BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. ASK/AO/SPV/129-136/2014-15]

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

In respect of

Sr. No	Name of the Entity	PAN	Order Number
1.	DLF Limited	AAACD3494N	ASK/AO/SPV/129/2014-15
2.	Shri K. P. Singh	ABIPS6464P	ASK/AO/SPV/130/2014-15
3.	Shri Rajiv Singh	ABIPS6665G	ASK/AO/SPV/131/2014-15
4.	Ms. Pia Singh	AAAPS6436J	ASK/AO/SPV/ 132/2014-15
5.	Shri T. C. Goyal	AAGPG8173N	ASK/AO/SPV/ 133/2014-15
6.	Shri Ramesh Sanka	ABAPS1340L	ASK/AO/SPV/134 /2014-15
7.	Shri G. S. Talwar	AEYPT8609L	ASK/AO/SPV/135 /2014-15
8.	Shri Kameshwar Swarup	ABQPS1072H	ASK/AO/SPV/136 /2014-15

In the matter of DLF Limited and Sudipti Estates Limited

Background

1. Securities and Exchange Board of India (SEBI) conducted investigation into the allegations leveled by one Shri Kimsuk Krishna Sinha (KKS) in his complaints dated June 04, 2007 and July 19, 2007 in respect of DLF Limited (DLF) and Sudipti Estates Limited (Sudipti), as per the directions issued by Whole Time Member (WTM), SEBI vide order dated October 20, 2011. KKS, in his complaints, inter alia, alleged that

Sudipti had duped him of ₹ 34 crore (approx.) in relation to a transaction between them for purchase of land, and he had registered an FIR against Sudipti. It was also stated by KKS in the said complaints that Sudipti, DLF Housing Development Limited (DHDL) and DLF Estate Development Limited (DEDL) were sister concerns and inextricably linked; DHDL and DEDL were controlling the entire shareholding of Sudipti and that all those three companies (DHDL, DEDL and Sudipti) were part of DLF Group.

2. DLF had come out with an Initial Public Offer (IPO) through Red Herring Prospectus (RHP) dated May 25, 2007 for issuance of 17,50,00,000 equity shares of ₹ 2 each at a price of ₹.525 per equity share aggregating to ₹ 9187.5 crore. Prospectus was filed by the company with Registrar of Companies (RoC) on June 18, 2007. In respect of the said IPO, DLF filed its Draft Red Herring Prospectus (DRHP) dated January 2, 2007 with SEBI. DLF had earlier filed a DRHP dated May 11, 2006 which was subsequently withdrawn by DLF.

3. The investigation revealed that DLF (**'Noticee No.1')** and its non-independent directors namely Shri K.P Singh, Executive Chairman ('**Noticee no. 2'**), Shri Rajiv Singh, Vice Chairman **('Noticee no 3'**), Shri T.C.Goyal, Managing Director ('**Noticee no.4'**), Ms. Pia Singh, Whole Time Director ('N**oticee no. 5'**), Shri. Kameshwar Swarup, Executive Director - Legal ('**Noticee no. 8'**) Shri G.S.Talwar, Director ('**Noticee no. 7'**) and Shri Ramesh Sanka, Chief Financial Officer (CFO) of DLF ('**Noticee no. 6') { Noticee Nos. 1-8 are hereinafter collectively referred as "Noticees"}** had employed a scheme by camouflaging the association of Sudipti with DLF as dissociation and failed to ensure that the Offer Documents (RHP/Prospectus) contained all material information which were true and adequate so as to enable the

investors to make an informed investment decision in the issue. It was also revealed that the Noticees had actively and knowingly suppressed certain material information and facts in the Offer Documents namely, history and nature of business of subsidiary, related party transactions, financial information pertaining to subsidiaries and outstanding litigation /FIR against Sudipti leading to misstatements in the Offer Documents. It was therefore observed that the Noticees had violated the provisions of clauses 6.2, 6.9.6.6, 6.10.2.3, 6.11.1.2, 6.15.2 and 9.1 of SEBI (Disclosure & Investor Protection) Guidelines, 2000 **(DIP Guidelines**) read with Regulation 111 of SEBI (Issue of Capital and Disclosure Requirements), Regulations, 2009 (**ICDR Regulations**) read with section 11 of the Securities and Exchange Board of India Act, 1992 **(SEBI Act)** and provisions of section 12A(a), (b) and (c) of SEBI Act read with Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (f) and (k) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 **(PFUTP Regulations).**

4. SEBI has, therefore, initiated adjudicating proceedings under the SEBI Act to inquire into and adjudge under section 15HA & HB of the SEBI Act, the alleged violations of the aforementioned provisions SEBI Act, DIP Guidelines read with ICDR Regulations and PFUTP Regulations committed by the Noticees.

Appointment of Adjudication Officer

5. Shri Piyoosh Gupta was appointed as Adjudication Officer (AO), vide order dated May 28, 2013 under section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 **(Adjudication Rules)** to inquire into

and adjudge the aforesaid violations allegedly committed by the Noticees. Consequent upon the transfer of Shri Piyoosh Gupta, the undersigned was appointed as the AO vide order dated November 08, 2013.

Show Cause Notice, Reply and Personal Hearing

6. A common Show Cause Notice dated August 28, 2013 (SCN) was issued to the Noticees under rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be initiated and penalty be not imposed against them under sections 15HA and 15HB of the SEBI Act for the alleged violations specified in the SCN.

7. In response to the SCN, the Noticees except Shri G. S Talwar sought inspection of documents and the same was granted to the Noticees on December 16-17, 2013. Vide letter dated March 14, 2014, DLF (Noticee No. 1) submitted reply to the SCN and Noticee Nos. 2-6, vide separate letters intimated that they were adopting the reply filed by DLF.

8. The Personal hearing with respect to Noticee Nos. 1-6 was held on various dates i.e, July 08, 2014, July 31, 2014, August 11, 2014 and August 22, 2014. M/s Amarchand & Mangaldas & Suresh a. Shroff & co., represented Noticee Nos. 1-6. Shri J J Bhat, Senior Advocate argued on behalf of DLF, Shri K P Singh, Shri Rajiv Singh and Ms Pia Singh (Noticee Nos. 1-4) and Shri Gaurav Joshi, Senior Advocate argued on behalf of Shri T C Goyal and Shri Ramesh Sanka (Noticee Nos. 5 & 6). Vide letter dated October 16, 2014, additional written

submissions on behalf of Noticee Nos. 1-6 were filed pursuant to the personal hearing.

9. Shri G S Talwar (Noticee No. 7), vide letter dated September 26, 2013 filed reply to the SCN. Shri Talwar was granted an opportunity of personal hearing on April 28, 2014 when Shri Paras Parekh, Advocate, J Sagar Associates, Advocates and Solicitors appeared as Authorised Representative. Vide letter dated June 04, 2014, additional submissions on behalf of Shri Talwar were filed by J Sagar Associates. Further, vide letter dated October 28, 2014, Shri Talwar made a request to drop the charges levelled against him in the instant proceedings in view of the order dated October 10, 2014 passed by WTM, SEBI in the proceedings under section 11B in the matter of DLF Limited and Suditpi Estates Limited.

10. Shri Kameshwar Swarup, Noticee No.8, in response to the SCN, sought for inspection of documents and the said inspection was taken on December 17, 2013 by Shri Paras parekh, Advocate, J Sagar Associates, Advocates and Solicitors. Thereafter, vide letter dated March 26, 2014, Shri Swarup filed reply to the SCN stating that he was in agreement with the submissions made by DLF vide letter dated March 14, 2014 and was adopting the said submissions. Shri Swarup was granted with an opportunity of personal hearing on July 09, 2014 when Shri Paras Parekh, Advocate appeared and sought extension of time. Another opportunity of hearing was granted on September 04, 2014 when Shri Swarup personally along with Shri Paras Parekh and Shri Dharam Jumani, Advocates appeared. They re-iterated the submissions already made vide letter dated March 26, 2014. Subsequently, vide letter dated September 19, 2014, additional submissions were filed on behalf of Shri Swarup.

Consideration of Issues, Evidence and Findings

11. I have carefully perused the material available on record as well as written and oral submissions made by the Noticees. The issues that arise for consideration in the instant case are:

    a. Whether the Noticees have violated the provisions of clauses 6.2, 6.9.6.6, 6.10.2.3, 6.11.1.2, 6.15.2 and 9.1 of DIP guidelines read with regulation 111 of ICDR Regulations?

    b. Whether the Noticees have violated the provisions of section 12A(a), (b) and (c) of SEBI Act read with regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (f) and (k) of PFUTP Regulations?

    c. Do the violations, if any, on the part of the Noticees attract penalty under sections 15HA & HB of SEBI Act?

    d. If so, how much penalty should be imposed on the Noticees taking into consideration the factors mentioned in section 15J of the SEBI Act?

12. The relevant provisions of SEBI Act, PFUTP Regulations, DIP Guidelines and ICDR Regulations are as under:

SEBI Act

Section 12 A. 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 recognised 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 the 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 it the rules or the regulations made thereunder

PFUTP Regulations

Reg.3. 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 recognised stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder:

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

(d) engage in any act, practice, course if 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 recognised stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder

Reg. 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 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 believed to be true prior to or in the course of dealing in securities;

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

DIP Guidelines

Clause 6.2 - The prospectus shall contain all material information which shall be true and adequate so as to enable the investors to make informed decision on the investments in the issue.

Clause 6.9.6.6 - Related party transactions as per the Financial Statement

Clause 6.10.2.3 - If the issuer company has subsidiaries, the report shall:

(a) so far as regards profits and losses, deal separately with the issuer company's profits or losses as provided by 6.10.2.2 and in addition, deal either:

(i) as a whole with the combined profits or losses of its subsidiaries, so far as they concern the members of the issuer company; or

(ii) individually with the profits or losses of each subsidiary, so far as they concern the members of the issuer company;

or, instead of dealing separately with the issuer company's profits or losses, deal as a whole with the profits or losses of the issuer company, and, so far as they concern the members of the issuer company, with the combined profits or losses of its subsidiaries; and

(b) so far as regards assets and liabilities, deal separately with the issuer company's assets and liabilities as provided by 6.10.2.2 and in addition, deal either:

(i) as a whole with the combined assets and liabilities of its subsidiaries, with or without the issuer company's assets and liabilities; or

(ii) individually with the assets and liabilities of each subsidiaries; and shall indicate as respects the assets and liabilities of the subsidiaries, the allowance to be made for persons other than the members of the issuer company

Clause 6.11.1.2 - The information about outstanding litigations as per Clause 6.11.1.1(e) shall be furnished in respect of subsidiaries of the issuer company (if applicable)

Clause 6.15.2 - The draft prospectus (in case of issues other than fast track issues), red herring prospectus and prospectus shall be approved by the Board of Directors of the issuer and shall be signed by all Directors, the Chief Executive Officer, i.e., the Managing Director or Manager within the meaning of the Companies Act, 1956 and the Chief Financial Officer, i.e., the whole-time Finance Director or any other person heading the finance function and discharging that function.

(b) The signatories shall further certify that all disclosures made in the prospectus are true and correct.

Clause 9.1 Guidelines on Advertisements.

ICDR Regulations

Repeal and Savings.

Reg 111 (1) On and from the commencement of these regulations, the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 shall stand rescinded.

(2) Notwithstanding such rescission:
(a) anything done or any action taken or purported to have been done or taken including observation made in respect of any draft offer document, any enquiry or investigation commenced or show cause notice issued in respect of the said Guidelines shall be deemed to have been done or taken under the corresponding provisions of these regulations;
(b) any offer document, whether draft or otherwise, filed or application made to the Board under the said Guidelines and pending before it shall be deemed to have been filed or made under the corresponding provisions of these regulations.

13. Before dealing with the charges and allegations leveled against the Noticees, I first deal with the preliminary issues raised by them with regard to inspection of documents. I note that the Noticees vide letter dated September 19, 2013 and subsequent letters dated November 22, 2013, December 12, 2013, December 27, 2013 and March 06, 2014 sought for inspection of documents including the correspondence exchanged between the Merchant Banker of DLF and SEBI, notings and

other relevant papers in relation to DLF's DRHPs dated May 11, 2006 (first DRHP) and January 02, 2007 (second DRHP) and DLF's Prospectus dated June 18, 2007.

14. I note that all the documents relied upon in the instant proceedings were made available to the Noticees through the aforesaid SCN and the Noticees were also given opportunity to inspect the said documents on December 16-17, 2013. In this regard, I would like to rely the observation made by Hon'ble Securities Appellate Tribunal (SAT) in the matter of Mayrose Capfin Private Limited vs SEBI (decided on 30.03.2012) wherein SAT observed thus*:"....................the principles of natural justice require that the inquiry officer should make available such document and material to the delinquent on which reliance is being placed in the inquiry. It is not necessary for the inquiry officer to make available all the material that might have been collected during the course of investigation but has not been relied upon for proving charge against the delinquent. No prejudice can, therefore, be said to have been caused to the appellant on this count....".* In the light of the above, I am convinced that principles of natural justice have been duly complied with in the instant proceedings and no prejudice has been caused to the Noticees in this regard.

15. The other preliminary issue raised by the Noticees is that invocation of the Adjudication Rules, without following the procedure set out in the PFUTP Regulations, vitiates the present SCN. They contended that no order directing investigation was passed as required under PFUTP Regulations. In the instant case, I find that the investigation was conducted pursuant to Order dated October 20, 2011 passed by Whole Time Member, SEBI wherein it was directed to investigate into the allegations levelled by KKS in respect of DLF and Sudipti. Further, a formal order was also issued appointing the investigating authority. I,

therefore, find the no merit in the contention of the Noticees in this regard.

16. Another preliminary issue raised by the Noticees is that SEBI's investigation should have been restricted to the examination of KKS complaints and SEBI ought not to have widened the scope of its enquiry to cover PFUTP Regulations also. In this regard, I find that the investigation was conducted pursuant to Order dated October 20, 2011 passed by Whole Time Member, SEBI wherein it was decided to investigate into the allegations levelled by KKS in respect of DLF and Sudipti, with a focus on the violations, if any, of the provisions of erstwhile DIP Guidelines read with the relevant provisions of Companies Act, 1956. The mere fact that emphasis has been given to the provisions of DIP Guidelines does not mean the exclusion of the other provisions of the SEBI Act, Rules and Regulations. Therefore, Order dated October 20, 2011 of SEBI, in my view, does not in any way restrict the powers of investigating authority (IA) nor the scope of investigation to the violations of DIP Guidelines/ICDR Regulations only and it was well within the authority of IA appointed in the instant case to investigate into any other provisions of SEBI Act, Regulations and Rules made there under. I am, therefore, of the view that the present proceedings do not suffer from any infirmities.

Findings

17. I note that DLF had come out with an IPO in the year 2007 through Red Herring Prospectus (RHP) dated May 25, 2007 for issuance of 17,50,00,000 equity shares of ₹ 2 each at a price of ₹525 per equity share aggregating to ₹9187.5 crore. In this regard, DLF filed the DRHP

dated January 2, 2007 with SEBI. The issue opened on June 11, 2007 and closed on June 14, 2007. The Prospectus was filed with Registrar of Companies on June 18, 2007. The shares of DLF were listed on 'The Mumbai Stock Exchange Limited' (BSE) and 'The National Stock Exchange Limited' (NSE) on July 5, 2007. I also note that before filing the DRHP dated January 02, 2007, DLF had filed a DRHP dated May 11, 2006 ("first DRHP") which was subsequently withdrawn. I note that the Noticees in the instant proceedings were part of the top management of DLF during the period 2006-2008 who were *inter alia* responsible for preparation and filing of the offer documents relating to the IPO of DLF in the year 2007.

18. From the findings of the investigation, I note the following:

(i) DLF was incorporated in the year 1963 and was engaged in the business of real estate development, generation of power, provision of maintenance services, hospitality and recreational activities, life insurance and retail chain outlets. It was also involved in the sale of residential spaces, select commercial offices and commercial complexes.

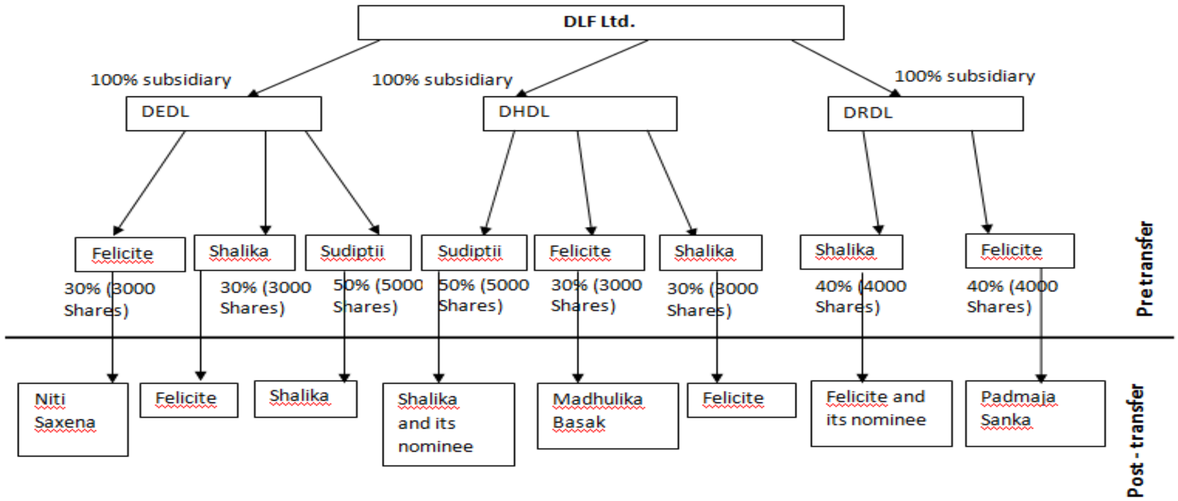
(ii) DHDL, DEDL and DLF Retail Developers Limited (DRDL) were 100% subsidiaries of DLF.

(iii) Sudipti was incorporated on March 24, 2006 and DHDL and DEDL were subscribers to its Memorandum and Articles of Association. The entire shareholding of Sudipti was equally held by DEDL and DHDL (50% each).

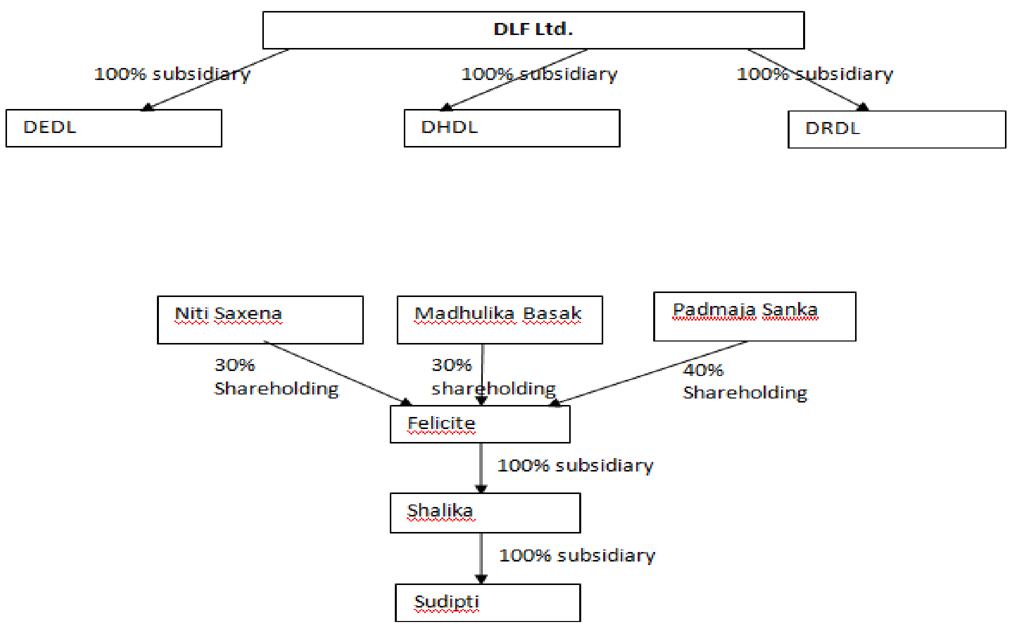
(iv) Two other companies namely Shalika Estates Developers Private Limited (Shalika) and Felicite Builders and Constructions Limited (Felicite) were also incorporated on March 26, 2006. The entire shareholding of Shalika, was held by DHDL (30%), DEDL (30%) and DRDL (40%). Similarly, DHDL, DEDL and DRDL were the only shareholders of Felicite and held 30%, 30% and 40% shares, respectively in it. Thus, Sudipti, Shalika and Felicite were also subsidiaries of DLF.

(v) On November 29, 2006, the entire shareholding in Felicite held by DHDL, DEDL and DRDL was sold to three persons namely, Mrs. Madhiluka Basak, Mrs. Niti Saxena and Mrs. Padmaja Sanka who were house wives and spouses of the Key Management Personnel (KMPs) of DLF. On November 30, 2006, the entire shareholding of DHDL, DEDL and DRDL in Shalika was sold to Felicite. On the same day, DHDL, DEDL sold their entire shareholding in Sudipti to Shalika.

(vi) The names of shareholders and their % shareholding in Sudipti, Shalika and Felicite before and after the transfer of shares in those 3 companies as mentioned above is depicted in a pictorial form as under:



Post transfer of shares, the shareholding of Sudipti, Shalika and Felicite is depicted in the pictorial form as under:



(vii) One Shri Praveen Kumar, who is the nephew of the Shri K P Singh, the Executive Chairman of DLF was director of DLF's subsidiaries and also was a KMP of DLF and was reporting to the Board of DLF. The resolution dated November 27, 2006 with respect to the sale of shares of Sudipti held by DEDL and DHDL was signed by Shri Praveen Kumar and he was also an authorized signatory for the bank accounts of Sudipti and Shalika from April 05, 2006 onwards. Shri Praveen Kumar was also the director of 4 subsidiaries of DLF viz. DLF Land Ltd., DLF Golf Resorts Ltd., Newgen Medworld Hospitals Ltd., and Nilayam Builders & Developers Ltd., and was also a director of a promoter group company viz. Nachiketa Real Estates Pvt. Ltd.

(viii) Even after the sale of entire shareholding in Sudipti, Shalika and Felicite by the wholly owned subsidiaries of DLF, there was no change in the composition of Board of Directors (BoD) of Sudipti, Shalika and Felicite. The three shareholders namely, Mrs Madhulika Basak, Mrs. Padmaja Sanka, and Mrs. Niti Saxena who, pursuant to purchase of shares of Felicite from DHDL, DEDL and DRDL on November 29, 2006, became 100% shareholders of Felicite, which in turn became 100% shareholder in Shalika which in turn became 100% shareholder in Sudipti, were spouses of KMPs of DLF.

(ix) Also, there was no change in any of the authorized signatories of the bank accounts. Their registered offices and statutory Auditors also remained unchanged.

(x) Shalika did not have any money of its own to purchase shares of Sudipti but the same was funded by the sellers of the very same shares. As per the bank account statement of Shalika for the period April 01, 2006 to November 29, 2006, it had nil balance in its bank account till November 29, 2006. It received ₹ 40,000/- from DRDL on November 29, 2006, ₹. 30,000/- from DHDL on November 29, 2006 and ₹ 30,000/- from DEDL on December 01, 2006, making a total of ₹ 1,00,000/- in its bank account. It paid ₹. 50,000/- to DHDL from this balance towards aforesaid purchase leaving a balance of ₹ 50,000/- in this account on December 22, 2006. The entire shareholding of DEDL in Sudipti was transferred to Shalika except one share which was in the name of Shri Manish Gautam. Although the shares of Sudipti were claimed to have been transferred by DEDL to Shalika on November 30, 2006, DEDL had received payment in this regard from Shalika on April 03, 2007 i.e. after a delay of four months without any interest. The Bank account of Shalika confirms that the joint holder of 1 share viz. Manish Gautam did not make any payment for the said holding. Sudipti has informed that based on the declaration of Shri Gautam, it had filed a declaration with RoC that the beneficial interest in the shares was held by Shalika.

(xi) Similarly, the payments towards sale of shares of Shalika to Felicite claimed to have been received by DHDL, DRDL and DEDL from Felicite were part of the composite payments from Felicite thereby pointing to the lack of conclusive proof of receipt of payments by DHDL, DRDL and DEDL in respect of sale of shares of Shalika.

(xii) The scrutiny of the bank account statements of Mrs Madhulika Basak, Mrs. Padmaja Sanka and Mrs. Niti Saxena revealed that those three bank accounts were in the name of those three housewives jointly with their respective spouses.

(xiii) Even though these three housewives have claimed that the purchase of shares of Felicite was as part of their investment decision, as per the details obtained from CDSL and NSDL for the period 2005-2007, Mrs. Madhulika Basak had no demat account during the years 2005-2007, Mrs. Padmaja Sanka had no shareholding in her demat account during the years 2005-2007 and Mrs. Niti Saxena had a demat account jointly with her husband Shri Joy Saxena with nil shares in November 2006 and few hundred shares of Cairn India in December 2006. This showed that these three housewives were not regular investors / traders in equity shares.

(xiv) The KMPs of DLF, who were themselves not only KMPs of DLF but also subject to the control of DLF due to their 'employee and employer relationship', were spouses of 100% shareholders of Felicite which in turn was holding 100% shareholding in Shalika, which in turn was holding 100% shareholding in Sudipti. Considering that they were house wives, it was observed that the funds to purchase shares of Felicite in their names must have come from their husbands, who in turn were KMPs of DLF.

(xv) All these three companies Sudipti ,Shalika and Felicite were loss making companies at the time of transfer of shares. They did not account for any expenses on account of operations, cost of establishment or staff, rent, electricity, telephone, property tax or salary in their books of accounts during the financial year 2006-07 and 2007-08.

(xvi) Sudipti had entered into a development agreement with one of DLF's partnership firms, DLF Commercial Projects Corporation (DCPC) and DCPC had provided performance deposit amounting to ₹ 45 crore to Sudipti.

(xvii) The employees of DLF/and its subsidiaries, mostly KMPs, who were subject to the control of DLF due to their ‘employee and employer relationship’, continued to be the directors of these companies even after the claimed disassociation of these companies with DLF. Further, these KMPs were spouses of persons who became 100% shareholders of Felicite, which in turn became 100% shareholder in Shalika and which in turn became 100% shareholder in Sudipti on November 29-30, 2006. Thus, DLF had never lost control of Sudipti, Shalika and Felicite. As per Companies Act, 1956 a company shall be deemed to be a subsidiary of another if other controls the composition of its Board of directors. Therefore, these three entities were subsidiaries of DLF.

(xviii) The Noticees had employed a scheme by camouflaging the association of Sudipti with DLF as dissociation, had actively and knowingly suppressed material information and facts in the RHP namely, related party transactions, financial information pertaining to aforementioned subsidiaries and outstanding litigation /FIR against Sudipti leading to misstatements in the Offer Documents.

19. The following are the main submissions of DLF in response to the allegations levelled against the Noticees:

(i) DLF has not suppressed any material information or fact leading to misstatement in the RHP/Prospectus so as to mislead or defraud the investors whether actively, knowingly or otherwise. It has not employed any scheme by camouflaging the association of

Sudipti with DLF as disassociation or failed to ensure that the RHP contained all material information which is true and adequate.

(ii) DLF denied that the Offer Document contained any misstatements or deliberate non-disclosures regarding Felicite, Shalika and/or Sudipti in relation to the same being liable to be included as subsidiaries/related parties its RHP /Prospectus. There was no requirement for the said three companies to be disclosed as subsidiaries/ related parties. In fact, to disclose those companies as subsidiaries would have been a misstatement in itself.

(iii) The SCN incorrectly alleges that Felicite, Shalika and Sudipti were subsidiaries of DLF. In this respect, reference to Accounting Standard 23(AS-23) in the SCN in relation to accounting in consolidated financial statement for subsidiaries is incorrect. AS-23 deals with consolidation of accounts of Associates in the consolidated financial statement and not for presentation of financial information about a parent and its subsidiary. The Accounting standard which deals with accounting for investment in subsidiaries is Accounting Standard 21 (AS-21).

(iv) From November 29-30, 2006, DLF was neither holding, directly or indirectly, any equity share capital in Felicite, Shalika and/or Sudipti nor enjoying any voting rights, directly or indirectly, qua these three companies. As a matter of law, from and with effect from November 29-30, 2006, Felicite became the ultimate holding company (parent) of both Shalika and Sudipti.

(v) Felicite, Shalika and/or Sudipti cannot be regarded as subsidiaries of DLF under Section 4(1)(b) and 4 (1)(c) of the

Companies Act, 1956 or under the first limb of the definition of 'control' under AS-21. The expression "controls the composition of its Board of directors" occurring in Section 4(1)(a) of the Companies Act, 1956 is to be read in accordance with sub-section 2 of Section 4 and that sub-section which conceives of control if the company which claims control can appoint or remove the holders of all or a majority of the directorships by the exercise of some power exercisable by it at its discretion without the consent or concurrence of any other person.

(vi) The audited financial statements of DLF for the year ended March 31, 2007 also confirmed that Felicite, Shalika and Sudipti were not subsidiaries of DLF. This position was furtehr re-confirmed by their statutory Auditors in their letter dated August 2, 2013.

(vii) The fact that the shareholders of Felicite, Shalika and Sudipti did not change the existing directors on the board of those companies, cannot be implied to mean an assumption of decisive control over the Board of these companies in terms of the requirement set out in Section 4(2) of the Companies Act, 1956 and AS-21. Furthermore, the fact that the directors on the Board of Felicite, Shalika and/or Sudipti were employees of DLF/its subsidiaries does not satisfy the ingredients of control over the composition of Board of directors prescribed under Section 4(2) of the Companies Act, 1956 and AS-21.

(viii) As is evident from page 291 of the Offer Document, none of the Directors of Felicite, Shalika and/or Sudipti were KMPs of DLF for the purposes of AS-18. Some of the directors of these three companies were in fact Key Managerial Employees and so referred to and described as such in pages 120-127 of the offer document. As is evident from DLF's financial statements in the Offer Documents the persons referred as KMPs in the SCN were not KMPs of DLF for the purpose of AS-18.

(ix) KMP as a defined term under the AS 18 are persons who have authority for planning, directing and controlling the activities of DLF. As per AS 18 and at pages 291 and 339 of the Prospectus Shri. J.K. Chandra, Ms. Pia Singh and Shri. Kameshwar Swarup were designated as the KMPs. These are different from the persons required to be disclosed in the context of Clause 6.9.5.8 of the DIP Guidelines.

(x) Clause 6.9.6.6 of the DIP Guidelines requires related party transactions to be disclosed in terms of the financial statements of the issuer company. In terms of Section 211(3A) of the Companies Act, 1956 financial statements/balance sheets of a company have to be drawn up in accordance with the applicable Accounting Standards. The applicable Accounting Standard for the purposes of reckoning related party transactions is AS-18. In the instant case, there was no reportable, related party relationship between DLF and Felicite, Shalika and Sudipti, which would have required disclosure of the latter mentioned companies, as related parties in the financial statements because DLF neither had any direct or indirect voting right or any power to control composition of the board of directors of Felicite, Shalika and Sudipti nor had any power to direct, by statute or agreement, the financial and/or operating policies of Fecilite, Shalika and Sudipti.

(xi) The FIR filed on April 26, 2007 had not come into the knowledge of DLF until June 25, 2007 when DLF received a letter from SEBI enclosing KKS's letter dated June 04, 2007 in which reference to the lodging of the said FIR was made. Since DLF had no information regarding the lodging/pendency of this FIR at the time of its IPO, there arises no question of disclosure of the said FIR in the Offer Document.

(xii) The fact that Shri Praveen Kumar is the nephew of Shri K.P. Singh, the promoter/chairman of DLF and one of the "Key Managerial Personnel" (as distinguished from a Key Management Personnel under AS-18) is also wholly insufficient to conclude that DLF was aware of the FIR. The fact that Shri Kumar is a nephew of the Chairman of DLF does not even make him a relative of the Chairman of DLF within the meaning of the Companies Act, 1956. Further, disclosure of the FIR registered against Sudipti was not required because an FIR cannot be said to be a litigation.

(xiii) No prejudice has been caused to any investor of DLF as a consequence of any purported non-disclosure in the RHP/Prospectus nor has any investor lodged any complaint with SEBI with regard to the veracity of the disclosures in the RHP/Prospectus or the same adversely affecting his/her interest. The SCN also does not contain any allegations in relation to any loss suffered or any illegal advantage attributed to DLF on account of the alleged non-disclosures. In fact, disclosures as alleged would amount to misstatement as it would suggest untrue facts.

(xiv) The only relevance of Felicite, Shalika and Sudipti for the purpose of the Offer Documents was that of land of about 50 acres held by Sudipti and the same has been fully and failry disclosed in the offer documents.

20. Shri Kameshwar Swarup vide letter dated March 26, 2014 filed reply and submitted that he was adopting the reply of DLF dated March 14, 2014. In addition thereto, he submitted that he has now retired from DLF and while working with DLF, he was dealing only with the corporate legal issues in relation to DLF. As regards the Prospectus, he was asked only to comment upon the litigation part of the Prospectus.

21. Shri G.S. Talwar, vide letter dated September 26, 2014 filed reply submitting that that he was a non-executive director of DLF at the relevant time. He further submitted that his role on the board of directors was that of overseeing high-level strategy and he had no personal knowledge or involvement in the subject matter of the proceedings. It was also submitted that no other non-executive directors of DLF have been arrayed as Noticees and among non-executive directors, only he has been made party to the proceedings. He had no personal knowledge or involvement in the subject matter of the proceedings contained in the Show Cause Notice and is unable to respond to any aspect of the facts set out therein or comment on the submissions that the other entities may make on merits.

22. On a careful consideration of the allegations viz-a-viz the submissions of the Noticees, I note that the issue to be examined is whether the Noticees employed any scheme camouflaging DLF's association with Sudipti as dissociation; whether Sudipti, Shalika and Felicite were and continued to be the subsidiaries of DLF at the time of its second DRHP

dated January 02, 2007 thereby making DLF liable to disclose information about Sudipti, Shalika and Felicite as required in the DIP Guidelines .

23. I find that the entire shareholding of the said three companies viz, Sudipti, Shalika and Felicite, was originally held by the wholly owned subsidiaries of DLF viz. DEDL, DHDL and DRDL. Further, these three companies were shown as subsidiaries in the first DHRP filed on May 02, 2006 by DLF which was withdrawn subsequently. On November 29, 2006, the entire shareholding of DEDL, DHDL and DRDL in Felicite was sold to three individuals namely Mrs Madhulika Basak, Mrs. Padmaja Sanka and Mrs. Niti Saxena, who were spouses of KMPs of DLF. On November 30, 2006, the entire shareholding of DEDL and DHDL in Sudipti was sold to Shalika and on the same day the entire shareholding of DEDL, DHDL and DRDL in Shalika was sold to Felicite. I also note that in the second DRHP dated January 07, 2007 filed by DLF, Sudipti, Shalika and Felicite were not shown as its subsidiaries. The Noticees submitted that a significant difference in relation to the first DRHP and second DRHP, *inter alia,* related to the change in DLF's subsidiaries and related parties. It was further submitted that the second DHRP dated January 02, 2007 stated that consequent upon the transfer of shares, DEDL, DHDL and DRDL were dissociated from Sudipti, Shalika and Felicite and they were not its subsidiaries as on the date of filing of second DRHP.

24. The Noticees have contended that as per the provisions of section 4 of the Companies Act, 1956, a company is a subsidiary of another when (i) the latter holds more than half of share capital of the former or (ii) the latter controls the composition of BoD of the former. It is the case of the Noticees that consequent upon divestment of shares by its subsidiaries on 29-30, November 2006, DLF neither directly no indirectly held more than half in nominal value of the equity share capital of Felicite, Shalika and Sudpti. It has also been contended by the Noticees that DLF did not control the composition of the board of directors of Felicite, Shalika and Sudipti in terms of section 4 (2) of Companies Act, 1956. In this regard, the Noticees have cited various case laws namely (i) M. Velayudhan v Registrar of Companies MANU/KE/0053/1978 (Velayudhan) wherein it was held that the test of control over the composition of the board of directors of a company can only be reckoned by applying the conditions specified in section 4(2) of the Companies Act, 1956. (ii) Manmohan Sharma v. District Magistrate, Ghazibabad & Ors. MANU/UP/2079/2011 - The ratio of Velayudhan was followed with approval by the Division Bench of the Hon'ble Allahabad High Court (iii) Similar view has been expressed by the Division Bench of the Hon'ble Delhi High Court in Oriental Industrial Investment Corporation v. Union of India (1981) 51 Comp CAs 487 (Del) wherein it held that *".......... the requirement is established only if the holding company has the independent power to appoint or remove the holders of all or a majority of the directors ....".*

25. In this regard, I note that prior to November 29, 2006, DEDL, DHDL and DRDL, who were the wholly owned subsidiaries of DLF, were holding the entire shareholding in Sudipti, Shalika and Felicite. On November 29, 2006, the entire shareholding of DEDL, DHDL and DRDL in Felicite was sold to Mrs. Madhulika Basak, Mrs Padmaja Sanka and Mrs. Niti Saxena who were spouses of KMPs of DLF. On November 30, 2006, the entire shareholding of DEDL and DHDL in Sudipti was sold to Shalika and on the same day the entire shareholding of DEDL, DHDL and DRDL in Shalika was sold to Felicite. However, there was no material change

in Sudipti, Shalika and Felicite in terms of the composition of Board of Directors, Signatories to Bank Accounts, their registered office. The following table shows how all other things remained unchanged though shareholding in Sudipti, Shalika and Felicite was shown to have changed hands in November 2006.

	Name of the Company					
Particulars	**Sudipti**		**Shalika**		**Felicite**	
	Before	**After**	**Before**	**After**	**Before**	**After**
Board of Directors	(i)Vipen Jindal (ii))Arun Kumar Bhagat	**No change**	(i)Lovekush Sharma (ii)Rajendra Gupta	**No change**	(i)Rajendra Kumar Raheja (ii)Prem Kumar Vadhera (iii)Vijay kumar Gupta	**No change**
Registered office	P-39, Basement, NDSE part-II, New Delhi1-110049	**No Change**	P-39, Basement, NDSE part -II, New Delhi1-110049	**No Change**	P-39, Basement, NDSE part -II, New Delhi1-110049	**No Change**
Bank Account Signatory	i)Arun Kumar Bhagat (ii)Surojit Basak (iii)Praveen Kumar (iv)SK Gupta (v) Manik Khanna (vi)VS Khanna	**No Change**	i)Arun Kumar Bhagat (ii)Surojit Basak (iii)Praveen Kumar (iv)SK Gupta (v) Manik Khanna, (vi)VS Khanna	**No Change**	(i)Harshdeep Sachdeva (ii)Joydeep Dasgupta (iii)Surojit Basak (iv) Debashis Mukherjee	**No Change**
Statutory Auditors	M/s Chandra Gupta & Associates	**No Change**	M/s Chandra Gupta & Associates	**No Change**	M/s Ashok Jai & Co.	**No Change**
Share-holders	(i)DEDL (50%) (ii) DHDL (50%)	Shalika along with its nominee (100%)	DEDL (30%) DHDL (30%) DRDL (40%)	Felicite along with its nominee (100%)	DEDL (30%) DHDL (30%) DRDL (40%)	(i) Niti Saxena (30%) (ii)Madhulika Basak (30%) (iii) Padmja Sanka (40%)

26. Prior to November 29-30, 2006, the entire shareholding of Sudipti, shalika and Felicite were held by DEDL, DHDL and DRDL, that is to say, they were the only shareholders of Sudipti, Shalika and Felicite. It therefore follows that the individuals who were on the Board of Sudipti, Shalika and Felicite as directors were only the appointees of DEDL, DHDL and DRDL that is to say the appointees of DLF. Even after November 29-30, 2006, the directors of Sudipti, Shalika and Felicite earlier appointed by DEDL, DHDL and DRDL continued to remain as such. It is pertinent to mention here that Shri Vipen Jindel, one of the directors of Sudipti was DLF's Senior Vice President, Finance and its other director Shri Arun Kumar Bhagat was a director in DLF's subsidiaries namely Prateep Estate Pvt Ltd., and Bedelia Builders & Constructions Pvt Ltd. The Directors of Shalika namely Shri Lovekush Sharma & Shri Rajendra Gupta were both employees of DLF and directors of its subsidiaries viz. Chandrajyoti Estate Developers Pvt. Ltd., and Udipti Estate Developers Pvt. Ltd. The directors of Felicte also were employees of DLF and directors of its associates/ subsidiaries. The relationship of the directors of Sudipti, Shalika and Felicite with DLF is summarized in the tables given below:

<u>Directors of Sudipti</u>

Name	**Period**	**Relationship with DLF**
Arun Kumar Bhagat	11/05/2006 onwards	Director in Prateep Estate Pvt Ltd and Bedelia Builders & Constructions Pvt Ltd. subsidiaries of DLF. Authorized signatory in Bank accounts of Sudipti and Shalika.
Vipen Jindal	11/05/2006-26/03/2009	Sr VP Finance, DLF (i.e. Key Managerial personnel of DLF)
Puran Chand	28/07/2009	Employee of a subsidiary of DLF

Sachdeva	onwards	Ltd.

Directors of Shalika

Name of directors	Relationship with DLF
Lovekush Sharma & Rajendra Gupta	Both employees of DLF and directors of subsidiaries of DLF viz. Chandrajyoti Estate Developers Pvt. Ltd. and Udipti Estate Developers Pvt. Ltd., Lovekush Sharma, also Director of Isabel Builders & Developers Pvt. Ltd., subsidiary of DLF. Rajendra Gupta also director of other subsidiaries of DLF viz. Muafa Real Estates Pvt. Ltd., Carmen Builders and Const. Pvt. Ltd., DLF Universal Ltd. and Caressa Builders and Const. Pvt. Ltd.

Directors of Felicite

Name	Period	Relationship with DLF
Prem Kumar Vadhera	28/03/2006 onwards	A Retainer of a subsidiary of DLF viz Lennox Builder & Developers Pvt. Ltd., Samali Builders & Developers Pvt. Ltd.
Rajendra Kumar Raheja	28/03/2006 onwards	Employee of DLF. Employee cum director of subsidiary /associate company of DLF.
Vijay Kumar Gupta	06/09/2006- 27/09/2007 (Source: 2007-08 Annual Return filed by Felicite)	-
Rajesh Kumar Bhatia	02/03/2007 onwards	Employee of Subsidiary of DLF
Rakesh Kumar	09/01/2009 onwards	Employee of Subsidiary o DLF

27. Thus, post November 2006, in the case of Sudipti, its main shareholder was Shalika, the other shareholder being Shri Manish Gautam holding just one share that too as a nominee for Shalika. Similarly, in the case of Shalika, its main shareholder was Felicite, the other shareholder being Shri Neeraj Gulati holding just one share that too as a nominee for Felicite. In the case of Felicite also, its shareholders were spouses of KMPs of DLF. Sudipti, Shalika and Felicite being corporate entities cannot act by themselves but act through their directors. The directors of Sudipti, Shalika and Felicite were either directors or direct employees, some of them even holding key management position of DLF and/or its subsidiaries. There existed "employer - employee relationship" between DLF and the directors of Sudipti, Shalika and Felicite. This, in my view, is sufficient enough to hold that DLF continued to be in a position to exert influence over the directors of Sudipti, Shalika and Felicite. Further, there was no change in the signatories to bank accounts and statutory auditors of these companies and their registered offices also remained unchanged post November 2006.

28. Even though the shareholders of Felicite who were housewives had claimed that the purchase of shares of Felicite was as part of their investment decision, scrutiny of details received fron CDSL and NSDL revealed that they were not having any demat accounts or having a dormant account with nil/negligible holdings. This showed that these three housewives were not regular investors / traders in equity shares. In effect, the ultimate shareholders these three companies post November 2006 were housewives only, who were none other than the spouses of KMPs of DLF. This only goes to prove that the ultimate shareholders of Sudipti, Shalika and Felicite post November 2006 were only nominees of DLF and therefore DLF can definitely be said to have

control over the shareholders. This would further strengthen a finding given above that DLF had control over the management/Board of Sudipti, Shalika and Felicite.

29. Though the Noticees submitted that the shareholding in Sudipti, Shalika and Felicite had undergone change on November 29-30, 2006, I find that payment towards the said shares was either delayed or made by the new shareholders using the money that came from the sellers of the said shares themselves or without any conclusive evidence. The same is evident from the trail of fund flow as discussed below:

29.1 Prior to November 29-30, 2006, the entire shareholding of Sudipti, Shalika and Felicite, was held by the wholly owned subsidiaries of DLF viz. DEDL, DHDL and DRDL. On November 29, 2006, the entire shareholding of DEDL, DHDL and DRDL in Felicite was sold to three housewives namely Mrs. Madhulika Basak,w/o Shri Suroji Basak; Mrs. Padmaja Sanka, w/o Shri Ramesh Sanka; and Mrs. Niti Saxena, w/o Shri Joy Saxena.

29.2 I find that the shares of Sudipti were shown to have been transferred by DEDL & DHDL to Shalika and to one Shri Manish Gautam on November 30, 2006. DEDL had received payment in this regard from Shalika on April 03, 2007 i.e. after a delay of four months without any interest. Sudipti has informed that based on the declaration of Shri Gautam, it had filed a declaration with RoC that the beneficial interest in the shares was held by Shalika and in fact Shri Gautam was holding only one share.

29.3 As per the bank account statement of Shalika for the period April 01, 2006 to November 29, 2006, it was revealed that it had nil balance in its bank account till November 29, 2006. It received ₹ 40,000/- from DRDL on November 29, 2006, ₹. 30,000/- from DHDL on November 29, 2006 and ₹. 30,000/- from DEDL on December 01, 2006, making a total of ₹. 1,00,000/- in its bank account. It paid ₹. 50,000/- to DHDL from this balance towards aforesaid purchase leaving a balance of ₹. 50,000/- in this account on December 22, 2006. It had an opening balance of ₹ 49,578.70 in its bank account on March 24, 2007. It received ₹ 25,000 from Felicite on March 24, 2007 making a total of ₹. 74,578.70. It paid 50,000/- on April 03, 2007 to DEDL towards the balance payment. Thus, I find that Shalika was not having any money of its own to purchase shares of Sudipti but the same was funded by the sellers of the very same shares namely DEDL and DRDL.

29.4 The entire shareholding of DEDL, DHDL and DRDL in Shalika was sold to Felicite. As per the annual return of Shalika for the year 2006-07, out of 4,000 Shalika shares held by DRDL, 3999 shares were transferred in the name of Felicite and 1 share was in the name Shri Neeraj Gulati who was nominee of Felicite. Payment towards the sale of shares of Shalika received by DHDL, DRDL and DEDL from Felicite were as part of the composite payments received by them from Felicite. The Noticees contended that it was part of composite payment and in commercial parlance, such kind of payments are common. I find that there was no conclusive evidence of the receipt of funds by DEDL, DHDL and DRDL from Felicite in respect of sale of shares of Shalika and therefore the contention of the Noticees is not acceptable.

29.5 The shareholding of Felicite was transferred to Mrs. Madhulika Basak, Mrs. Padmaja Sanka and Mrs. Niti Saxena who were housewives and spouses of KMPs of DLF namely Shri. Surojit Basak, Shri. Ramesh Sanka and Shri Joy Saxena respectively. Shri. Ramesh Sanka was Group CFO of DLF and a director of DRDL, DHDL and DEDL. Shri. Surojit Basak and Shri. Joy Saxena were Senior Vice Presidents (Finance) of DLF. The payment for purchase of shares was made from the bank accounts jointly held by them with their spouses.

The details of payments made by the three housewives are as under:

Name of the seller	**Date of credit (debit)**	**Bank and account number of the Seller** **(Bank and account number of the Buyer)**	**Name of the Buyer**	**Amount credited (Rs.)**
DHDL (3000 shares)	02/12/2006	ICICI Bank 000705001373 (Canara Bank ,1046)	Madhulika Basak	30,000
DRDL (4000 shares)	07/12/2006	ICICI Bank 000705003878 (Citibank, 5971883229)	Padmaja Sanka	40,000
DEDL (3000 shares)	13/12/2006	HDFC Bank 00442320000172 (ICICI Bank, 628401055079)	Niti Saxena	30,000

30. Thus, I find that when shares held in Sudipti by DEDL and DHDL were shown to have been sold to Shalika, funds for the same, was in fact provided by same sellers i.e, DEDL and DHDL to Shalika. Similarly, when shares in Shalika held by DEDL, DHDL and DRDL were shown to have been transferred to Felicite, there was no conclusive evidence of the receipt of funds by DEDL, DHDL and DRDL from Felicite in respect of sale of shares of Shalika. Further, the buyers of Felicite shares were the spouses of KMPs of DLF and that the payment for the said purchase of shares was made from the joint bank accounts held by KMPs. I find that these KMPs of DLF who were subject to the control of DLF due to their 'employee and employer relationship', were spouses of 100% shareholders of Felicite, which in turn was holding 100% shareholding in Shalika, which in turn was holding 100% shareholding in Sudipti. Though technically, shareholding pattern has changed post 29-30, November 2006, the fund flow pertaining to the transfer of shares as discussed above, is yet another pointer to show that DLF was in fact, having control over Felicite, Shalika and Sudipti and thus had never lost control over them.

31. Further, I find that there were some other fund flows also to the account of Felicite from the accounts of the key employees of DLF. From the bank account of Felicite (ICICI Bank 000705016461), it is noted that Felicite had received a total of ₹ 2.0 crores through 10 credits of ₹ 20 lakhs each during the period November 29, 2006 to December 19, 2006 from 10 persons. From the communication dated 08-15, May 2013 of Kotak Mahindra Bank, it is noted that it had granted personal loans of about ₹ 20 lakhs each to the Shri Joy Saxena, Shri Ramesh Sanka, Shri Surojit Basak on November 07,2006, November 10, 2006 and December 15, 2006, respectively who were the KMPs of DLF and spouses of shareholders of Felicite. Similar loans were granted by Kotak Mahindra Bank to other KMPs of DLF/Director of DLF Group Company's viz. Shri Adesh Gupta, Shri Saurabh Chawla, Shri Kumar Gupta, Shri Manik Khanna, Shri Vipen Jindal, Shri Atul Goyal and Shri Sanjay Sethi. These KMPs, in turn, transferred the said

amounts of ₹ 20 lakh each to their own bank accounts jointly held with their spouses on November 28, 2006, November 10, 2006 and December 16, 2006, respectively. From these bank accounts money was transferred to ICICI bank account no. 000705016461 of Felicite. The confirmation from Citibank dated May 09, 2013, reveals that a sum of ₹20 lakhs each was transferred to Felicite from the bank accounts of Shri Adesh Gupta (jointly held with his wife Mrs Meenakshi Gupta) and Shri Atul Goyal (jointly held with his wife Mrs Nishi Goyal). As per the confirmation from Axis Bank dated May 09, 2013, a sum of ₹20 lakhs was transferred to Felicite from the bank account of Shri Manik Khanna (jointly with his wife Mrs Saroj Khanna). Similarly, as per the confirmation of Delhi Nagarik Sahkari Bank Ltd. dated May 13, 2013 a sum of ₹ 20 lakhs was transferred to Felicite from the bank account of Mrs Sangeeta Gupta. I also note from the bank account of Felicite that the full amount of ₹ 2 crores received by Felicite from the KMPs of DLF / their spouses as mentioned above, was further transferred to DLF itself and to its subsidiaries namely DEDL, DRDL and DHDL.

32. I also find that as per the return of allotment (Form 2) filed by Felicite with ROC, on December 14, 2006, Felicite allotted, 2 lakh shares each to 10 persons i.e, spouses of KMPS of DLF/Director of group company of DLF. Thus, the personal loans taken by aforesaid personnel of DLF were utilized to buy shares of Felicite in the name of their respective wives. Even after the second change in shareholding of Felicite on December 14, 2006, all shareholders were spouses of DLF Key personnel.

33. Further, I note that when Shri Sanjay Sethi ceased to be the KMP of DLF in March 2007, shares held by his wife Mrs. Seema Sethi in Felicite

were sold to Mrs. Rima Hinduja, w/o Shri Gaurav Monga on April 04, 2007. As per the RHP filed in May, 2007, Shri Gaurav Monga was the Vice-President, Finance, DLF and KMP of DLF. Thus, I find that Mrs Seema Sethi continued to be the shareholder of Felicite as long as her husband continued to be the KMP of DLF and once he ceased to be the KMP, shares were transferred in the name of another KMP. Similarly, as per the Annual Return filed by Felicite (for the AGM held on September 30, 2008), the shares held by Mrs. Niti Saxena were sold to DHDL on June 19, 2008. As per DLF's letter dated June 11, 2010, her husband Shri Joy Saxena was KMP of DLF till August 2008. Thus, I find that Mrs.Niti Saxena continued to be the shareholder of Felicite as long as her husband continued to be the KMP of DLF and just before he ceased to be the KMP, shares were once again got transferred in the name of the wholly owned subsidiary of DLF i.e. DHDL.

34. Thus, the subsequent developments post the purported transfer on 29-30 November 2006, as discussed above, can be summarised as under:

- KMPs of DLF/its group obtained bank loans totalling ₹ 2 crore which they used to pay for 2 lakh shares of Feliicite in the names of their spouses.
- Felicite transferred the said amount of ₹ 2 crore to DLF and its subsidiaries namely DEDL, DHDL and DRDL. In other words, funds to the tune of ₹ 2 crore had gone from Felicite to DLF.
- Upon cessation of KMPs employment with DLF, the shares in the name of spouses of said KMPs were transferred either to another KMP or to DLF's subsidiary. In other words, the new shareholders of DLF were again spouses of KMPs of DLF.

These facts would further strengthen the finding given herein above that DLF had absolute control over Felicite, Shalika and Sudipti.

35. The Noticees have further contended that the said three persons namely, Shri Ramesh Sanka, Shri Surojit Basak and Shri Joy Saxena (spouses of shareholders of Felicite) were not Key Management Persons of DLF, instead they were Key Managerial Employees. It is further contended that the persons referred as KMPs in the SCN were not KMPs of DLF for the purpose of AS-18 but key managerial personnel of DLF, disclosed in the Prospectus at pg. 120-127 under the caption “Key Managerial Employees” as per Clause 6.9.5.8 of the DIP Guidelines. KMP as a defined term under the AS-18 are persons who have authority for planning, directing and controlling the activities of DLF. As per AS-18 and at pages 291 and 339 of the Prospectus the names of Shri J.K. Chandra, Ms. Pia Singh and Shri Kameshwar Swarup have been given as KMPs. These are different from the persons required to be disclosed in the context of Clause 6.9.5.8 of the DIP Guidelines.

36. I note that in terms of clause 6.9.5.8 of the DIP Guidelines, Offer documents should disclose the details of 'Key Management Personnel'. DLF has disclosed at page 120 of Prospectus the names of its 'Key Managerial Employees which include the names of Shri Ramesh Sanka, group CFO; Shri Surojit Basak and Shri Joy Saxena both Senior Vice Presidents (Finance). As such, I find that the said three employees were Key employees of DLF. It is immaterial as to whether they are KMPs as per DIP guidelines or AS -18 as contended by the Noticees, in order to establish that DLF had control over them. The fact that they had been shown as Key Managerial Employees in offer documents and not as KMPs of DLF do not alter the "employee - employer relationship"

between DLF and these three employees. The contentions of the Noticees in this regard, is therefore is devoid of merit.

37. Thus, the facts/developments of the case as discussed herein above can be summarised as under:

- The shareholding of Sudipti, Shalika and Felicite was held by DEDL, DHDL and DRDL who were 100% subsidiaries of DLF.
- Post 29-30, November 2006, technically, Mrs. Madhulika Basak, Mrs. Padmaja Sanka and Mrs. Niti Saxena who were spouses of KMPs of DLF, were shareholders of Felicite which was the 100 % shareholder of Shalika which in turn 100% shareholder of Sudipti.
- Though transfer of shareholdings in the three companies was shown to have taken place on 29-30, November 2006, the payment towards the purchase of said shares was paid by the buyer to the seller much later in case of sale of shares of Sudipti to Shalika.
- Funds for payment towards purchase of shares were provided by the sellers themselves in case of Sudipti and there was no conclusive evidence for payment in case of Shalika.
- KMPs of DLF/its group obtained bank loans totalling ₹ 2 crore which they used to pay for 2 lakh shares of Feliicite in the names of their wives. In other words, the new shareholders of DLF were again spouses of KMPs of DLF.
- Felicite transferred the said amount of ₹ 2 crore to DLF and its subsidiaries namely DEDL, DHDL and DRDL. In other

words, funds to the tune of ₹ 2 crore had gone from Felicite to DLF.

- Upon cessation of KMPs employment with DLF, the shares in the name of spouses of said KMPs were transferred either to another KMP or to DLF's subsidiary.

All the above developments coupled with the fact that:

- there was no change in the Board of directors of Sudipti, Shalika and Felicite post transfer of shares.
- no change in their bank signatories
- no change in their registered office
- no change in their statutory auditors.

would lead me to conclude that DLF continued to have control and had in fact never lost control over the said three companies. All the aforesaid events and developments would not have been possible without the complicity and concerted effort of DLF, its subsidiaries, KMPs through their spouses who were shareholders; directors and bank signatories who were KMPs of DLF/its group. Moreover, I find that series of transfer of shares from the subsidiaries of DLF to Sudipti to Shalika and to Felicite were shown to have taken place, that too, in a matter of just two days. I have therefore, no hesitation to conclude that the purported transfer of shares which took place in November, 2006 was nothing but a sham transaction. Therefore, in my view Sudipti, Shalika and Felicite were, undoubtedly, subsidiaries of DLF at the relevant time within the meaning of the Companies Act.

38. Having concluded that Suditpi, Shalika and Felicite were the subsidiaries of DLF at the relevant time, DLF was under the obligation to disclose details with regard to those subsidiaries in its offer documents in compliance with DIP Guidelines read with ICDR Regulations. In this regard, it was alleged in the SCN that the Noticees actively and knowingly suppressed certain material information and facts in the Offer Documents namely, related party transactions, financial information pertaining to subsidiaries and outstanding litigation / FIR against Sudipti leading to misstatements in the Offer Documents. I shall, now, deal with the said allegations.

39. Regarding the allegation of non-disclosure of related parties, their transactions and financial information, I note that in terms of clause 6.10 of DIP Guidelines, Financial Statements should be disclosed as per Indian Accounting Standards. Clauses 10.1 & 2 of Accounting Standards deal with 'related party' and 'related party transactions'. In terms of Clause 10, parties are considered to be related if at any time during the reporting period one party has the 'ability to control' the other party or exercise significant influence over the other party in making financial and/or operating decisions. As per clause 10.2 'related party transaction' means a transfer of resources or obligations between related parties, regardless of whether or not a price is charged.

40. In this regard, I note that in the foregoing paragraphs it has been adequately established that even after the purported transfer of shares in Sudipti, Shalika and Felicite, DLF had never lost control and had the ability to control over the said companies and that they were subsidiaries of DLF. In view of the same, I find that these three companies were related parties of DLF. Thus, DLF was under obligation

to disclose in its offer documents 'related party transactions' pertaining to these three companies. I find that DLF had not disclosed the related party transactions with respect to these three companies and thereby violated the provisions of clause 6.9.6.6 of DIP Guidelines. DLF should have also disclosed financial details relating to these subsidiaries in terms of clause 6.10.2.3 of DIP Guidelines. These three subsidiaries were in fact loss making companies at the relevant time and no expenses on account of operations, cost of establishment or staff, rent, electricity, telephone, property tax or salary were recorded in their books of accounts during the financial year 2006-07 and 2007-08. As DLF had not disclosed financial details pertaining to these subsidiaries, I find that DLF has violated the provisions of clause 6.10.2.3 of DIP Guidelines.

41. It was further alleged in the SCN that DLF had not furnished in its Offer Documents the details of an FIR registered by KKS *inter alia* against Sudipti. As per the provisions of DIP Guidelines, DLF had to disclose in its Offer Documents the information about outstanding litigations in respect of its subsidiaries or any other litigation whose outcome could have a materially adverse effect on the financial position of DLF. In this regard, I note that KKS, in his complaints dated June 04, 2007 and July 19, 2007, stated that Sudipti had duped him of Rs. 34 crores and in that respect an FIR no. 249/2007 was registered at Police Station, Connaught Place, New Delhi.

42. I note that as per clause 6.11.1.2 of the DIP Guidelines information about outstanding litigations as per clause 6.11.1.1 (e) in respect of subsidiaries of the issuer are required to be disclosed in the Prospectus. In terms of clause 6.11.1.1(e) of the DIP Guidelines outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the issuer including disputed tax liabilities, prosecution under any enactment need to be disclosed in the Prospectus. Thus, the outstanding litigations against subsidiaries pertaining to matters likely to affect the operations and finances of the issuer are required to be disclosed as per clause 6.11.1.2.

43. The Noticees have contended that the said FIR filed on April 26, 2007 had not come into the knowledge of DLF until June 25, 2007 when it received a letter from SEBI enclosing KKS's letter dated June 04, 2007 to SEBI in which reference to the lodging of the said FIR was made. Since DLF had no information regarding the lodging/pendency of this FIR, until June 25, 2007, there arises no question of disclosure of the said FIR in the Offer Document. It is further contended that even assuming though not admitting that Sudipti was a subsidiary of DLF at the relevant time, disclosure of FIR registered against Sudipti was not required as an FIR cannot be said to be litigation because in the case of a criminal proceeding, a case can be said to be instituted only when a competent court takes cognizance of the offence alleged in the charge sheet and not on the mere filing of an FIR. Therefore, the mere registration of an FIR does not lead to the inference that a case is instituted, which would be "litigation" for the purposes of Clause 6.11.1.1 (e) of the DIP Guidelines. In this regard Noticees placed reliance on case laws namely (i) General Officer, Commanding, Rashtriya Rifles vs Central Bureau of Investigation (2012) 6 SCC228 and (ii) Jamuna Singh and Others vs Bhadai Shah (1964) 5 SCR 37 wherein it was stated that so far as criminal proceedings are concerned, institution does not mean filing , presenting of initiating the proceedings, rather it means taking cognizance as per the provisions contained in Code of Criminal Procedure, 1973 (Cr. PC). Reliance has been placed on Killick Nixon Limited and Others Vs Dhanraj Mills

Private Limited and Others - MANU/MH/0003/1981 to the effect that the knowledge of directors of a company cannot be construed as the knowledge of the company itself.

44. I note that the FIR in question was *inter alia* filed against Sudipti. As established above, Suditpi was a subsidiary of DLF at the relevant time. It was stated in the FIR that Sudipti had duped KKS of an amount of 34 crore. On perusal of the FIR, I note that it pertained to a land dispute between Sudipti & others and KKS. In this regard, I note that DLF had acquired sole development rights in the land owned by Sudipti, which DLF procured through its partnership firm DCPC wherein DLF held 76% interest. Obviously, such development rights will give DLF a claim to the revenues accrued from such land along with other title deed rights. DLF has also disclosed risks relating to the sole development rights constituting 37.9% of the total land reserves of DLF which included the sole development rights procured from Sudipti by DCPC as mentioned above. In the light of the above, I am of the view that Sudipti being a subsidiary of DLF, the land dispute between Sudipti and KKS was material and FIR regarding the same had a direct impact on the affairs of DLF and the same should have been disclosed in the offer documents.

45. The Noticees contentions that the DLF was not aware of the FIR and the knowledge of Shri Praveen Kumar could not be construed as the knowledge of DLF are also devoid of merit. The Noticees have cited the observations of Hon'ble Bombay High Court in the matter of Killick Nixon Limited and Others Vs Dhanraj Mills Private Limited and Others - MANU/MH/0003/1981 wherein it was stated that the knowledge of directors of a company cannot be construed as the knowledge of the company itself. In this regard, I note that apart from the fact that Shri

Praveen Kumar is the nephew of Shri K P Singh, Executive Chairman of DLF, he was a KMP of DLF and was a director of Nachiketa Real Estates Pvt. Ltd. (a promoter group company of DLF) and of DLF's subsidiaries viz. DEDL, DLF Land Ltd., DLF Golf Resorts Ltd., Newgen Medworld Hospitals Ltd. and Nilayam Builders & Developers Ltd. Moreover, Shri Praveen Kumar holding a position of responsibility accountable to the top management. It is highly improbable to believe that a KMP would not have brought to the Notice of the top management about a matter of this nature which has a direct impact on the activities of its subsidiary and in turn on the holding company itself. Moreover, the FIR was registered against Sudipti, which itself was a subsidiary of DLF at the relevant time. Hence, it is difficult to accept the argument of DLF that it was not aware of the FIR at the time of filing the DRHP.

46. The other contention of the Noticees in this regard is that an FIR could not be construed as a litigation for the purpose of disclosure under DIP guidelines. In this regard, as mentioned above, 'outstanding litigations' means not only litigations and other defaults but also covers other facts of this nature which materially affect the operations and finances of the issuer company. As mentioned in the above paragraphs, FIR in the instant case, related to a land dispute between Sudipti and others, wherein KKS had inter alia complained that Sudipti had duped him of ₹ 34 crores. It is an admitted fact that DLF had sole development right of the land owned by Sudipti. Such development rights gave DLF substantially the right to all revenues from development including rent and the authority to transfer title to the land. It has also disclosed in the RHP/Prospectus, risks relating to the sole development rights constituting 37.9% of the total land reserves of DLF. Hence, I am of the view that the FIR was material to the operations and finances of DLF and same should have been disclosed. Moreover, I find that DLF had made disclosures about other FIRs , i.e, FIR filed by one Harish Kumar Puri against DLF and its directors. Having made disclosure about other FIR in the Offer Documents, the stand now taken by DLF for not disclosing FIR about its subsidiary on the plea that the same did not amount to litigation, is not only contradictory but also reflects its fraudulent intent in suppressing a material fact with respect to its subsidiary.

47. As established above, I conclude that the purported transfer of shares held in Sudipti, Shalika and Felicite by DEDL, DHDL and DRDL was only a sham transaction and was nothing but a scheme employed by the Noticees to camouflage the association of Sudipti with DLF as dissociation. It clearly emerges from the facts and circumstances of the case that DLF continued to have control, and had never lost control over Sudipti, Shalika and Felicite which in fact were subsidiaries of DLF at the relevant time. DLF wilfully and deliberately chose not to disclose them as its subsidiaries thereby, actively and knowingly suppressed material information in the Offer Documents, more particularly information regarding related party transactions, financial information pertaining to subsidiaries and outstanding litigation / FIR against Sudipti leading to misstatements in the Offer Documents, which amounted to a fraud on investors.

48. It may be pertinent to mention here that SEBI has adopted disclosure based regulatory regime. The guiding principle in a disclosure based regulatory regime is the need for the issuers of securities to provide the potential investors with full, accurate and timely disclosure of all relevant information in respect of the issuer and the security being issued to enable the potential investors to make their own informed investment decisions. The integrity of market is predicated on the quality and the manner in which information regarding the company is made available to the market. In the case of an IPO, all information about the companies themselves, the products, the market, etc is made available to the public/investors in the form of offer documents. The disclosure-based regime imposes a heavier responsibility on the issuers of securities in respect of the accuracy and completeness of the information disclosed by them. In the instant case, as established in the foregoing paragraph, the Noticees had willfully and deliberately employed a scheme and suppressed information about its subsidiaries. As a consequence, the investors were deprived of the important information at the relevant point of time. In this regard, reliance is placed on the observations of Hon'ble SAT in the matter of *HSBC Securities and Capital Markets (India) Private Ltd. v. SEBI (Appeal No. 99 of 2007)*, wherein it is stated that *"an incorrect or wrong information in a letter of offer or other similar documents issued for the benefit of investors in general could lead to serious consequences including loss of credibility for the market operators and for the regulatory system. This kind of failure has to be taken very seriously by the market regulator".*

49. As discussed in the preceding paragraphs, the manner in which the Noticees had willfully and deliberately employed a scheme to camouflage the associations of Sudipti as dissociation, in my view, constitutes a fraud on the investors. In this regard, reliance is placed on the judgment of the Hon'ble SAT in the matter of *V. Natarajan vs. SEBI (Appeal No. 104 of 2011)*, wherein it was observed that:- *"... we are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, were violated. These regulations, among others, prohibit any person from employing 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 an exchange.*

They also prohibit persons from engaging 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 that are listed on stock exchanges. These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true. Any advertisement that is misleading or contains information in a distorted manner which may influence the decision of the investors is also an unfair trade practice in securities which is prohibited. The regulations also make it clear that planting false or misleading news which may induce the public for selling or purchasing securities would also come within the ambit of unfair trade practice in securities…......... A basic premise that underlies the integrity of securities market is that persons connected with securities market conform to standards of transparency, good governance and ethical behaviour prescribed in securities laws and do not resort to fraudulent activities."

50. The Noticees in the instant case are the issuer company i.e, DLF and its Executive Chairman, Vice Chairman, Managing Director, Whole Time Director, Executive Director - Legal, Director and CFO who were in charge of the affairs of DLF at the relevant time. Declaration appended to the offer documents signed by the Noticees *inter alia* certified that various provisions of SEBI Guidelines were complied with and that all the statements in the Offer Documents were true and correct. In the instant case, as brought out in the preceding paragraphs, there was suppression of material facts and information by DLF about its subsidiaries in the offer documents. Therefore, I find that the disclosures in the offer documents were not true, correct and complete and the certificate given by the Noticees in this regard is false.

51. A company being a legal entity cannot act by itself, rather it acts through its directors and officers. As such directors of the company are

expected to exercise utmost care, skill and diligence in all the activities of the company. I note that the Hon'ble SAT, in the case of N. Narayanan vs Adjudicating Officer, SEBI (Appeal No. 29 of 2012 decided on October 05, 2012) has observed as under:

> *".....with the changing scenario in the corporate world, the concept of corporate responsibilities is also rapidly changing day by day. The director of a company cannot confine himself to lending his name to the company, but, taking light responsibility for its day to day management. While functions may be delegated to professionals, the duty of care, diligence, verification of critical points by directors cannot be abdicated. The directors are expected to have a hands on approach in the running of the company and take up responsibility not only for the achievements of the company, but, also failings thereto"* .

52. It is worthwhile to mention here the observations of Honorable Supreme Court in its judgment dated April 26, 2013, in the matter of N. Narayanan v. Adjudicating Officer SEBI (Civil Appeal Nos.4112-4113 of 2013) wherein it stated thus:"*.....SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto ....SEBI has, therefore, a duty to protect investors individual and collective, against opportunistic behavior of Directors and Insiders of the listed companies so as to safeguard market's integrity."*

53. I note that Shri G S Talwar, Noticee No. 7, vide letter dated October 28, 2014, made a request to drop the charges levelled against him in the instant proceedings in view of the order dated October 10, 2014 passed by WTM, SEBI in the proceedings under section 11B in the matter of DLF Limited and Suditpi Estates Limited. In this regard, I note it has been clearly established herein above that DLF and its top management including Shri Talwar had chosen not to disclose Sudipti, Shalika and Felicite as its subsidiaries, thereby, actively and knowingly suppressed material information in the Offer Documents, more particularly information regarding related party transactions, financial information pertaining to subsidiaries and outstanding litigation /FIR against Sudipti leading to misstatements in the Offer Documents. I cannot ignore the fact that Shri Talwar was also a signatory to the declaration dated June 18, 2007 appended to the Prospectus certifying that the various provisions of SEBI Guidelines were complied with and that all the statements in the Offer Documents were true and correct. As already established herein above, the certificate given by the Noticees including Shri Talwar is false. I, therefore, do not find any merit in the submissions made by Shri Talwar.

54. Therefore, I find that the Noticees have violated the provisions of clauses 6.2, 6.9.6.6, 6.10.2.3, 6.11.1.2, 6.15.2 and 9.1 of DIP Guidelines read with Regulation 111 of ICDR Regulations and provisions of section 12A(a), (b) and (c) of SEBI Act read with Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (f) and (k) of PFUTP Regulations.

b. Do the violation, if any, on the part of the Noticee attract penalty under sections 15HA and HB of SEBI Act?

55. In this context, I would like to quote the observations of Hon'ble Supreme Court in the matter of SEBI Vs. Shri Ram Mutual Fund, {[2006] 5 SCC 361} wherein it was, interalia held that *"once the violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established, then the penalty is to follow."*

56. As the violation of the provisions of DIP Guidelines read with ICDR Regulations, SEBI Act and PFUTP Regulations have been established against the Noticees, I am convinced that it is a fit case for imposing monetary penalty under sections 15HA and 15HB of the SEBI Act, which read as under:-

> ***SEBI Act***
>
> ***15HA - Penalty for fraudulent and unfair trade practices***
>
> *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.*
>
> ***15HB- "Penalty for contravention where no separate penalty has been provided:*** *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board there under for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees."*

c. If so, how much penalty should be imposed on the Noticees taking into consideration the factors mentioned in section 15J of the SEBI Act?

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

Factors to be taken into account by the adjudicating officer.

While adjudging quantum of penalty under S.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."

58. The material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticees and the loss suffered by the investors as a result of the Noticees default. There is also no material made available on record to assess the amount of loss caused to investors or the amount of disproportionate gain or unfair advantage made by the Noticees as a result of noticees default. This is a clear case of suppression of material information by the Noticees thereby depriving the investors of important information at the relevant time. Further, the Noticees had acted in a fraudulent manner to the detriment of investors and the market in general and had posed a great threat to the safety and integrity of the market. Therefore, it is necessary that a justifiable penalty is imposed on the Noticees to meet the ends of justice.

Order

59. After taking into consideration all the facts and circumstances of the case, I, in exercise of the powers conferred upon me under section 15-I (2) of the SEBI Act, impose the following penalty on the Noticees:

<table>
<tr><th>Name of the Entity</th><th>Penal provisions (i.e. Sections under SEBI Act)</th><th>Amount of Penalty (in rupees)</th></tr>
<tr><td rowspan="2">Noticee No.1 - DLF Limited</td><td>15HA</td><td>₹25,00,00,000/- (Rupees Twenty Five Crore only)</td></tr>
<tr><td>15HB</td><td>₹ 1,00,00,000/- (Rupees one crore only)</td></tr>
<tr><td rowspan="2">Noticee Nos-2-8 namely

Shri K. P. Singh
Shri Rajiv Singh
Ms. Pia Singh
Shri T. C. Goyal
Shri Ramesh Sanka
Shri G S Talwar
Shri Kameshwar Swarup

The Noticee Nos. 2-8 shall pay the penalty jointly and severally</td><td>15HA</td><td>₹25,00,00,000/- (Rupees Twenty Five Crore only)</td></tr>
<tr><td>15HB</td><td>₹ 1,00,00,000/- (Rupees one crore only)</td></tr>
</table>

The above mentioned penalty will be commensurate with the violation committed by the Noticee.

60. The penalty shall be paid by way of a duly crossed demand draft drawn in favour of “SEBI- Penalties Remittable to Government of India” payable at Mumbai within 45 days of receipt of this order. The said demand draft shall be forwarded to "The Division Chief, Enforcement Department, DRA-IV, Securities and Exchange Board of India, Plot

no.C4-A, ‘G’ Block, Bandra Kurla Complex, Bandra (E), Mumbai- 400 051.

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

DATE: February 26, 2015	A SUNIL KUMAR
PLACE: Mumbai	ADJUDICATING OFFICER