018, SEBI observed that Lasvin Finvest Private Ltd. is shown as third largest debtor with Rs. 6.24 crores funds outstanding. Further, on perusal of the client trial balance submitted by

GSL to NSE as on August 31, 2018, it is seen that Lasvin Finvest Private Ltd. is shown as 24th largest debtor with Rs. 24.29 lakhs of funds outstanding. There were no transactions by Lasvin in the securities market through GSL during the period between August 31, 2018 and October 31, 2018. Thus, the change in the debtor figure from Rs. 24.29 lakhs to Rs. 6.24 crores of Lasvin casts doubt on the genuineness of figure reflected in the client trial balance of GSL. Further, on November 05, 2018, IGRP admitted claim of Lasvin of Rs. 11.94 crores against GSL. Thus, the trial balance of GSL for October 31, 2018 also appears to be falsified.

b. Wrong reporting to Stock Exchanges w.r.t Enhanced Supervision¹:

From the Enhanced Supervision data as submitted by GSL to NSE as on October 31, 2018, it is observed that Lasvin Finvest Private Ltd. and Lars Securities Pvt. Ltd. owe funds to GSL of around Rs. 6.49 crores and they have securities balance of around of 9, 35, 083 shares. While verifying the data submitted by GSL w.r.t monthly uploading of funds and securities data as on August 31, 2018 as required under Enhanced Supervision circular, it is observed that neither of the above clients are appearing in the said submission to the Exchanges.

On perusal of IGRP minutes dated November 05, 2018, it is observed that the above two clients had not traded since the year 2015. Hence, the data furnished by GSL to NSE is factually incorrect. As per the client trial balance and Enhanced data submitted to NSE w.r.t the cited 2 complainants, it is shown that there is no outstanding securities which are returnable to the 2 complainants. However, on perusal of the IGRP minutes dated November 5, 2018, it is observed that there are 2,04,453 shares across 11 scrips amounting to Rs.20.48 crores which has to be delivered by GSL to these complainants.

¹ SEBI constituted a committee on “Enhanced Supervision of Stock Brokers”, which included representatives from Stock Exchanges, Depositories and Brokers. With a view to implement the recommendations, the guidelines as Annexed to the circular were issued. The Circular, SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 also included uploading client's funds and securities balances by Stock Brokers to Stock Exchange System and onwards transmission of the same to the clients for better transparency.

Further, it was also observed that GSL has not uploaded data pertaining to all the clients as stipulated by enhanced supervision requirement. On verification, it was observed that data pertaining to 16 clients were not uploaded by the Member while uploading client-wise month end balances for funds and securities for the date August 31, 2018 as required under Enhanced supervision circular. List of these clients are as under:

Sl. No.	Client Code	Client Name	Credit Balance Payable (rounded off in Rs.)	Value of Securities Returnable (Rs.)
1	A4436	Aditya Saraf Huf	212,301	Not Provided
2	J508	Joydeep Roybarman	1,327	5,930
3	L258	Lalita Saraf	937,119	Not Provided
4	L284	Lars Securities Pvt. Ltd.	2,569,330	Not Provided
5	L285	Lasvin Finvest P Ltd.	2,429,506	Not Provided
6	M2732	Mahendra Kumar Agarwal	-	Not Provided
7	N1060	Nathmal Sultania	-	1,439
8	N133	Naw Ratan Derasari	60,240	Not Provided
9	N426	Nayan Mani Derasari	-	44,195
10	P2840	Payal Saraf	-	Not Provided
11	R3710	Rajesh Shukla	27,722	11,454
12	R1948	Ram Krishna Saraf	-	Not Provided
13	R3325	Ram Krishna Saraf	-	Not Provided
14	S5212	Shree Tulsi Properties Pvt. Ltd.	6,715,755	8,073
15	S1299	Sunita Chowkhani	-	12,400
16	U555	Urmila Shastri	10,815	Not Provided
Total			12,964,116	83,491

In view of the above, GSL has been alleged to have violated SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016 and Regulation 3(d) and 4 (1), 4(2)(p) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to

Securities Market) Regulations, 2003 (hereinafter referred to as SEBI (PFUTP) Regulations) and clauses A(1) & A(3) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.

iv. Non-settlement of funds & Securities:

It is observed from the trade records of clients, client ledgers, register of securities and trial balance submitted by broker and verified by NSE during their inspection, the broker has not done actual settlement of funds and securities amounting to Rs. 19.61 crores pertaining to 37 instances out of 200 instances verified for 23 clients out of 100 for the FY 2017-18. Further, as on 28/02/2018 funds and securities pertaining to 9646 inactive clients amounting to Rs.6.82 crores were not settled by the broker thereby breaching the requirement of running account settlement of funds and securities as mandated by SEBI. The details of the instances w.r.t the active clients are as under:

Sl. No.	Settlement Type (Month/Quarter)	UCC	Client Name	Amount not settled (in Rs)
1	Q1 (2017-18)	A001	Anil Kumar Bothra	28,663,819
2	Q2 (2017-18)	A001	Anil Kumar Bothra	24,352,049
3	Q3 (2017-18)	A003	Anil Kr. Jalan	11,077,849
4	Q3 (2017-18)	A2968	Abhay Lakhotia	2,331,038
5	Q4 (2017-18)	A2968	Abhay Lakhotia	2,282,025
6	Q4 (2017-18)	A6206	Agarwal Trendz Private Limited	2,877,626
7	Q3 (2017-18)	G1447	Incredible Finesse Private Limited	11,284,277
8	Q4 (2017-18)	G1447	Incredible Finesse Private Limited	1,566,755
9	Q1 (2017-18)	G549	Gourav Maloo	3,486,743
10	Q2 (2017-18)	G549	Gourav Maloo	3,554,907

11	Q1 (2017-18)	G787	Gauri Ganesh Infrast. Pvt. Ltd.	5,140,238
12	Q2 (2017-18)	G787	Gauri Ganesh Infrast. Pvt. Ltd.	4,365,220
13	Q1 (2017-18)	J769	Jindal Commercial Private Limited	13,555,201
14	Q2 (2017-18)	J769	Jindal Commercial Private Limited	10,813,768
15	Q1 (2017-18)	K1694	Koyeli Mukherjee	1,320,021
16	Q2 (2017-18)	K1694	Koyeli Mukherjee	1,336,233
17	Q1 (2017-18)	K2153	Kailash Bihari Bhardawaj	2,483,860
18	Q2 (2017-18)	K2153	Kailash Bihari Bhardawaj	2,638,548
19	Q3 (2017-18)	L055	Lupin Vinimay Private Ltd..	3,581,061
20	Q1 (2017-18)	M1303	Manish Kumar Jain	1,245,192
21	Q2 (2017-18)	M1303	Manish Kumar Jain	849,137
22	Q3 (2017-18)	O151	Omkara Vincom Private Limited	2,532,033
23	Q3 (2017-18)	R4080	Ramvilas Goswami Huf	1,028,227
24	Q4 (2017-18)	R4080	Ramvilas Goswami Huf	887,798
25	Q2 (2017-18)	R538	Retsina Marketing Pvt.. Ltd.	15,346,253
26	Q3 (2017-18)	S099	Santosh Nahata	5,115,034
27	Q4 (2017-18)	S11285	Sunirmay Vinimay Private Limited	2,854,737
28	Q3 (2017-18)	S4899	Saugata Biswas	1,103,304
29	Q4 (2017-18)	S4899	Saugata Biswas	723,746
30	Q3 (2017-18)	S6848	Sangita Surana	855,808
31	Q4 (2017-18)	S6848	Sangita Surana	855,808
32	Q1 (2017-18)	WW2495	Vijay Parshuram Churi	3,114,307
33	Q1 (2017-18)	WW2959	Santanu Chatterjee	734,160

34	Q3 (2017-18)	WW3178	Abhijit Atmaram Raut	4,033,406
35	Q4 (2017-18)	WW3178	Abhijit Atmaram Raut	3,756,128
36	Q3 (2017-18)	WW3704	Kiran Devi Mohta	6,882,987
37	Q4 (2017-18)	WW3704	Kiran Devi Mohta	7,498,075
Total				196,127,381

In view of the above, it is alleged that GSL has failed to settle the funds/securities of clients, thereby violating Clause 12 of SEBI circular no. MIRSD/SE/Cir-19/2009 dated 03/12/2009, Clause 31 of Rights and Obligations document for Stock Brokers, Sub-Brokers and Clients, as prescribed by SEBI vide its circular dated 22/08/2011 and SEBI circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016 and clauses A (2) & A (5) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.

v. Funding to clients having debit balances by providing further exposure

NSE during their inspection had also observed that trading member has given exposure to 17 clients out of 60 client's verified amounting to Rs. 42.03 crores inspite of debit balances beyond fifth day from the date of settlement for the respective clients. The details of the 17 clients to whom the member funded are as under:

Sl. No.	Client Code	Client Name	Amt Funded (in Rs)
1	M3921	Macro Commodeal Private Limited	199,731,107
2	A001	Anil Kumar Bothra	55,592,008
3	P3731	PRAG India	44,765,714
4	WW2722	Devkant Synthetics I Pvt. Ltd.	21,865,293
5	M3381	Marshall Mercantiles P Ltd.	19,626,565
6	P3900	Palak Bipin Shah	19,074,061

7	P1697	Page 3 Entertainment (I) Pvt..Ltd.	15,762,543
8	S008	Sarita Bothra	10,812,367
9	A5169	Arihant International Limited	8,155,683
10	S10551	Sushil Kumar Damani	4,950,684
11	WW167	Vinod Kumar Sharma	4,396,558
12	R3997	Rifty Real Estate Private Limited	3,901,019
13	S11907	Sailesh Mishra Huf	3,512,724
14	J163	Jaiprakash Sethia	3,347,874
15	S10063	Syed Mohd Wasif	2,540,526
16	S5954	Surana Bros Pvt. Ltd.	1,571,509
17	D2426	Display Commercial Private Limited	702,486
		Total	420,308,728

The aforesaid it is alleged that the same is in violation of Clause 2.6 of SEBI circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016 and clause A (5) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.

vi. **Non-redressal of investor complaints**

NSE has informed that there are 10 pending investor grievances which are, prima facie, yet to be resolved by GSL as on 30/10/2018. Majority of complaints pertain to non-receipt of funds and securities and were received by NSE between 25/09/2018 to 19/10/2018. Therefore, it appears that GSL is not in a position to pay funds and /or securities of the clients who are demanding the same. The list of pending complaints as on 30/10/2018 are as follows:

Sl. No.	Investor Name	Claim Amount (in Rs.)
1	Lasvin Finvest Pvt. Ltd.	117,290,175
2	Lars Securities Pvt. Ltd.	83,426,631
3	Payal Saraf	5,796,000

4	Lalita Saraf	5,564,204
5	Sumit Mishra	4,921,129
6	Ramakrishna Saraf Huf	3,291,217
7	Ram Krishna Saraf	2,767,235
8	Aditya Saraf Huf	1,253,071
9	Vandana Doshi	1,250,000
10	Radha Krishna Binani	107,100
	Total	22,56,66,762

As noted earlier in this order, complaint by 3 clients namely Lasvin Finvest Private Ltd., Lars Securities Pvt. Ltd. and Mr. Ram Krishna Saraf has been dealt by IGRP vide its meeting dated November 05, 2018 and as per the minutes the claim amount of Rs. 20.82 crores has been admitted. It is observed from the IGRP minutes that the complainants had opened trading account with GSL in the year 2009. The shares held in the name of the complainants in their demat account at DP, East India Securities Ltd. were transferred to the Trading Member as margin for carrying out trades and the trading in the accounts was operative during 2009 to 2014. It is also stated in the IGRP award that the complainants were not receiving statements from the trading member regularly since 2015. The complainants also stated that balance in the ledger account was not included in the claim as the exact balance lying in the account has not been submitted by the Trading Member in spite of repeated requests by the complainants. From the IGRP minutes dated November 05, 2018, the following are observed:

1. Quarterly settlement w.r.t the accounts of the complainants had not been done for long.
2. Statements were not sent to the complainants.
3. Repeatedly requesting the IGRP for adjournment in the matter by GSL.
4. Avoiding meeting with complainants and settlement of complainants dues by GSL.

Also the claims of these investors which were admitted by IGRP did not reflect in the ledger & trial balance of the stock broker. It is further observed that as on December 18, 2018 as per SCORES, 6 complaints are pending for more than 30 days out of 198 complaints against GSL.

Therefore, it is alleged that the same is in violation of Regulation 9 (e) of SEBI (Brokers & Sub Brokers) Regulations, 1992.

vii. Non-furnishing of information to SEBI

It is noted that inspection of GSL was scheduled to be carried out from November 12-16, 2018. However, GSL has not submitted the complete data sought by SEBI vide letter dated July 24, 2018 so far despite several reminders and telephonic calls, thereby, GSL is alleged to have violated Regulation 21(1) of SEBI (Brokers & Sub Brokers) Regulations, 1992.

10. In view of the above observations contained in the inspection report, it *prima facie* appears that GSL has committed the following violations:

- a. By misappropriating client securities, GSL violated SEBI circular no. SMD/SED/CIR/93/23321 dated 18/11/1993, SEBI circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016 and Clauses A (1) & (3) of the code of conduct prescribed for Stock Brokers as specified in Schedule II of Regulation 9 of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.
- b. By not maintaining the requirement of continuous net worth, GSL is not in compliance of Regulation 9 (g) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992 on conditions for grant of registration r/w SEBI circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016.
- c. By falsifying books and wrong reporting to stock exchanges, GSL has prima-facie violated SEBI Circular SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016, Regulation 3(d) and 4 (1), 4(2)(p) of SEBI(PFUTP) Regulations, 2003 and clauses A(1) & A(3) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.

- d. Since, GSL failed to settle the funds/securities of clients, it is in prima facie violation of Clause 12 of SEBI circular no. MIRSD/SE/Cir-19/2009 dated 03/12/2009 , Clause 31 of Rights and Obligations document for Stock Brokers, Sub-Brokers and Clients, as prescribed by SEBI vide its circular dated 22/08/2011, SEBI circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016 and clauses A (2) & A (5) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.
 - e. By giving exposure to clients having debit balance beyond 5th day from the date of settlement, GSL is in violation of Clause 2.6 of SEBI circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated 26/09/2016 and clause A (5) of the code of conduct as specified in Schedule II of Regulation 9 (f) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992.
 - f. By not resolving investor complaints within the stipulated timeline, GSL is in prima facie violation of Regulation 9 (e) of SEBI (Brokers & Sub Brokers) Regulations, 1992.
 - g. By not furnishing information/data to SEBI, GSL is in violation of Regulation 21(1) of SEBI (Brokers & Sub Brokers) Regulations, 1992.
 - h. For violations mentioned at point nos. 10 (a) to 10 (g) above, GSL has also violated Regulation 9(c), 12 (a) and Regulation 16 of SEBI (Intermediaries) Regulations, 2008 r/w Schedule III.
 - i. Since the GSL along with its associates had misappropriated client securities, GSL & its associates have contravened Regulations 3(d), 4(1), 4(2)(p) of SEBI (PFUTP) Regulations, 2003.
11. Any Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. The Board of Directors of a company shall be entitled to exercise all such powers and do all such acts and things as the company is authorized to exercise and do. Therefore, the

Board of Directors being responsible for the conduct of the business of a company are liable for any non-compliance of law and such liability shall be upon the individual directors also. Hon'ble Supreme court while describing what is the duty of a Director of a company held in *Official Liquidator v. P.A. Tendolkar* (1973) 1 SCC 602 that “A Director may be shown to be so placed and to have been so closely and so long associated personally with the management of the Company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of the business of a Company even though no specific act of dishonesty is proved against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the Company even superficially”. Further, in cases of fraud, it is a settled position of law that the corporate veil can be lifted and the directors can be held liable for the fraud of the Company. The past directors of GSL also have a liability as they were directors when the violations had occurred and had failed to do their duty.

12. A person acting as a securities market intermediary is expected to protect the interest of investors in the securities market in which he operates. Such a person is required to maintain high standards of integrity, promptitude and fairness in the conduct of his business dealings, and not be motivated purely by prospects of financial gain by misappropriating client funds and securities.
13. As a regulator of the capital markets, SEBI has the duty to safeguard the interest of investors and protect the integrity of the securities market. Since the conduct of GSL, its directors and its associates is not in the interest of investors in the securities market, necessary action has to be taken against them immediately, else it may lead to loss of investors' trust in the securities market.
14. Under the above circumstances, I, in exercise of powers conferred upon me by virtue of section 19 read with sections 11(1), 11(4), 11B and 11D of the SEBI Act, 1992, Regulation 35 of Securities And Exchange Board Of India (Intermediaries) Regulations, 2008, by way of this ex parte -ad-interim order, hereby issue the following directions:

- a. Guinness Securities Limited, Mr. Kamal Kumar Kothari, Mr. Dharmendra Kothari, Mr. Soumen Chatterjee, Mr. Tarun Kanti Sengupta, Mr. Kunal Vasu Mallik, Mr. Dipak Rudra, Mr. Deepak Parakh, Mr. Shree Kumar Jhanwar, Mr. Babulal Nolkha, Mr. Asish Kumar Ray, Ms. Sunita Kothari, Mr. Pradeep Kumar Sarkar, Mr. Kalyan Mukherjee and Mr. Prasant Ray are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, till further directions;
- b. S K B Securities Ltd., Mr. Provat Mitra, Mr. Somnath Bhattacharjee, Ms. Lipika Bhattacharjee, Mr Hemant Kothari, Mr. Krishna Maheswari, Mr. Aman Mohan Kothari, Param Commodities Pvt. Ltd., Mr. Pawan Kumar Modi, Mr. Murlidhar Sharma, Paramarth Agro Marketing Pvt. Ltd., Apurva Commodities Pvt. Ltd., Mr. Ram Avtar Sharma, Awadhoot Marketing Pvt. Ltd., Mr. Sudarshana Mitra, Mr. Shyamal Mitra, Mr. Abhijit Pal, Mr Gaurav Choudhary, Superfast Tours and Travels Pvt. Ltd., Mr. Mahabir Chand Jain and Mr. Jayant Kumar Jain are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, till further directions;
- c. The aforesaid Noticees and persons shall cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions;
- d. The aforesaid Noticees and persons are directed not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge in any of such assets excluding money lying in bank accounts except with the prior permission of SEBI.
- e. The aforesaid Noticees and persons are directed to provide a full inventory of all their assets, whether movable or immovable, or any interest or investment or charge in any of such assets, including details of all their bank accounts, demat accounts and mutual

fund investments immediately but not later than 5 working days from the date of receipt of these directions.

- f. Till further directions in this regard, the assets of the Noticees mentioned at para 14 (a) of this order shall be utilized only for the purpose of payment of money and/or delivery of securities, as the case may be, to the clients/investors under the supervision of the concerned stock exchange(s).
- g. The depositories are directed to ensure that no debits are made in the demat accounts, held jointly or severally, of the aforesaid Noticees and persons except for the purpose mentioned in sub-para (e) after confirmation from the concerned stock exchange (s) and/or Depositories as the case may be.
- h. The banks are directed to ensure that no debits are made in the bank accounts held jointly or severally by the following Noticees except for the purpose of payment of money to the clients/investors under the written confirmation of the concerned stock exchange(s).

Noticee no.	Name of the Noticee	PAN
1	Guinness Securities Ltd.	AAACG9843L
16	S K B Securities Ltd.	AAACG9843L
23	Param Commodities Pvt. Ltd.	AAFCP0003L
26	Paramarth Agro Marketing Pvt. Ltd.	AAFCP0005N
27	Apurva Commodities Pvt. Ltd.	AAGCA3264P
29	Awadhoot Marketing Pvt. Ltd.	AAECA9172C
34	Superfast Tours And Travels Pvt. Ltd.	AAECS4607A

- i. The above directions are without prejudice to the right of SEBI to take any other action that may be initiated in respect of aforesaid entities/persons.

- j. Since GSL is a DP with NSDL and CDSL having Registration nos. IN-DP-NSDL-239-2004 and IN-DP-CDSL-433-2007 respectively, NSDL and CDSL also directed to closely monitor the activities of GSL as a DP.
15. The findings recorded in the order are based on the prima facie examination of facts and prima facie violation of law.
16. The Noticees against whom this Order is being passed may file their objections, if any, within twenty one (21) days from the date of receipt of this Order. The Noticees are directed to submit their replies along with the supporting documents including details of payments made to clients. In the event the Noticees intend to avail an opportunity of personal hearing, they may appear before the Securities and Exchange Board of India at its Head Office at SEBI Bhavan, Plot No.C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai-400051 on **February 05, 2019 at 02:30 PM**. In the event of the Noticees failing to file replies within 21 days of receipt of this order or failing to appear before SEBI on the aforesaid date and time, the preliminary findings at paras 9 to 11 of this Order and directions at para 14 (a) to (j) above shall be deemed to be confirmed against the Noticees automatically, without any further orders.
17. This order shall come into force with immediate effect. A copy of this order shall be forwarded to all the Stock Exchanges, the relevant banks, Depositories and Registrar and Transfer Agents of Mutual Funds to ensure that the directions given above are strictly complied with.

Sd/-

Place: Mumbai

Date: December 19, 2018

ANANTA BARUA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA