**BEFORE THE ADJUDICATING OFFICER**
**SECURITIES AND EXCHANGE BOARD OF INDIA**
**[ADJUDICATION ORDER NO: Order/AA/AR/2019-20/5855-5861]**

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**UNDER SECTION 15 - I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995 AND UNDER SECTION 23-I OF SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 2005.**

*In respect of:*

**M/s Sanraa Media Ltd.**
**PAN: AAACS9093A**

**Mr. Annaswamy Venkatramani**
**PAN: AABPV3960F**

**Mrs. Uma Karthikeyan**
**PAN: AKPPK3166J**

**Mr. Sukumar Subramanian**
**PAN: AOUPS4543L**

**Mr Rajeev Agarwal**
**PAN: AAJPA6719K**

**Mr. Krishnan Rajagopal**
**PAN: AEHPR7931J**

**Mr. Rajendran Sivashankaran**
**PAN: AVAPS0218D**

*In the matter of*

**Sanraa Media Ltd**

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## FACTS OF THE CASE

1. The Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) conducted an investigation of several Indian companies that had issued Global Depositories Receipts (hereinafter referred to as '**GDRs**') in overseas market with the intention of defrauding Indian investors. Sanraa Media Ltd (hereinafter referred to as **'the Noticee 1' / 'Sanraa'**) is one of such companies that was investigated by SEBI, in connection with its GDR issue, which had fraudulently pledged its GDR proceeds with a bank based in Lisbon, Portugal viz. Banco Efisa S.F.E., S.A. (hereinafter referred to as '**Banco'**), as collateral against loan availed by the subscriber of the GDRs.

2. Sanraa had issued 10 million GDRs (amounting to US$ 27.50 million) on May 02, 2008. Clifford Capital Partners AGSA (earlier known as Seazun Limited and hereinafter referred to as '**Clifford**') was the only entity to have subscribed entirely to these 10 million GDRs of Sanraa by depositing US$ 27.50 million as subscription amount. The investigation in this matter revealed that the subscription amount of US$ 27.50 million was paid by Clifford by obtaining loan (i.e. through credit agreement) from Banco. It was observed that Sanraa signed an Account charge agreement with Banco wherein it pledged its entire GDR proceeds with Banco for the loan taken by Clifford towards subscription of GDRs issued by it. Thereafter, on account of the loan default by Clifford, Sanraa requested Banco to transfer an amount of US $27.244 million (including interest) to Clifford towards closure of the loan taken by Clifford for subscription of GDRs issued by Sanraa.

3. The investigation further revealed that the Account charge agreement was signed by Mr. Annaswamy Venkatramani (hereinafter referred to as '**Noticee 2'**). Further, it is alleged that the Board of directors of Sanraa at the relevant time viz, the Noticee 2, Mrs. Uma Karthikeyan (hereinafter referred to as '**Noticee 3'**), Mr. Sukumar Subramanian(hereinafter referred to as '**Noticee 4'**),

Mr. Rajeev Agarwal (hereinafter referred to as ‘**Noticee 5’**), Mr. Krishnan Rajagopal (hereinafter referred to as ‘**Noticee 6’**) and Mr. Rajendran Sivashankaran (hereinafter referred to as ‘**Noticee 7’**)., approved the board resolution on January 31, 2008, which authorized and enabled the Noticee no. 2 to sign fraudulent agreements such as the Account charge agreement with Banco.

4. In view of the findings of the Investigation conducted by SEBI w.r.t the GDR issue of Sanraa, it is alleged that Sanraa has violated the provision of Sections 12A (a),(b) and (c) of SEBI Act, 1992 (hereinafter referred to as ‘**SEBI Act**’) read with Regulations 3(a), (b), (c), (d) and 4(1), 4(2) (f), (k) and (r) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as ‘**PFUTP Regulations**’) and Section 21 of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as ‘**SCRA**’) read with Clauses 36(7) & 50 of the Equity Listing Agreement and the Noticees 2 to 7 have violated the provisions of the Sections 12A (a), (b) and (c) of SEBI Act read with Regulations 3(a), (b), (c), (d) and 4(1) of the PFUTP Regulations. In view of the above observations and alleged violations, adjudication proceedings were initiated against the Noticees 1 to 7 (hereinafter collectively referred to as ‘**the Noticees**’) under the provisions of section 15HA of the SEBI Act and additionally under Section 23E of the SCRA against Sanraa.

## APPOINTMENT OF ADJUDICATING OFFICER

5. Shri Suresh B. Menon was appointed as the Adjudicating Officer, vide communique dated November 23, 2017, under Section 15-I of the SEBI Act read with Rule 3 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules’**) and also under Section 23 I of the SCRA read with Rule 3 of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as

‘**SCRA Adjudication Rules’**) to inquire into and adjudge under the provisions of Section 15 HA of the SEBI Act and Section 23E of the SCRA, the alleged violation of the relevant provisions of the PFUTP Regulations, SCRA and Equity Listing Agreement by the Noticees, wherever applicable. Pursuant to the transfer of Shri Suresh B. Menon to another department, I was appointed as an AO in the present matter vide communique of appointment of AO dated March 25, 2019.

**<u>SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING</u>**

6. A common Show Cause Notice ref. A&E/EAD3/SBM-ASR/4442/1-7/2018 dated February 12, 2018 (hereinafter referred to as ‘**SCN’**) was issued to the Noticees in terms of Rule 4 of the Adjudication Rules and SCRA Adjudication Rules to show cause as to why inquiries should not be initiated and penalties, if any, be not imposed on them under Section 15HA of the SEBI Act and Section 23E of the SCRA, for the alleged contravention of the provisions of the PFUTP Regulations, SCRA and the Equity Listing Agreement by the Noticees, wherever applicable. Briefly, the allegations made in the SCN against the Noticees are given below:

    a. *Sanraa issued 10.00 million GDRs and raised US$ 27.50 million, on May 02, 2008. It is alleged that the GDRs of Noticee no. 1 were subscribed entirely by Clifford after obtaining a loan of US$ 27.50 million from Banco, for this purpose. Simultaneously, Noticee no.1 pledged its entire GDR issue proceeds with Banco for the loan taken by Clifford towards subscription of GDRs to be issued by Sanraa. Credit agreement for the purpose of extending loan to Clifford from Banco and Account charge agreement for Noticee no. 1 providing entire GDR proceeds as collateral to Banco against the loan taken by Clifford were signed by Banco, Clifford and Noticee no.1.*

b. *It is further alleged that the Noticee no.1 made following misleading disclosure to Bombay Stock Exchange (hereinafter referred to as ‘BSE’) on May 03, 2008*

*"Company's Board Committee (GDR Committee) formed by the Board of Directors on January 31, 2008 for the issue of Global Depository Receipts for 27.5 Million US$ held on May 02, 2008, considered, approved allotment of 10,000,000 Global Depositary Receipts of US $ 2.75 each amounting to US$ 27.5 million representing 20,000,000 Equity shares of Rs. 10 each at the price of Rs. 55/- per share (including Rs. 45/- as premium per share) to The Bank of New York (the Depository) on behalf of the GDR Holders."*

c. *It is alleged that the above disclosure by Noticee no. 1 might have made investors of the company to believe that the said GDRs issue was genuinely subscribed by the investors without any agreement like Account charge agreement signed by the company. Therefore, it is alleged that the arrangement of credit agreement and account charge agreement which resulted in subscription of GDRs issue of the company, was not disclosed to the stock exchange and Noticee no. 1 reported misleading news to the stock exchange which contained information in a distorted manner and , prima-facie, might have influenced the decision of investors.*

d. *It is also alleged that Noticee no.1 provided misleading information to SEBI in respect of the list of subscribers to the GDRs.*
   *Further, it is also alleged that Clifford failed to repay the loan taken by it from Banco for subscription of GDRs. Allegedly, it was Noticee no. 1 which ultimately repaid the loan taken by Clifford as it is observed that Noticee no. 1 requested Banco to transfer an amount of US $27.244 million (its entire GDR subscription amount and interest accrued) towards closure of the loan taken by Clifford for subscription of GDRs issued by Noticee no. 1.*

e. *Therefore, it is alleged that the scheme of issuance of GDRs (total 10 million GDRs) and the issue of underlying shares (2 shares underlying against each*

*GDR) was fraudulent. Hence, it is alleged that Noticee no. 1 has, prima-facie, violated the provisions of sections 12A (a),(b) and (c) of SEBI Act read with regulations 3(a), (b), (c), (d) and 4(1), 4(2) (f), (k) and (r) of PFUTP Regulations.*

f. *It is alleged that the Account charge agreement was signed by Mr. Annaswamy Venkatramani/Noticee no. 2. Further, it is alleged that Board of directors of the Noticee no. 1 at the relevant time viz, Noticee no. 2, Mrs. Uma Karthikeyan/Noticee no. 3, Mr. Sukumar Subramanian/ Noticee no. 4, AV, Mr. Rajeev Agarwal/ Noticee no. 5, Mr. Krishnan Rajagopal/ Noticee no. 6 and Mr. Rajendran Sivashankaran/ Noticee no. 7, approved the board resolution on January 31, 2008, which authorised and enabled Noticee no. 2 to sign, prima-facie, fraudulent agreements like Account charge agreement with Banco. Thus, it is alleged that Noticee no. 2 to Noticee no. 7, prima-facie, acted as parties to the fraudulent scheme pertaining to the GDR issue of Noticee no. 1.*

g. *Therefore, it is alleged that Noticee no. 2 to 7 have, prima-facie, violated the provisions of sections 12A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d) and 4(1) of SEBI (PFUTP) Regulations, 2003. It is further alleged that the Noticee no. 1 failed to make following material disclosures to BSE which appear to be price sensitive information and could have had serious impact on the share price of Sanraa.*

h. *Therefore, it is alleged that due to the failure of Noticee no. 1 in making abovementioned price sensitive information to the stock exchanges, Noticee no. 1 has, prima-facie, violated provisions of clause 36 (7) of Equity Listing Agreement read with Section 21 of SCRA.*

i. *It is observed in the Investigation Report that Sanraa's balance sheet size for FY 2008-09 is Rs. 137 crores and overseas investment is Rs. 65.92 crore (i.e. almost 50% of balance sheet size). Hence, overseas investment is a material information, which may influence the decisions of the investor. As per the concept of materiality & format of Schedule VI, Sanraa has to* *disclose full details about long term investment viz., name of the body corporate, nature and extent of the investment made i.e., whether it is subsidiary or Joint Venture, value of the investment, place of the investment, nature of the company, details of turnover and details of shareholding of the company, etc. However, it is alleged that Sanraa failed to report, a) all material information about overseas investment as per AS 1 and b) receivables from Clifford. Therefore, financial statements from FY 2008-09, has not represented a true and fair view of the state of affairs of Sanraa.*

j. *It is further alleged that on perusal of Sanraa's annual report 2008-09, it is observed that Sanraa has not accounted, transfer made on February 05, 2009, of US$ 27.244 million towards closure of the loan taken by Clifford. However, Sanraa reported Rs. 65.92 crore, as investment in overseas companies under Asset side of the Balance sheet, under the head Long term investment. Sanraa reported as long term investments, instead of receivables from Clifford. Thereby, it is alleged that accounting treatment given by Sanraa is fraudulent.*

k. *Therefore, it is alleged that Noticee no. 1, by not following the standards of AS1, has prima-facie, violated the provisions of clause 50 of the Equity Listing Agreement read with Section 21 of SCRA.*

7. The SCNs for all the Noticees were sent to the address of Sanraa, as Noticees 2 to 7 are the directors of Sanraa. However, the SCNs returned undelivered from the aforesaid address. Subsequently, pursuant to my appointment as an AO, letters dated July 11, 2019 were sent to respective addresses of the Noticees, the SCNs were once again issued to them and they were also informed about my appointment as AO in the matter. The aforesaid letters and SCNs were delivered to all the Noticees except for Noticee 1 / Sanraa and Noticee 3 / Karthikeyan. Thereafter, hearing notices along with the SCNs were issued to Noticee 1 / Sanraa and Noticee 3 / Mrs. Uma Karthikeyan, scheduling a personal hearing in the matter on July 11, 2019. As the aforesaid hearing

notices once again returned undelivered, another hearing was scheduled for Sanraa and Noticee 3 on August 08, 2019. The aforesaid hearing notices were affixed at the last known addresses of Sanraa (Noticee 1) and the Noticee 3 in terms of Rule 7(c) of the Adjudication Rules. However, it is noted that Sanraa and Noticee 3 did not submit any response to the SCN and also failed to appear for personal hearing on the scheduled date. In the interest of natural justice, Sanraa (Noticee 1) and Noticee 3 were given another opportunity for submission of reply to the SCN and appear for personal hearing on October 03, 2019. However, it is observed that despite the delivery of the aforesaid notices at the addresses of Sanraa and the Noticee 3 by way of affixture and also by way of digitally signed emails at the email id of Sanraa (mentioned on the website of Ministry of Corporate Affairs) and Noticee 3, in terms of Rule 7(b) of the Adjudication Rules, both of them have failed to submit any reply and also failed to appear for hearing in the matter.

8. The hearing notice and the letter issued to Mr. Annasamy Venkatramani / Noticee 2 was delivered at his address. Noticee 2 vide his undated letter received by us on August 06, 2019, submitted that he is appointing an authorized representative (AR) in the matter, as he is under medical care. Vide hearing notice dated August 08, 2019, the Noticee 2 was once again given an opportunity of personal hearing on September 18, 2019. Noticee 2 was also advised to make submissions in response to the SCN before appearing for hearing in the matter. However, no reply was received from the Noticee 2. The authorized representative (AR) of Noticee 2 appeared for personal hearing on September 18, 2019. During the course of aforesaid hearing, the AR, on behalf of the Noticee 2, admitted all the charges made against Noticee 2 in the SCN and requested for a lenient view to be taken in the matter, in view of the poor health of Noticee 2. It is noted that the Noticee 2 has not made any other submission in this matter.

9. Mr. Sukumar Subramanian / Noticee 4, vide his email dated July 31, 2019 and letter dated August 01, 2019, submitted his reply to the SCN. The submissions made by Noticee 4 are given below in brief:
   a. *I had resigned from the company on 22.01.2012. My resignation letter and intimation to the ROC are enclosed herewith. Thus, I am not aware of anything that happened subsequent to my resignation.*
   b. *I submit that I was never involved in the management and the day-to-day affairs of the company and was never concerned with the finance of the company. Though I was appointed in late 2006, thereafter in April 2009 itself, I was made an Executive Director-strategy and planning. My role in the company was limited only to procuring animation projects and other related business for the company and for this purpose I travelled extensively and thus for the most part was not even present for the board meetings of the company. Thus I was never aware of the said GDR.*
   c. *I submit that I was never a part of any decisions relating to management or financial transactions and thus was never privy to any information regarding the said GDR or any related transaction. Due to my limited role in the company I did not attend most of the board meetings and thus was not a party to any policy decision made by the company.*
   d. *Without prejudice to the above, I submit that I tried to reach out to the company for an explanation as to why my name is involved in this matter but I am given to understand that there is no responsible officer in the Company with any answer. Thus I could not gather any further details in spite of my earnest attempts.*

10. Mr. Sukumar Subramanian / Noticee 4 appeared for the personal hearing on September 18, 2019 and reiterated his earlier submissions made vide email dated July 31, 2019 and letter dated August 01, 2019.

11. Mr. Rajeev Agarwal / Noticee 5, vide his letter dated July 24, 2019 submitted his response to the SCN and made following submissions:
    a. *That I have been appointed as independent director in the company on 27.03.2006 and without any financial stake in the company. I have also not been related to any promoter/ director of the company.*
    b. *I have also resigned from the Board on 28.05 .2006 which is evident from MCA site (Copy enclosed). I have been on Board just for two months.*
    c. *I had never attended any BOARD or General Body meeting of the company therefore the approval of alleged GDR issue had never been conducted during my presence since I was also not on the Board of the Company.*
    d. *I was never been signatory to any bank accounts of the company.*
    e. *I have never signed any annual accounts or any documents of the company.*
    f. *I have also not drawn any remuneration or any sitting fees from the company.*
    g. *In this regard I would like to state that I was not at all involved in any kind of activity of the said company therefore the proceedings initiated against may kindly be dropped.*

12. Noticee 5 was provided with the opportunity of personal hearing on August 07, 2019 and September 18, 2019. However, despite the delivery of all the hearing notices at the address of Noticee 5, he failed to appear for the personal hearing on all the three occasions.

13. Mr. Krishnan Rajagopal / Noticee 6, vide his email dated September 12, 2019 submitted his reply to the SCN and made following brief submissions:
    a. *That I was appointed as an additional Director (Non-Executive Independent Director) of the Company of the Company without any financial stakes with effect from March 27, 2006 subject to approval of Shareholder.*
    b. *At No point of time I had held any share in the company*

c. *I have resigned from the Directorship of SML with effect from March 13, 2014, Copy of the resignation letter sent to the Company along with copy of Courier receipt and speed post receipt are enclosed herewith to this letter. However the SML has failed to intimate/inform to the Ministry of Corporate Affairs about my resignation as Non- Executive Independent Director of the Company.*

d. *From 2005 to 2015 I was working as Chief Financial Officer and Company Secretary, Compliance Officer of a BSE Listed Company ( M/s. Ennore Coke United BSE No. 512369) and was stationed at Kolkata between 2008 and 2012 looking after day to day operations and was also a frequent traveler during my years of employement*

e. *Due to my employment in M/s. Ennore Coke Limited, I could not attend the Board and General Meetings of SML during the period from March 27, 2006 to March 13, 2014 and I have never received any notice and Minutes of Board and General Meetings.*

f. *The statutory Auditor of the SML has never raised any qualification in their Audit Report on the Audited Financial Statement from FY 2008-9 till FY 2010-11 on the topic of GDR Issue. After that the No Audited Accounts are available for subsequent years. As an Independent outsider not attending any meeting I will also be in the dark on any statutory noncompliance unless it is qualified or reported by the statutory auditors or secretarial auditors.*

g. *I was never involved in day to day operations of SML.*

h. *I was not a signatory to any of the Bank accounts of SML and I never had any knowledge regarding their financial position at any point of time*

i. *I had never signed any Annual Accounts or documents of the company*

j. *I had not drawn any kind of remuneration or sitting fees from the company*

14. Noticee 6 appeared for personal hearing on September 18, 2019 and reiterated his earlier submissions made vide email dated September 12, 2019.

15. The SCN and the hearing Notice dated July 11, 2010 were served on the address of Mr. Rajendran Sivashankaran / Noticee 7 and the proof of service is available on record. However, Noticee 7 did not submit any response to the SCN and also failed to appear for the personal hearing scheduled on August 07, 2019. Subsequently, another hearing notice dated August 08, 2019 was served on the Noticee 7. I note from the records available that the Noticee 7 refused to accept the aforesaid hearing Notice and also failed to appear for personal hearing scheduled on September 18, 2019.

16. As mentioned in the previous paragraphs, all the SCNs and hearing Notices were delivered on the addresses of the Noticees 1, 3, 5 and 7. However, Noticees 1, 3 and 7 did not submit their reply to the SCN, despite repeated opportunities given to them. Further, the Noticee 5 submitted the reply to the SCN but, Noticees 1, 3, 5 and 7, did not appear for the personal hearing, which was scheduled twice , first on August 07, 2019 and then on September 18, 2019. In view of the above reasons, I am convinced that the Noticees1, 3, 5 and 7 were provided with ample opportunities to present their case and make submissions in the matter, but the Noticees 1, 3 and 7 failed to make any submissions and all three of them failed to appear for the personal hearing. In this context, it is pertinent to place reliance on the Order dated February 11, 2014 passed by the Hon'ble Securities Appellate Tribunal (SAT) in the matter of Sanjay Kumar Tayal and Ors vs SEBI (Appeal No 68 of 2013), wherein Hon'ble SAT had observed that *"............................... As rightly contended by Mr Rustomjee, the learned senior counsel for respondents, appellants have neither filed any reply to the show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted the charges leveled against them in the show cause notices ...................."*

17. Therefore, in view of the above observations, I am compelled to proceed further in the matter *ex-parte* against the Noticees 1, 3 and 7, on the basis of the facts/material on record.

**CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS**

18. I have carefully perused the charges levelled against the Noticees, their replies and the documents / material available on record. Before proceeding further, I would like to refer to the relevant provisions of the PFUTP Regulations and SCRA, alleged to have been violated by the Noticees, as below:

- ***SEBI Act***

***Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.***

*12A. No person shall directly or indirectly—*

*(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

*(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*

*(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

- ***PFUTP Regulations***

***3. Prohibition of certain dealings in securities***

*No person shall directly or indirectly—*

*(a) buy, sell or otherwise deal in securities in a fraudulent manner;*

*(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*

*(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*

*(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

***4. Prohibition of manipulative, fraudulent and unfair trade practices***

***(1)*** *Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*

***(2)*** *Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:*

*(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;*

*(k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors;*

*(r) planting false or misleading news which may induce sale or purchase of securities.*

- ***SCR Act***

*Conditions for listing.*

*21. Where securities are listed on the application of any person in any recognized stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange.*

- ***Equity Listing Agreement***

  ***36.*** *The Company will also immediately inform the Exchange of all the events, which will have bearing on the performance/operations of the company as well as price sensitive information.*

  ***(7)*** *Any other information having bearing on the operation/performance of the company as well as price sensitive information,*

  *The above information should be made public immediately.*

  ***50****. The company will mandatorily comply with all the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) from time to time.*

19. Sanraa was incorporated as a public limited company on May 01, 1995 in the name of Sanraa Computers (India) Limited and changed its name to Sanraa Software Ltd on April 27, 2000. Further, during the year 2008, the company changed its name to Sanraa Media Limited. The company is stated to be in the business of animation, special effects, VFX, gaming, software development. The scrip of Sanraa is listed at the Bombay Stock Exchange (BSE).

20. Sanraa had issued 10 million GDRs (amounting to US$ 27.50 million) on May 02, 2008. Clifford was the only entity to have subscribed to these 10 million GDRs of Sanraa by depositing US$ 27.50 million as subscription amount. Sanraa vide corporate announcement dated January 06, 2007 had informed BSE that, at the meeting held on January 02, 2007, it considered issue of GDR/ADR/FCCB and other instruments not exceeding US$ 27.50 million subject to approval of other authorities. Further, vide corporate announcement dated January 31, 2008, Sanraa informed BSE that its Board of Directors, in their meeting held on January 31, 2008 decided to form a board committee

called as GDR committee for the issuance of GDRs. Sanraa vide corporate announcement dated May 03, 2008 informed BSE about the outcome of meeting of the GDR committee held on May 02, 2008 that it had considered and approved the allotment of 10 million GDRs of US$ 2.75 each amounting to US$ 27.5 million representing 20 million equity shares of Rs.10 each at the price of Rs. 55/- per share (including Rs. 45/- as premium per share) to The Bank of New York (the Depository and hereinafter referred to as '**BNY**') on behalf of the GDR holders. Sanraa provided the list of subscribers of its GDR issue, given below, to SEBI vide its letter dated June 17, 2015.

| **Sanraa submissions** | | | **Analysis of submissions** | |
|---|---|---|---|---|
| **Sl no** | **Subscriber details** | **Amount in US$** | **Number of GDRs** | **Number of underlying shares** |
| 1 | Fundabilis, GMBH Munstergasse, 12, 8001, ZURICH. Dr. Heinz Kuble | 6,500,000 | 23,63,636.36 | 47,27,272.73 |
| 2 | Zorbex Limited, Calle Buriana 37, Puerta 5, Piso 3, VALENCIA. Mr. Diego Peris | 4,000,000 | 14,54,545.45 | 29,09,090.91 |
| 3 | Investec (Switzerland) AG, Talacker 41, CH-8039, ZURITH Mr.Reto Juoni | 8,000,000 | 29,09,090.91 | 58,18,181.82 |
| 4 | Aguanave Limited, R.Cintura do porto, ED 254, Santos 1205108. Mr. Gervaso Martins | 6,000,000 | 21,81,818.18 | 43,63,636.36 |
| 5 | Geolog-Logistics R.Quilombo-5, stp- rep office. Mr. John Lestro | 3,000,000 | 10,90,909.09 | 21,81,818.18 |
| | **TOTAL** | **27,500,000** | **1,00,00,000.00** | **2,00,00,000.00** |

21. It is observed that Sanraa deposited the GDR proceeds amounting to US$ 27.5 million with Banco, which is a bank based in Portugal, in the account no. 6367857.15.001. During the course of investigations, SEBI requested for certain documents related to the GDR issue of Sanraa from the securities market regulator of Portugal viz. Comissaso do Mercado de Valores Mobiliarios, Portugal (hereinafter referred to as '**CMVM**').

22. It is observed from the bank account statement obtained from CMVM that, on May 02, 2008, Sanraa received US$27.50 million from one entity only viz. Clifford and not from the above list of 5 entities. It is observed from the documents available that Sanraa pledged the entire GDR proceeds of USD 27.5 million with Banco as a collateral towards the loan account of Clifford. However, Sanraa, despite the fact that there was only one subscriber viz. Clifford, informed to SEBI that, GDRs were allotted to five subscribers. Therefore, Sanraa provided false list of GDR subscribers to SEBI.

23. Clifford, a company incorporated in the British Virgin Islands, entered into a credit agreement with Banco on April 17, 2008 relating to a dollar term loan facility of upto US $27.50 million. The credit agreement, *inter alia*, contains the following terms:

a. Facility- Subject to the terms of this agreement, the bank agrees to make available to the borrower a Dollar term loan facility in the maximum principal amount of upto $27,500,000.
b. Purpose- The borrower shall use the proceeds of the advance to subscribe for global depository receipts to the value of up to $27,500,000 issued by Sanraa on the terms of the Listing particulars to be delivered to the Luxembourg Stock Exchange.
c. No monitoring: The Bank shall not be obliged to investigate or monitor the use or application of the proceeds of the advance.
d. Conditions precedent: Not withstanding any other term of this agreement, the bank shall not be under any obligation to make the facility available to the borrower unless it has notified the borrower that it has received all the documents listed in the schedule 1 (in form and content satisfactory to it.)
e. Drawdown period: Subject to the terms of this agreement, the loan shall be made to the Borrower at any time during the Drawdown period by way of a single advance, when requested by means of a Drawdown notice.

24. The following documents, *inter-alia*, were annexed to the above referred credit agreement as per the conditions precedent (i.e. as per schedule 1) to the credit agreement:

   a. Copy of the 'certificate of incorporation of Sanraa and copy of Memorandum and Articles of Association of Sanraa.
   b. Copy of certified true copy of the resolution passed at the meeting of Board of Directors (BoD) of Sanraa held on January 31, 2008

25. The inclusion of the certificate of incorporation of Sanraa and copies of the Memorandum and the Articles of Association of Sanraa and a Copy of the certified true copy of the resolution passed at the meeting of BoD of Sanraa held on January 31, 2008, shows that not only Sanraa was fully aware but also actively involved in the process of Clifford and Banco entering into credit agreement.

26. A drawdown notice dated April 17, 2008 was given by Clifford to Banco requesting for amount of US $27.50 million under the above referred credit agreement. Therefore, from the aforesaid credit agreement and the drawdown notice dated April 17, 2008, it is clearly established that it was Clifford which subscribed to the entire GDR issue of Sanraa and it availed a loan from Banco for this purpose.

27. It is observed from the documents provided by CMVM that an account charge agreement was also entered into by Sanraa and Banco for the purpose of the GDR issue of Sanraa. The account charge agreement, inter alia, has following terms:

   a. *Loan agreement: Loan agreement means the Loan agreement signed between Clifford Capital (as borrower) and the Bank dated on or around the* *date of this agreement by which the bank agreed to lend to Clifford Capital the maximum amount of up to US $27,500,000.*

b. *Subject to the terms of this agreement, Sanraa deposited in its designated account with bank (hereinafter the Account) an amount not exceeding US $27,500,000 as security for all the obligations of Clifford Capital under the Loan Agreement (hereinafter the Secured Obligations) and with full title guarantee hereby assigns to and charges by way of first fixed charge in favour of the Bank all the rights, title, interest and benefit in and to the account as well as the moneys from time to time standing to the credit thereof and all interest from time to time payable in respect thereof. Such assignment and charge shall be a continuing security for the dues and punctual payment and discharge of the secured obligations. Upon payment of all or part of the amounts due under the Loan Agreement, Sanraa may withdraw from the account the equivalent amount.*

c. *Upon payment and final discharge in full for all the secured obligations, this agreement and the rights and obligations of the parties shall automatically cease and terminate and the Bank shall, at the request of Sanraa, release the deposit made in the account. Sanraa covenants with the Bank that it will on demand pay and discharge the secured obligations when due to the bank.*

d. *At any time after the bank shall have demanded the payment of all or any of the Secured Obligations, the Bank may, without further notice apply all or any part of the Deposit against the Secured Obligations in such order as the bank in its discretion determine.*

e. *Sanraa hereby irrevocably appoints by way of security the Bank as the attorney of Sanraa with full power in the name and on behalf of Sanraa to sign, seal and deliver any deed, assurance, instrument or act in order to perfect this charge and at any time after an event of default by Sanraa to sign, seal and deliver any deed assurance, instrument or act which may be required for the purpose of exercising fully and effectively all or any of the* *powers hereby conferred to the Bank to take all necessary action whether in the nature of legal proceedings or otherwise to recover any moneys which may be held in the Account and to give valid receipts for payment of such moneys and also for the purpose of enforcement and of the security hereby created.*

f. *Sanraa hereby warrants and declares that any and all such deeds, instruments and documents executed on its behalf by or on behalf of the Bank by virtue of this Agreement shall be as good, valid and effective, to all intents and purposes whatsoever, as if the same had been duly and properly executed by Sanraa itself and Sanraa hereby undertakes to ratify and confirm all such deeds, instruments and documents lawfully executed by virtue of the authority and power hereby conferred*

28. It is observed from the perusal of the account charge agreement and credit agreement that Clifford had entered into a credit agreement dated April 17, 2008 with Banco for the subscription of GDRs of Sanraa. As per the said credit agreement, Clifford would be provided a loan only for the subscription of the GDRs of Sanraa. Further, Clifford had given a drawdown notice dated April 17, 2008 to Banco to avail the loan facility for subscription of GDRs of Sanraa. Credit agreement further states that a drawdown notice is irrevocable.

29. The account charge agreement was executed between Sanraa and Banco and the aforesaid agreement was signed by Noticee 2, on behalf of Sanraa. As per the account charge agreement, Sanraa was bound to deposit in its designated account with Banco, an amount not exceeding the loan amount availed by Clifford for the subscription of GDRs of Sanraa, as security for all the obligations of Clifford under the credit agreement. Thus, it is clear from the credit agreement and the account charge agreement that only upon payment of all or part of the amounts due under the Credit Agreement by Clifford, Sanraa could withdraw an equivalent amount from its bank account with Banco.

30. It is observed that Sanraa had received in its HDFC bank account in India, an amount of US$ 1,133,500 during the period August 12, 2008 to August 26, 2009 (i.e. over a period of one year). Further, Sanraa vide its letter dated February 05, 2009, requested Banco to transfer an amount of US$ 27,055,751.53 and interest of US$ 188,332.62 from its bank account number 6367857 to loan account number 6223036 of Clifford. Further, it was the Noticee 2, who authorized Banco to transfer necessary amounts towards interest and fees due, resulting from the loan granted by Banco to Clifford, in terms of the account charge agreement dated April 30, 2008. Thus, it is clearly established that Sanraa was actively involved in the signing of the account charge agreement and the credit agreement which enabled Clifford to take loan from Banco to subscribe to the GDR issue of Sanraa for which the collateral was provided by Sanraa by way of creating an account charge in its account with Banco.

31. The minutes of the board meeting held on January 31, 2008, *inter-alia*, states as follows:

"*RESOLVED THAT a bank account to be opened with Banco Efisa, S.A. Lisbon ("the Bank") or any the branches of Banco Efisa S. A., Lisbon including the off-shore branch outside India for the purpose of Business Operation and also to collect subscription money on the proposed Global Depository issue.*

*RESOLVED FURTHER THAT Mr. Annaswamy Venkatramani, Chairman of the company be and is hereby authorized to sign, execute any application, agreement, escrow agreement, document, undertaking, confirmation, declaration and other paper(s) from time to time as may be required by the Bank.*

*RESOLVED FURTHER THAT Mr. Annaswamy Venkatramani, Chairman of the company be and is hereby authorized to draw cheques and other documents and to give instructions from tome to tome as may be necessary to the said Banco Efisa, S.A. or any branch of Banco Efisa S.A., Lisbon, for* *the purpose of operation of and dealing with the said bank account and to carry out other relevant and necessary transactions and generally to take all such steps and to do all such things as may be required from time to time on behalf of the Company*.

*RESOLVED FURTHER THAT the Bank be and is hereby authorized to use the funds so deposited in the aforesaid bank account as security in connection with loans if any as well as to enter into any escrow agreement or similar agreements if and when so required*."

32. On perusal of the abovementioned minutes of the board meeting dated January 31, 2008, it is observed that the board of directors of Sanraa had authorized the Noticee 2 to sign and execute any agreement and other paper(s) from time to time as may be required by Banco. From the minutes of the above mentioned board resolution, it is evident that the board of Sanraa had given a blanket approval to Noticee 2 and Banco that enabled Sanraa to pledge funds in its account with Banco as security in connection with loan taken by Clifford.

33. It is observed from the Annual Report of Sanraa for the FY 2007-08 that the board meetings were held on nine dates (June 30, 2007, July 31, 2007, August 23, 2007, October 25 and 31, 2007, November 09 and 26, 2007, December 28, 2007 and January 31, 2008. It is further observed that the Noticees no. 3, 5, 6, 7, as the directors of Sanraa, had attended all the board meetings held during FY 2007-08 and the Noticee 2 had attended all the board meetings from the date of his appointment (i.e. Nov 09, 2007). Further, the Noticee 4 had attended all the board meetings from the date of his appointment (Sep 28, 2007). From the above, it is clear that the Noticee 2 to 7, as the directors of Sanraa, had attended the Board meeting dated Jan 31, 2008 and authorized the Noticee 2 to enter into such agreements, which enabled him to sign the account charge agreement with Banco. I note that the Noticee 2 has accepted all the charges made in the SCN and therefore, it is clearly established that it was him who had signed the account charge agreement with Banco and he was authorized by

Noticees 2 to 7, as the directors of Sanraa to enter into such agreement, on behalf of Sanraa.

34. The signing of the account charge agreement between Sanraa and Banco along with the credit agreement signed between Clifford and Banco is an act of fraud committed by Sanraa on the Indian investors. The investors in the securities market were totally unaware of the account charge agreement and the credit agreement, which jointly provided for the release of US$ 27.5 million received by Sanraa as GDR proceeds is conditional to the repayment of loan taken by Clifford. The investors were also not aware that the GDRs of Sanraa have not been subscribed by foreign investor on the basis of business prospects of Sanraa but they have been subscribed only on the basis of security provided by Sanraa itself for the loan to be taken for subscription of GDRs. Despite the aforementioned fact, Sanraa made a disclosure to BSE that "*Company's Board Committee (GDR Committee) formed by the Board of Directors on January 31, 2008 for the issue of Global Depository Receipts for 27.5 Million US $ held on May 02, 2008, considered, approved allotment of 10,000,000 Global Depositary Receipts of US $ 2.75 each amounting to US $ 27.5 million representing 20,000,000 Equity shares of 110 each at the price of 155/- per share (including 145/- as premium per share) to The Bank of New York (the Depository) on behalf of the GDR Holders*. The aforesaid public announcement made by Sanraa has completely omitted the information about the credit agreement and the account charge agreement, on the basis of which the subscription of GDRs was actually done. The aforesaid announcement was done by Sanraa to fraudulently induce investors in India into believing in the business of Sanraa. Investment in domestic companies by foreign institutional investors is considered to be a positive news. Further, the availability of US$ 27.5 million for the future business expansion further enhances the trust of investors in the company. Therefore, it is clearly established that the Account charge agreement signed by Sanraa and the misleading public announcement regarding successful subscription of GDRs

were part of the deceitful scheme devised by Sanraa and Noticee 2 to defraud the Indian investors.

35. The bank account of Sanraa in India was with Chennai branch of HDFC Bank (a/c no: 06752050000026), wherein funds from its account with Banco were being received. HDFC Bank provided the account statement of Sanraa for the period January 01, 2008 to March 31, 2014. It has been observed that an amount of US$ 1,133,500 (Rs. 5.32 crore) were received in the aforesaid HDFC bank account of Sanraa from its bank account with Banco where GDR proceeds were deposited. On perusal of the account statement of Sanraa's Banco account, it is observed that an amount of US$ 1,133,500 were transferred to its HDFC bank account in India. Further, an amount of US$ 27.244 million (US$27,055,751.53 + Interest amount of US$ 188,332.62) was transferred to Clifford from the Banco account. Sanraa has provided no explanation for the aforesaid transfer of US$ 27.244 million into the account of Clifford. It is observed from the documents available that Sanraa sent a request to Banco on February 05, 2009 to transfer GDR proceeds amounting to US$ 27.244 million (US$27,055,751.53 + Interest amount of US$ 188,332.62 on loan taken by Clifford) towards repayment of the loan taken by Clifford for subscription of GDRs issued by Sanraa. Thus, it is evident that ultimately it is Sanraa which paid for the subscription of its own GDRs. This is contrary to the disclosures made to the investors in India who are under the impression that certain genuine foreign entities have invested in the GDRs and that the company is possessing funds of US$ 27.5 million that will be used for expanding and strengthening the business of the company. Since, the funds for subscription of GDRs have been provided by Sanraa itself, in the manner explained above, it is also proven that Clifford acquired the 10 million GDRs (equivalent to 20 million shares) without incurring any cost.

36. Therefore, I conclude that Sanraa has violated the provisions of the Sections 12A (a), (b) and (c) of SEBI Act read with Regulations 3(a), (b), (c), (d) and 4(1), 4(2) (f), (k) and (r) of PFUTP Regulations.

37. Further, the account charge agreement was signed by the Noticee 2 on behalf of Sanraa. The Noticees 2 to 7 as the directors of Sanraa, in the board meeting held on January 31, 2008, had authorized the Noticee 2 to sign the agreements with Banco including an agreement that enabled Banco to use the funds of Sanraa as the security in connection with the loan availed by a third party. Therefore, it is established that the directors of Sanraa viz. Noticee 3 / Mrs. Uma Karthikeyan, Noticee 5 / Mr. Rajeev Agarwal, Noticee 6 / Mr. Krishnan Rajagopal, Noticee 7 / Mr. Rajendran Sivashankaran, Noticee 4/ Mr. Sukumar Subramanian and Noticee 2 / Mr. Annaswamy Venkatramani, who approved the board resolution and authorized Noticee 2 to sign the agreement with Banco and authorized Banco to use funds as a security in connection with the loan and the Noticee 2, who signed the agreement have acted as parties to the fraudulent scheme.

38. I note that the Noticees nos.3 and 7 have not made any submission to contradict the charges made against them in the SCN. Further, the Noticee 2 has accepted all the charges made against him in the SCN. The Noticees 4, 5 and 6 have submitted that they were not aware of the fraudulent scheme devised by Sanraa pertaining to the GDR issue. The aforesaid three Noticees have claimed that they were not looking after the day to day financial affairs of Sanraa and therefore they cannot be held liable for such fraudulent issuance of GDRs by Sanraa. The Noticees 4, 5 and 6 have also denied signing any documents in regard to the issuance of GDRs by the Company. However, as discussed in paragraphs 32 and 33, it was the blanket approval given by the board of directors in their meeting held on January 31, 2008 which enabled Noticee 2 sign the account charge agreement and to pledge the funds of Sanraa as security for the loan taken by Clifford. Further, as per the details given in the

Annual Report of Sanraa for the year 2007-08, Noticees 2 to 7 attended the aforesaid meeting of Board of directors on January 31, 2008. Therefore, Noticees 2 to 7 have also acted as parties to the fraud committed by Sanraa in relation to the issuance of GDRs.

39. In this regard, I note that the Noticee no. 4 has stated that he had resigned from the company on January 22, 2012 and the same was reported to the company and Registrar of Companies (RoC). I further note that the Noticees no. 3 and 4 had issued a CEO/CFO certificate on September 04, 2009, which stated that financial statements of FY 2008-09 were showing true and fair view. This certificate was part of the Annual Report of Sanraa for FY 2008-09. I note that the Noticee no. 4 has not produced any evidence to show that Sanraa has fraudulently used his name and signature to issue a certificate forming part of its Annual Report. It is also admitted by Noticee 4 that he had resigned from Sanraa on January 22, 2012, which means that he was a director at the time GDRs were issued by Sanraa and disclosures relating to the same were made. Further, from the Annual Reports of Sanraa for FY 2008-09, 2009-10, 2010-2011, I observe that the Noticee 4 has been shown as 'Executive Director' of Sanraa. Hence, the claim of Noticee 4 that he was not involved in the day to day affairs of Sanraa and was not aware of the subject GDR issue, is not acceptable. I also find from the Annual Report of Sanraa for FY 2008-09, 2009-10, 2010-11 that Noticee 4 has attended all the board meetings of Sanraa in the said financial years. Hence, I am not in agreement with the submission of the Noticee 4 that he was unaware of the GDR issue of Sanraa.

40. Furthermore, Noticee 5 has claimed in his submissions that he had resigned from Sanraa on May 28, 2006 and has produced a snapshot of the MCA website showing termination of his tenure with Sanraa w.e.f. May 28, 2006. However, as discussed above, it is observed from the Annual Report of Sanraa for the FY 2007-08 that Noticee 5 had attended the board meeting held on January 31, 2008 which enabled Banco to keep funds of Sanraa as security. I also note that

Noticee 5, even after such knowledge of being shown as an attendee in all the board meetings of Sanraa for FY 2007-08, failed to show that any steps are/ were taken by him to rectify the records/initiate any action against Sanraa for making such alleged false claims in its Annual Report.

41. Further, the name of the Noticee 6 is also appearing as the director who had attended the board meeting of Sanraa held on January 31, 2008. Noticee 6 has admitted that he has resigned from Sanraa on March 13, 2014. Noticee 6 also states that he has never received any notice and the Minutes of the Board and general meetings. However, as discussed above, I observe that the Noticee 6 was also part of the board meeting held on January 31, 2008. The Noticee 6 resigned from Sanraa much after the GDRs were fraudulently issued by Sanraa by entering into account charge agreement and authorizing transfer of GDR proceeds in the account of Clifford to settle the loan taken by it from Banco.

42. As discussed in the previous paragraphs, the board meeting held on January 31, 2008 is significant and crucial in the whole deceitful scheme of fraudulent GDR issue of Sanraa as it had enabled Banco to retain the GDR proceeds of Sanraa as collateral / security against the loan taken by Clifford. Since, it is established that it were the Noticees 2 to 7 as directors of Sanraa who had authorized the Noticee 2 to enter into such agreement, I conclude that the Noticees 2 to 7 have violated the provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d) and 4(1) PFUTP Regulations.

43. On perusal of the corporate announcement made by Sanraa to BSE during the period January 2008 to June 2009, it is observed that Sanraa failed to disclose several price sensitive material information that had bearing on the scrip price of Sanraa. The details of such events are given below:

   a. The outcome of board meeting dated January 31, 2008, which enabled Banco to use the funds deposited in the bank account of Sanraa as security in connection with loans if any as well as to enter into any escrow agreement or similar agreements if and when so required.

b. The account charge agreement dated April 30, 2008 entered into by Sanraa with Banco for subscription of GDRs but which had resulted in Sanraa being unable to utilize the GDR proceeds amounting to US$ 27.5 million until the loan is repaid by Clifford.

c. The request of Sanraa made to Banco to transfer of US$ 27.244 million, on February 05, 2009, towards closure of the loan taken by Clifford for subscription of GDRs. This has resulted in complete write-off of the GDR proceeds (barring the amount transferred to HDFC bank account of Sanraa in India), which is a direct loss of the shareholders of Sanraa.

44. I am of the view that all the above mentioned three events are price sensitive information which had a major bearing on the price of the scrip of Sanraa. However, Sanraa failed to disclose all three of them in terms of Clauses 36(7) and 50 of the Equity Listing Agreement. Thus, I conclude that Sanraa has violated the provisions of Clause 36 (7) of the Equity Listing Agreement read with Section 21 of the SCRA.

45. The Clause 50 of the Listing Agreement inter-alia states that listed companies have to mandatorily comply with all the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) from time to time. The Accounting Standard (AS) - 1 - Consideration of Materiality - deals with the major considerations governing the selection and application of accounting policies, viz., a) Prudence, b) Substance over form and c) Materiality.

46. The concept of Materiality, as per AS 1 inter-alia states as "Financial statements should disclose all "material" items, i.e. items the knowledge of which might influence the decisions of the user of the financial statements." Further as per the format prescribed in the Schedule VI of the Companies Act, 1956, specified that, long term investments should disclose "the names of the bodies corporate

(indicating separately the names of the bodies corporate under the same management) and the nature and extent of the investment so made in each such body corporate (including all the investments, whether existing or not, made subsequent to the date as at which the previous Balance Sheet was made out)".

47. In this regard, I note that following misstatement of material information were made by Sanraa in the financial statements:

a. Sanraa's balance sheet size for FY 2008-09 was Rs. 137 crores and overseas investment was Rs. 65.92 crores (i.e. almost 50% of balance sheet size). Hence, overseas investment is a material information, which may influence the decisions of the investor. As per the concept of materiality & format of Schedule VI, Sanraa has to disclose full details about long term investment viz., name of the body corporate, nature and extent of the investment made i.e., whether it is subsidiary or Joint Venture, value of the investment, place of the investment, nature of the company, details of turnover and details of the shareholding of the company, etc. However, Sanraa failed to report:
   (i) All material information about overseas investment as per AS 1, and
   (ii) Receivables from Clifford.

   Therefore, I conclude that financial statements from FY 2008-09, has not represented a true and fair view of the state of affairs of Sanraa.

b. On perusal of the annual report of Sanraa for the year 2008-09, it is observed that Sanraa has not accounted for the transfer made on February 05, 2009, of US$ 27.244 million towards closure of the loan taken by Clifford. However, Sanraa reported Rs. 65.92 crore, as the investment in overseas companies under Asset side of the Balance sheet, under the head Long term investment. Thus Sanraa, instead of showing receivables from Clifford, reported it as long term investments.

Therefore, I conclude that accounting treatment given by Sanraa is in correct and misleading.

48. Further it is observed that, the executive directors of Sanraa (Mr. Sukumar Subramanian and Mrs. Uma Karthikeyan) on September 04, 2009, issued a CEO/CFO certificate which states that, financial statements for FY 2008-09 do not contain any materially untrue statements, nor omitted any material fact, nor contain statements that might be misleading. However, in view of the above observation, Sanraa's financial statement for FY 2008-09, has not represented a true and fair view of the state of affairs. Therefore, CEO/CFO certificate is a misleading certificate.

49. In addition to the above, from the annual reports of Sanraa for FY 2009-10, It is observed that Sanraa continued non-disclosure of material information about its overseas investment of Rs. 65.92 crore. However, in the annual reports for FY 2010-11, Sanraa reported, Rs. 34.608 crore as invested in Meet Virtual Inc., (US) and Rs. 31.312 crore invested in R First Inc., (US). However, both the companies are not appearing in EDGAR search of SEC, USA. I note that Sanraa has not provided any explanation to contradict the charges made against it in the SCN.

50. In view of the above, I conclude that misleading accounting treatment has been employed by Sanraa and publishing not true information, is in violation of the provisions of sections 12A (a),(b) and (c) of SEBI Act read with Regulations 3(a), (b), (c), (d) and 4(1), 4(2) (f), (k) and (r) of PFUTP Regulations. I further conclude that Sanraa has also violated the provisions of Section 21 of SCRA for not complying with Clause 50 of the Listing Agreement. Mr. Sukumar Subramanian and Mrs. Uma Karthikeyan have also given wrong CEO/CFO certification, thereby violating the provisions of sections 12A (a),(b) and (c) of SEBI Act read with Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations.

51. The provision of Section 15HA of the SEBI Act and Section 23E of the SCRA are mentioned below:

***<u>SEBI Act</u>***
***<u>Penalty for fraudulent and unfair trade practices.</u>***
***<u>15HA.</u>*** *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

***<u>SCRA</u>***
***<u>Penalty for contravention where no separate penalty has been provided.</u>***
***<u>23H.</u>*** *Whoever fails to comply with any provision of this Act, the rules or articles or byelaws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees.*

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

***Factors to be taken into account by the adjudicating officer.***
***15J.*** *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.*

53. While determining the quantum of penalty under Section 23E of the SCRA, it is important to consider the relevant factors as stipulated in Section 23J of the SCRA which reads as under: -

***(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.*

54. With regard to the above factors to be considered while determining the quantum of penalty, it may be noted that the investigation department of SEBI has not quantified the profit/loss for the violations committed by the Noticees in the said matter. However, I note from the size of fraudulent GDR issue was US$ 27.5 million (approximately equal to Rs. 130 crore). Further, Sanraa fraudulently transferred US$ 27.244 million to Clifford to settle the loan taken by him for subscription of GDRs. Further, I have also considered the fact that vide Order of WTM-SEBI dated January 02, 2019, the Noticees have already been debarred for a period of five years from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner. The aforesaid order has also directed Noticee 1 to recover US$ 27.44 from Clifford, within three months.

## ORDER

55. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in section 15J of the SEBI Act and 23 J of SCRA and in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, and under 23I of SCRA read with Rule 5 of the Adjudication Rules, 2005, I hereby impose following penalties on the Noticees under Section 15HA of the SEBI Act and Section 23E of the SCRA, wherever applicable.

| Sr. No | Name of the Entity | Penalty imposed | Violation Committed | Section |
|---|---|---|---|---|
| 1 | Sanraa Media Ltd | ₹ 10,00,00,000/- (Rupees Ten crore) | Sections 12A(a), (b),(c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d), 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations | Section 15HA of the SEBI Act |

| | | | | |
|---|---|---|---|---|
| | | ₹ 20,00,000/- (Rupees Twenty lakh) | Section 21 of the SCRA read with Clauses 36(7) and 50 of the Equity Listing Agreement | Section 23E of the SEBI Act |
| 2 | Mr. Annaswami Venkatramani | ₹ 5,00,00,000/- (Rupees Five crore) | Sections 12A(a), (b),(c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) & 4(1) of the PFUTP Regulations | Section 15HA of the SEBI Act |
| 3 | Mrs. Uma Karthikeyan | ₹ 1,00,00,000/- (Rupees One crore), jointly and severally on the Noticees 3 to 7 | Sections 12A(a), (b),(c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) & 4(1) of the PFUTP Regulations | Section 15HA of the SEBI Act |
| 4 | Mr. Sukumar Subramanian | | Sections 12A(a), (b),(c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) & 4(1) of the PFUTP Regulations | Section 15HA of the SEBI Act |
| 5 | Mr. Rajeev Agarwal | | Sections 12A(a), (b),(c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) & 4(1) of the PFUTP Regulations | Section 15HA of the SEBI Act |
| 6 | Mr. Krishnan Rajagopal | | Sections 12A(a), (b),(c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) & 4(1) of the PFUTP Regulations | Section 15HA of the SEBI Act |
| 7 | Mr. Rajendran Sivashankaran | | Sections 12A(a), (b),(c) of the SEBI Act read with Regulations 3 (a), (b), (c), (d) & 4(1) of the PFUTP Regulations | Section 15HA of the SEBI Act |
| **Total** | | **₹ 16,20,00,000/- (Rupees Sixteen crore and Twenty lakh only)** | | |

56. I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticees. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favour of “SEBI -Penalties Remittable to Government of India”, payable at

Mumbai, or by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT > Orders > Orders of AO> PAYNOW; OR by using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of the penalty, the Noticees may contact the support at portalhelp@sebi.gov.in.

57. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

58. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are being sent to the Noticees and also to the Securities and Exchange Board of India.

**Date: November 29, 2019**
**Place: Mumbai**

**Dr. ANITHA ANOOP**
**ADJUDICATING OFFICER**