BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER Ref No.: Order/AS/RM-AK/2023-24/29701-29717

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

In respect of:

Sr No	Name and PAN of Noticee	Sr no	Name and PAN of Noticee
1.	**Shri Govind Raj Rao** (PAN: AGAPR1557P)	2.	**Ms. Indira Karkera** (PAN: ADUPK3802B)
3.	**Shri Balram Mukherjee** (PAN: CIGPM5834A)	4.	**Shri Prashant Karkera** (PAN: AANPK8238K)
5	**Shri Akhil K Dalal** (PAN: AAEPD5406D)	6	**Shri Anand S. Bhalakia** (PAN: AABPB9293K)
7	**Shri Anil Jathan** (PAN: ADCPJ1922H)	8	**Ms. Bhavani Jathan** (PAN: AOTPJ8562P)
9	**Mr. Chetan Shah** (PAN: ALWPS9006K)	10	**Mr. Dayanand Jathan** (PAN: ACDPJ8303J)
11	**Ms. Dina Bhalakia** (PAN: AKZPB1073H)	12	**Ms. Jayshree Shah** (PAN: AVGPS5623L)
13	**Mr. Mohit Karkera** (PAN: AUWPK6144M	14	**Mr. Sujitkumar Amarnath Gupta** (PAN: N.A)
15	**Mr. Pradeep Rathod** (PAN: AADPR5838A)	16	**Mr. Rajesh Bhagat** (PAN: AHZPB1387P)
17	**Mr. Shrikant Bhalakia** (PAN: AGJPB6222E)		

In the matter of **Sharepro Services (I) Pvt. Ltd.**

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**), pursuant to an anonymous complaint dated October 20, 2015, conducted an investigation to examine in detail the records of the company **Sharepro Services (I) Pvt. Ltd**. ("Sharepro") Meanwhile, Whole Time Member, SEBI passed an interim order dated March 22, 2016 against Sharepro and 15 other entities. Subsequently, vide confirmatory order dated November 03, 2017 the

directions issued vide abovementioned interim order were confirmed, against all but one entities. Investigation revealed the fraudulent siphoning of dividends by backward working from the bank accounts of the entities. Similarly, it was observed that the records of fraudulent transfer of shares at the office of Sharepro were massively falsified. SEBI observed that the system/database of Sharepro shows that dividends were paid to the original shareholders but the verification of the bank accounts revealed that the dividends were paid to persons who were not the rightful shareholders or were not at all the shareholders of the companies. Thus it was alleged that, not only the dividend due to genuine investors was fraudulently siphoned off but the records were falsified so as not to reflect the correct position. In view of the above observations SEBI initiated adjudication proceedings in the matter of Sharepro Services (I) Pvt. Ltd against the following Noticees under the respective acts/regulations as detailed below:

(i) Under Section 15A(a) & (c), 15C, 15HA and 15HB of SEBI Act, 1992 ("**SEBI Act**") for the alleged violation of Section 12 A (a) (b) (c) of SEBI Act, Regulation 2 (1) (c), 3 (b) (c) (d), 4 (1) & (2) (p) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (**"PFUTP Regulations 2003"**); Clauses (1),(2), (3), (5), (6), (16), (17), (18), (20), (25), (28), (30) of Code of Conduct specified in Regulation 13 of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 (**"RTA" Regulations"),** Regulation 9 (A) (e) & (f), Regulation 6 (g) and Regulation 14 (3) (b) & (c) of RTA Regulations, SEBI Circular No RTI Circular No. 1 (2000-2001) Dated May 09, 2001; Section 11C(2) and 11C (3) of SEBI Act, by **Sharepro Services (I) Pvt. Ltd (“Sharepro/ Noticee 1”).**
(ii) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d), 4(1) & (2)(h) of PFUTP Regulations 2003; Under Section 15A(a) of SEBI Act for the

alleged violation of Section 11C(2), 11C (3) and 11C(5) of SEBI Act by Govind Raj Rao (“**Noticee 2**”)

(iii) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12 A(c) of SEBI Act, Regulation 3, 4(1) & (2)(h) of PFUTP Regulations 2003; Under Section 15A(a) of SEBI Act for the alleged violation of Section 11C(2), 11C (3) and 11C(5) of SEBI Act by Indira Karkera (“**Noticee 3”**)

(iv) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2 (1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003; Under Section 15A(a) of SEBI Act for the alleged violation of Section 11C(2) and 11C (3) of SEBI Act by Balram Mukherjee (“**Noticee 4”**)

(v) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003; Under Section 15A(a) of SEBI Act for the alleged violation of Section 11C(2), 11C (3) and 11C(5) of SEBI Act by Prashant Karkera (“**Noticee 5”**)

(vi) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a) (b) (c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003; Under Section 15A(a) of SEBI Act for the alleged violation of Section 11C(2) and 11C(3) of SEBI Act by Akhil K Dalal (“**Noticee 6”**)

(vii) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003 by Anand S. Bhalakia (“**Noticee 7”**)

(viii) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003; Under Section 15A(a) of SEBI Act for the alleged violation of Section 11C(2) and 11C (3) of SEBI Act by Anil Jathan (“**Noticee 8”**)

(ix) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations; Under Section 15A(a) of SEBI Act for the alleged violation of Section 11C(2) and 11C (3) of SEBI Act by Bhavani Jathan ("**Noticee 9"**)

(x) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations; Under Section 15A(a) of SEBI Act for the alleged violation of Section 11C(2), 11C(3) and 11C(5) of SEBI Act by Chetan Shah ("**Noticee 10"**)

(xi) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations by Dayanand Jathan ("**Noticee 11"**)

(xii) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4 (1) of PFUTP Regulations by Dina Bhalakia ("**Noticee 12"**)

(xiii) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations by Jayshree Shah ("**Noticee 13"**)

(xiv) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations by Mohit Karkera ("**Noticee 14"**)

(xv) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations by Sujitkumar Amarnath Gupta ("**Noticee 15"**)

(xvi) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations and under Section 15A(a) of SEBI Act for the alleged violation of Section 11C(2) and 11C(3) of SEBI Act by Pradeep Rathod ("**Noticee 16"**)

(xvii) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations by Rajesh Bhagat ("**Noticee 17"**)

(xviii) Under Section 15HA and 15HB of the SEBI Act for the alleged violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations; Under Section 15A(a) of SEBI Act for the alleged violation of Section 11C(2) and 11C (3) of SEBI Act by Shrikant Bhalakia ("**Noticee 18"**)

(Noticee 1 to Noticee 18 collectively referred to as the **"Noticees")**

APPOINTMENT OF ADJUDICATING OFFICER

2. Mr. K Saravanan was appointed as Adjudicating Officer vide communique dated July 12, 2019 under Section 15-I of the SEBI Act, read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as **"Adjudication Rules"**) to inquire into and adjudge under 15A(a) & (c), 15C, 15HA and 15HB of SEBI Act, 1992 for the aforesaid alleged violations by the Noticees. Subsequently the matter was transferred to Shri Prasanta Mahapatra vide communique dated July 14, 2021, and then to undersigned vide communique dated June 07, 2022.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice no. SEBI/EAD-08/PM/NS/10582/1-18/2022 dated March 14, 2022 (hereinafter referred to as **"SCN"**) was served upon the Noticees under Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be held and penalty not be imposed against Noticees under Sections 15A(a) & (c), 15C, 15HA and 15HB of SEBI Act, 1992 for the aforesaid alleged violations.

4. From a perusal of the SCN, I note that the entire details of the alleged fraudulent transfer of dividends, misappropriation of shares, the movement of funds,

details of bank accounts involved, the relevant evidences and records considered by the investigation etc., have already been provided to the Noticees, at length. As the abovementioned SCN is quite voluminous running to close to 480 pages without the SCN's annexures, and contain all the relevant details pertaining to the findings of the investigation, this order does not duplicate the entire details and refers to only sample instances with respect to each Noticee to consider the roles of the entities for a focused adjudication. The allegations levelled against the Noticees in the SCN are summarized as below:

5. Noticee 1 was a SEBI Registered Category I Registrar to Issues and Securities Transfer Agent (CIN: U67120MH2004PTC148994; SEBI Registration No-INR000001476). Noticee 1 as a company was controlled by Govind Raj Rao (Noticee 2), being the Managing Director. Indira Karkera (Noticee 3) was Vice President and was Client Manager for a number of client companies of Sharepro, and acted as interface between the RTA and the listed client companies. All communications between the company and the RTA generally happen through the Client Manager. As per the statement of Noticee 2 dated December 04, 2015, all dividend related functions viz. payment of dividend, re-issue of dividend, transfer of unpaid dividend to IEPF etc. were handled by client managers who directly reported to MD i.e. Noticee 2.

6. SCN alleged that, Noticee 1 and its top management in connivance with various other entities facilitated diversion of assets (securities and dividend) belonging to genuine and rightful shareholders to entities related to management of Noticee 1. It was further alleged that, records at Noticee 1 were not maintained properly and there was deliberate falsification of records to blur the audit trail. Internal checks and balances were compromised to a high degree at Noticee 1. Various entities actively conspired with the top management of Noticee 1 and had also substantially benefitted from the scheme of fraud.

7. During investigation, based on the transaction patterns, various information

received from brokers/DPs/Banks, documents collected, statements of various entities recorded etc. the Noticees and a group of entities were alleged to be linked with each other and the management of Noticee 1. The relationship among them is given in a tabular form below:

Table 1

Noticee	Related to	Details of connection
Noticee 2	Noticee 1	Managing Director of Noticee 1
Noticee 3	Noticee 1	Vice President. Client Manager of majority of the client companies of Noticee 1
Noticee 4	Noticee 5	Shares transferred to and from Noticee 5
Noticee 5	Noticee 3, Notice 2	Husband of Noticee 3, Fund Transactions with Noticee 2
Noticee 6	Noticee 3 Related entities viz. Nagesh Karkera	Funds transactions with Noticee 3 related entities
Noticee 7	Noticee 18	Son of Noticee 18. Accounts Noticee 7 were operated by Noticee 18.
Noticee 8	Noticee 3	Brother of Noticee 3
Noticee 9	Noticee 3	Mother of Noticee 3
Noticee 11	Noticee 1	Employee of Noticee 1, Sr. Manager in charge of transfer/Demat department
Noticee 12	Noticee 18	Wife of Noticee 18
Noticee 13	Noticee 18	Sister of Noticee 18
Noticee 14	Noticee 3	Son of Noticee 3 and 5
Noticee 15	Noticee 3	Requested Britannia company to issue DD in favour of Noticee 15, knowingly that the genuine shareholder Sujit Kumar Gupta has died
Noticee 16	Noticee 3 Related entities viz. Raju Landge / and Noticee 8	Admitted dealing with Noticee 3 Funds transfer with Noticee 3 related entities.
Noticee 17	Noticee 3	Carried out transactions on instructions of Noticee 3
Noticee 18	Raju Landge, Suresh Unavane, Nagesh Karkera, Narayan Devadiga, Noticee 4	Bank account transactions. Noticee 18 admitted transferring funds to them on the instruction of Noticee 3.

Noticee	Related to	Details of connection
Suresh Unavane	Noticee 3 and 5	Servant of Noticee 3 and 5, his bank and demat accounts were operated by Noticee 3 and 5.
Raju Landge	Noticee 3 and 5	Driver of Noticee 3 and 5, his bank and demat accounts were operated by Noticee 3 and 5.
Nagesh Karkera	Noticee 3 and 5	Brother of Notiee 5. Bank account transactions. Accounts of Nagesh Karkera are opened and operated by of Noticee 3 and 5.
Narayan Devadiga	Noticee 3 and 5	Servant of Noticee 5. Bank account transactions. Accounts of Narayan Devadiga are opened and operated by of Noticee 3 and 5.
Satyam Brush Industries	Noticee 5	Proprietary Firm of Noticee 5
Ganesh Nimbalkar	Noticee 17	Brother-in-law of Noticee 17. Demat transactions. Accounts of Ganesh Nimbalkar are opened and operated by Noticee 17.
Swapnil Sutar	Noticee 17	Noticee 17 knew Swapnil as neighbor of Ganesh Nimbalkar. His accounts were opened and operated by Rajesh Bhagat.
Sukhdev Bhosale	Noticee 17	Noticee 17 and Sukhdev are friends. His accounts were opened and operated by Noticee 17.
Chandrakant Pawar	Noticee 17, Noticee 3 and 5	Notice 17 knew Chandrakant as neighbor of Ganesh Nimbalkar. His accounts were opened and operated by Noticee 17. Demat transactions with Noticee 3, 5 and 17.
Sunanda Jathan	Noticee 11	Wife of Dayanand Jathan, Demat Transactions with Noticee 2
Ratnakar Loku Poojary	Noticee 11, Noticee 2	Cousin of Sunanda Jathan, Neighbour of Noticee 2, and Demat Transactions with Noticee 2

8. SCN alleges several irregularities by Noticees in regard to the dividend payments made by its client companies. Dividend is declared to the shareholders of the company (as on the record date) which becomes due to the shareholders. The dividend to shareholders is disbursed from the bank account opened by the company for such specific purpose. Dividend is issued to each shareholder by warrant or demand drafts, with a unique warrant number. In cases of receipt request for re-validation/issuance of uncashed/undelivered warrants/demand draft from shareholders, the RTA validates the request after necessary due-diligence and forwards the request for payment to the company/bank.

9. The client companies of Noticee 1 used to open a bank account for each dividend declared and total dividend amount was transferred to such account. All dividend payments were required to be disbursed from this account. This account remained open till claims become barred by law and balance unclaimed amount was transferred to IEPF set up in accordance with Companies Act.

10. SCN alleges several irregularities on the part of Noticee 1 regarding release of dividend payments. SCN alleges that Noticee 1 and its management identified inactive folios (where dividends were getting transferred regularly to IPEF or DDs/Warrants were returning undelivered). Noticee 1 would then divert dividends pertaining to such folios in favour of people connected to the management fraudulently and blur the audit trail by falsifying records or not maintaining them. I note from the investigation findings and records that dividends were siphoned off from the genuine shareholders by the Noticees in different ways. The observation in this regard is detailed in paragraphs below.

11. As per statement of Noticee 2 (Annexure SR2 of the SCN) and other records, the details of uncashed warrants/demand, undelivered warrants/demand draft from shareholder, requests for re-validation and re-issuance of dividend demand drafts and warrants, details of re-validated/re-issued warrants/demand were not recorded and maintained by the Noticee 1. Further, no details of undelivered demand drafts was maintained or referred while processing requests for re-validation or re-issuance of dividends by the Noticee 1. There were no records of link between reissued demand drafts and the original demand drafts.

12. The SCN alleges that, Noticee 1 would issue demand drafts in favour of investors in bulk just before dividend account is closed and the balance is transferred to IPEF. Since many investors would not claim such demand draft, all these demand drafts will eventually get cancelled. Noticee 1 would thereafter request banks to issued demand draft in favour of people connected with its

management. The fact that dividend account has got closed and the notice 1 system showed 'dividend paid', helped the Noticee 1 to blur the audit trail.

13. On the basis of the bank account statements for the period 2004 to 2015 of Suresh Unavane, Raju Landge, Narayan Devadiga and Nagesh Karkera it was alleged that there was outflow to Noticee 3's family from these bank accounts. It was observed from the pattern of the transactions that most of the amount received in the bank account of these entities is being transferred to the family of Noticee 3 or withdrawn in cash. It was observed that the amount so moving in the bank accounts were hugely disproportionate to their social profile. Total Funds of Rs. 6,72,80,162 was received by these 4 entities, and Rs.87,58,770 was withdrawn in Cash, and Rs. 4,16,59,600 was transferred to Family of Karkera viz. Indira, Mohit, Prashant and Anil. Hence, total funds withdrawn in cash or transferred to Karkera Family was Rs. 5,04,18,370; i.e. 74.94% of total funds received were transferred to the Noticee 3 and withdrawn in cash.

14. Noticee 5 used to operate the demat account and bank accounts of Nagesh Karkera, Suresh Unawane, and all shares in their demat account and money moving though their bank account belonged to Noticee 5 and the Noticee 3.

15. Noticee 3 used to operate the demat account and/or bank accounts of Noticee 14, Narayan Devadiga, Raju Landge and Satyam Brush Industries, all shares in their demat account and money moving though their bank account belonged to Noticee 5 and the Noticee 3.

16. There were Off-Market transactions between Suresh Unavane and the Noticee 5 whereby shares alleged to be illegally siphoned off were transferred by Suresh to the Noticee 5. On the basis of observation regarding off market transactions of shares in the demat account of Ganesh Nimbalkar with Rajesh Bhagat (Noticee 17), Chandrakant Pawar and the Noticee 5 it was alleged that these

persons and the Noticee 5 were known to one another and had financial dealings among themselves. The transactions were with respect to receipt or payment of siphoned off shares. Off market transactions of shares of Asian Paints Limited from the demat account of Chandrakant with Rajesh Bhagat, Ganesh Nimbalkar and Nagesh Karkera were observed.

17. Noticee 18 vide his letter dated May 13, 2016 admitted that he knows Noticee 3 since 2009 and used to consult her in the matter of transfer of physical or demat shares and about requirement of documentation thereof. He has further admitted helping in transfer of shares belonging to other investors in his name and dematerializing and selling the same and later making payments to entities (Raju L, Suresh U, Nagesh K, Narayan D etc.) related to the Noticee 3 on her instructions. Noticee 6 is connected to Nagesh Karkera as seen from various fund transfers between Noticee 6 to Nagesh Karkera. In view of the facts that Nagesh by his own admission has acted as a proxy of The Noticee 3 as well as the fact that funds from Nagesh's account received from Noticee 6 were transferred onward to the Noticee 3, it was alleged that Akhil is also related to The Noticee 3.

18. Noticee 16 admitted vide his letter dated June 27, 2016 that Noticee 3 approached him for sale of certain shares and also gave him Indemnity Bond to reimburse in case of any losses in the said transactions. There were funds transfer between Pradeep and Raju Landge (driver of The Noticee 3), Noticee 8 (brother of The Noticee 3) and Noticee 3.

19. Brief Dividend Issue Process: Dividend declared by company becomes due to the persons holding shares as on record date. Company opens one bank account for each dividend declared and total dividend amount is transferred to such account. All dividends payments are required to be disbursed from this account. This account remains open till claims become barred by law and the

balance unclaimed amount is transferred to IEPF set up in accordance with Companies Act. The Noticee 1 explained that dividends are paid electronically or by demand drafts or by issue of warrants. Payment to each investor holding is identified by unique warrant no. If warrants are not encashed, then shareholders have to request the Noticee 1 to once again send the dividend proceeds to them and this time the dividend proceeds are sent by way of demand drafts. Unique warrant no. remains same throughout even if further DDs are issued against unclaimed warrant.

20. Further, the Noticee 1 (through The Noticee 2) informed vide statement dated February 15, 2016 that it prints dividend warrants except for amounts greater than Rs. 10,000, in which case, demand drafts are issued. These details are captured in the system. Further, the warrants/demand drafts are dispatched to the shareholders; in case the warrants/demand drafts are not encashed /are returned undelivered, the same is once again issued by way of a demand draft on receipt of request from concerned shareholder. The Noticee 3 (on behalf of the Noticee 1) also informed vide statement dated December 02, 2015 that it validates the dividend re-issue requests made by shareholders by making all necessary due diligence (w.r.t. genuineness of the claim) and forwards the request for payment to the company. Thereafter, the company instructs the banks to re-issue the dividend instrument and in certain cases the companies in good faith have authorized the Noticee 1 directly issue instruction to the banks.

21. In case the warrants/demand drafts are not encashed /are returned undelivered, the same is once again issued by way of a demand draft on receipt of request from concerned shareholder. However, no record such as DD no., date of reissue of demand drafts reissued against warrants or earlier demand drafts is maintained in the System of the Noticee 1. The Noticee 3 has accepted this in her statement dated December 02, 2015. It was alleged that the Noticee 1 has

deliberately not maintained proper records in its system so that demand drafts issued to persons belonging to or connected with the management of the Noticee 1 instead of the genuine shareholders is not immediately visible to any observer. All such payments have been recorded as payment being made to the registered shareholder i.e. the names of wrongful beneficiaries were not recorded in database of the Noticee 1. It was alleged that this amounts to deliberate falsification of records by the Noticee 1.

22. With respect to the dividend issue process followed at the Noticee, the Noticee 3 vide her statement dated December 02, 2015 explained that data of undelivered dividend warrants is kept only for 3 months. However, original undelivered data is not referred to while issuing duplicate instruments once expiry period is over. If any investor approaches for re-issuance, reconciliation file sent by bank is referred to for payment status and dividend is reissued accordingly. Undelivered demand drafts are inwarded in the system, but no details either in excel sheet or any format are maintained nor linked to the individual folio records. If any investor approaches for re-issuance, details are referred to bank for payment status and dividend is reissued accordingly. Bank confirmation for payment status of original or subsequent instrument is taken before issuing further instrument. Noticee 1 does not maintain record such as DD no., date of reissuance of re-issued demand drafts. There is no link of reissued instruments with original instruments. However, only payment status is updated in the system.

23. Noticee 1 and its management would come to know about inactive folios from the fact that dividend pertaining to them would regularly get transferred to IEPF or letters/warrants sent to them would return undelivered. Noticee 1 would then issue demand drafts of dividends pertaining to such folios in favour of people connected with its management. Since system does not capture dividend instruments returned, demand draft no. re-issued, and other details it led to audit

trail is blurred.

24. The Noticee 1 has also followed another practice. It would issue demand drafts in favour of investors in bulk just before dividend account is closed and balance is transferred to IEPF. Since, many investors would not claims such demand drafts, all demand drafts would eventually get cancelled. The Noticee 1 would then request banks to issue demand drafts in favour of people connected with its management. The fact that account has got closed and the Noticee 1 system shows dividend paid helped the Noticee 1 management to blur the audit trail.

25. Cases where Client Companies authorized Noticee 1 for giving direct instructions to banks for dividend payments: Generally, upon receipt of request for re-validation/issuance of uncashed/undelivered warrants/demand draft from shareholders, the RTA validates the request, and after necessary due-diligence and forwards the request for payment to the client company for approval. However, some of the Client companies (Tata Communications, Kansai Nerolac Paints, Navin Flourine International, Merck Limited) of Noticee 1 in good faith authorized Noticee 1 to directly issue instruction to the bank for payment of dividends to their shareholders for such requests without seeking approval from the company. SCN alleges that there was large scale siphoning of dividends where the companies (Tata Communications, Kansai Nerolac Paints, Navin Flourine International, Merck Limited) authorized Noticee 1 to issue instructions to banks directly without going through them, further, Noticee 3 was the client manager for the aforesaid companies.

26. Some of the sample instances are tabulated below:

Table 2

S.No.	Company	Noticee 1's Letter to bank dated	Observation	Dividend Amount (Rs.)	Dividend Credited in Account of	Further Transferred to	Details of shareholders and warrants at

1	Tata Communications	25.01.2008 (Annexure -OD4 of SCN)	Misleading reason 'Matter under dispute settled now'	49,500	Suresh Unawane	Rs. 48,000 transferred to Noticee 3	Page no. 26-27 of SCN
2	Kansai Nerolac Paints	05.12.2008 (Annexure -OD5 of SCN)	Misleading reason 'Late transfer/transmission'	1,39,750	Suresh Unawane	Withdrawn in cash	Page no. 28-29 of SCN
3	Kansai Nerolac Paints	05.12.2008 (Annexure -OD6 of SCN)	Falsified record by falsely stating that payment made to Ms. Mor Devi the genuine shareholder	3,68,628	Narayana Devadiga	Withdrawn in cash	Page no. 28-29 of SCN
4	Tata Communications	04.02.2008 (Annexure -OD7 of SCN)	Falsified record by falsely stating that Mr. Narayana Devadiga was the shareholder to which the dividend was due	99,000	Narayana Devadiga	Rs. 90,000 transferred to Noticee 3	Page no. 31-32 of SCN
5	Tata Communications	11.08.2006 (Annexure -OD8 of SCN)	Falsified record by falsely stating that Noticee 8 was the shareholder to which the dividend was due	18,000	Noticee 8	Noticee 3	Page no. 33 of SCN
6	Tata Communications	25.01.2008 (Annexure -OD9 of SCN)	Falsified record by falsely stating that Nagesh Karkera was the shareholder to which the dividend was due	81,000	Nagesh Karkera	Rs. 80,000 transferred to Noticee 3	Page no. 34-35 of SCN
7	Unit Trust of India	14.03.2008 (Annexure -OD10 of SCN)	Falsified record by falsely stating that Nagesh Karkera was the shareholder to which the dividend was due	2,87,325	Nagesh Karkera	Cheque of Rs. 3,00,000 issued and Rs. 2,00,000 transferred to Noticee 3	Page no. 36-41 of SCN
8	Kansai Nerolac Paints	23.04.2009 (Annexure -OD12 of SCN)	Falsified record by falsely stating that Nagesh Karkera was the shareholder to which the dividend was due	1,13,385	Nagesh Karkera	Cheque of Rs. 1,30,000 issued and Rs. 1,30,000 transferred to Noticee 3	Page no. 42-43 of SCN
9	Tata Communications	various occasions	Satyam Brush Industries not shareholder of Tata Communications (2005-2015). Noticee 5 is the proprietor of Satyam Brush. Noticee 5 stated that the transactions are undertaken under the instructions of Noticee 3. Noticee 2 misled the investigation by false and unsupported claims that the fund was transferred for central management.	13,66,379	Satyam Brush Industries	NA	NA

10	Kansai Nerolac Paints	19.11.2010(Annexure - OD13 of SCN)	Falsified record by falsely stating that Satyam Brush Industries was the shareholder to which the dividend was due	1,28,325	Satyam Brush Industries	NA	Page no.47-48 of SCN
11	Kansai Nerolac Paints	30.11.2010(Annexure - OD14 of SCN)	Falsified record by falsely stating that Satyam Brush Industries was the shareholder to which the dividend was due	1,85,426	Satyam Brush Industries	NA	Page no.49-50 of SCN
12	Kansai Nerolac Paints	29.11.2010 (annexure OD15 of SCN)	Falsified record by falsely stating that Satyam Brush Industries was the shareholder to which the dividend was due	2,18,753	Satyam Brush Industries	NA	Page no.50-52 of SCN
13	Tata Communications	14.02.2008 (Annexure -OD2 of SCN)	Raju Landge was not shareholder of Tata Communications, Falsified record by falsely stating that Raju Landge was the shareholder to which the dividend was due	1,02,525	Landge Raju	Noticee 3	Page no.52-53 of SCN
14	Navin Flourine International Ltd.	30.07.2007 (Annexure -OD3 of SCN)	Falsified record by falsely stating that Landge Raju was the shareholder to which the dividend was due	99,200	Landge Raju	Noticee 3	Page 54 of SCN
15	Kansai Nerolac Paints	06.11.2008 (Annexure -OD3 of SCN)	Falsified record by falsely stating that Landge Raju was the shareholder to which the dividend was due; and Falsified record by falsely stating that payment made to Mr. Amrit Lal the genuine shareholder. Further, Raju Landge was not even shareholder of Kansai Nerolac Paints	7,38,125	Landge Raju	Rs. 5,00,000 transferred to Noticee 3, Rs.94,000 withdrawn in cash	Page 55-56 of SCN

27. The various modus operandi alleged in such instances are as listed below:

(i) It was alleged that, dividend belonging to genuine shareholders were fraudulently paid to entities related to Noticee 3, viz. Suresh Unavane, Narayan Devadiga, Noticee 8, Nagesh Karkera, Satyam Brush Industries (Noticee 5's firm)/ Noticee 5 and Raju Landge.

(ii) Banks were asked to issue DDs against old warrant numbers, which were originally in the name of actual investors, to abovementioned entities related to Noticee 3 by showing them as shareholders.

(iii) In some cases, Noticee 2 and 3 misled the banks by stating that the cases pertained to matters under dispute which were settled or pertained to late transfer / transmission.

(iv) Even though payments were made to fake shareholders instead of genuine shareholders, Noticee 1's system showed such payments as having been made to genuine shareholders.

(v) In one instance, in respect of dividends which were due for transfer to IPEF, DDs issued in favour of respective shareholders were cancelled and were issued in favour of Satyam Brush Industries on the pretext of centralized processing. In this regard, it was found that Noticee 2 tried to mislead the investigation in this instance by submitting false information.

(vi) The beneficiaries of such siphoned of dividends were Noticee 3 and her family members.

28. Cases where Client Companies approval needed by Noticee 1 for issuing instructions to banks for dividend payments/ or Companies issued instructions to banks directly: The SCN indicates instances wherein the Noticee 1 did not had authorization to issue instructions regarding dividend payments to the banks, but was required to route the instructions to the company, who in turn would issue the instructions to the banks. In 36 such instances, Noticee 1 misled the companies (Asian Paints Ltd. and JM Financial Ltd.) by asking companies to issue instructions to banks to credit the dividend proceeds of the rightful investors to entities/persons related to the management of Noticee 1 or Noticee 3. The sample instances are as follows:

Table 3

S.No	Company	Noticee 1's email to Company dated	Observation	Dividend Amount (Rs.)	Dividend Credited in Account of	Further Transferred to	Details of folios, shareholders and warrants at
1	Asian Paints	21.01.2012 (Annexure -OD16 of SCN)	Misleading reason 'name deletion case'	5,11,680	Raju SL	Noticee 3 and 14	Page no. 57-59 of SCN

2	Asian Paints	NA	Unauthorisedly issued instructions to bank for dividend in favour of non-genuine shareholders	7,48,500	Satyam Brush Industries	NA	Folio no.1493 of Unit Trust of India
3	Asian Paints	NA	System of Noticee 1 falsely reflected that the payment has been made to UTI. Swapnil Sutar carried out transactions on the instructions of Noticee 17, who did the same on instructions of Noticee 3	3,33,000 3,52,500 17,52,000	Swapnil Sutar	Withdrawn in cash by Swapnil Sutar and given to Noticee 17, which subsequently returned the money through Swapnil Sutar	Folio no.1493 of Unit Trust of India
4	Britannia	NA	Instruments issued in favour of entities who were not shareholders of company in place of original shareholders. Noticee 17 acted upon instructions of Noticee 3	6,39,751.05	Suresh Unawane	Rs.2.50 Lakhs to Raju Langde Rs.1.30 lakhs to Noticee 3 Rs.2.50 Lakhs withdrawn in cash	Page no. 93 of SCN
				7,24,880	Krishna M Ghosh	withdrawn in cash	
				7,08,128	Sukhdev S Bhosale	Rs.6.48 Lakh withdrawn in cash and given to Noticee 17	
5	Britannia	18.03.2013	Falsified information sent to companies with reflecting entities who were not	23,52,054.5	Narayan D	Rs.23.50 lakhs to Noticee 3	Page no. 94 of SCN

			shareholders of company in place of original shareholders. Noticee 3 deposited back the dividends in the account of Company. Then Noticee 1 requested Company to issue Demand Draft for one Sujit Kumar Gupta (for amount Rs. 1985627.93). This demand draft was encashed by fake Sujit Kumar Gupta (Noticee 15).The company was aware that SKG had died in 1985.	19,85,627.9	Suresh Unawane	Rs. 19 lakhs to Noticee 14, Rs. 19 lakhs to Noticee 15	Page 94 of SCN
6	Asian Paints	NA	1.Dividend issued in the name of Suresh Unawane for the 18000 and 15000 shares belonging to UTI. 2. No information sent to Company for approval. 3. Through rectification entry Noticee 1 transferred 2100 shares from Folio no 00004191 (Suresh Unawane) to folio No. 00001493 (UTI).		Suresh Unawane		Details at page

29. It is pertinent to mention that 70% (785 cases) of the sample cases during investigation (where Noticee 1 misused the authority of instructing the banks

directly by issuing dividend payment instruments to persons who were not shareholders), “paid date” in the back office system maintained by the Noticee 1 was found to be different from the date of issuance of the instrument by the bank. In respect of 42 cases, "paid date" is not available in the back office system maintained by the Noticee 1. Further, in 13 cases, the system of the Noticee 1 shows that dividend has been transferred to IEPF whereas these payments have actually been made to Mr. Nagesh Karkera and Satyam Brush Industries. Therefore, it was alleged that the Noticee 1 has not only failed to maintain the proper books of account but has falsified the records to hide the fraud committed by the Noticee 1 management.

30. The summary of alleged violations and applicable regulatory provisions violated by different Noticees w.r.t. the above mentioned instances of dividend payment is as below:

Table 4

Noticee No	Name of the Entity	Violations	Applicable Regulatory provisions
1	Sharepro Services (I) Pvt. Ltd.	Committed fraud, falsification of records, Failure to do due diligence, attempt to mislead	Section 12A(a)- (c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)-(d), 4 (1) & (2) (p)of SEBI(Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. {Hereinafter PFUTP Regulations, 2003}, Clauses (1),(2),(3), (6), (16), (17), (18), (20), (25), (28), (30) of Code of Conduct specified in Regulation 13 of SEBI(Registrars to an Issue and Share Transfer Agents) Regulations, 1993 {“RTA” Regulations”}, Regulation 9(A)(f), Regulation 6(g) and Regulation 14 (3) (b)& (c) of RTA Regulations,
2	G.R.Rao	Committed fraud, Beneficiary of fraud, Vicarious liability, attempt to mislead, Failure to do due diligence	Section 12A(a)- (c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)-(d), 4 (1) of PFUTP Regulations, 2003
3	Indira Karkera	Committed fraud, Beneficiary of fraud	Section 12A(a)- (c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)-(d), 4 (1) of PFUTP Regulations, 2003
4	Balram Mukherjee	Beneficiary of fraud	Section 12A(a)- (c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)-(d), 4 (1) of PFUTP Regulations, 2003

5	Prashant Karkera	Committed fraud, Beneficiary of fraud,	Section 12A(a)- (c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)-(d), 4 (1) of PFUTP Regulations, 2003
8	Anil Jathan	Beneficiary of fraud,	Section 12A(a)- (c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)-(d), 4 (1) of PFUTP Regulations, 2003
14	Mohit Karkera	Beneficiary of fraud since ill-gotten dividend is ultimately accruing to him along with Indira	Section 12A(a)- (c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)-(d), 4 (1) of PFUTP Regulations, 2003
17	Rajesh Bhagat	Committed fraud	Section 12A(a)- (c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)-(d), 4 (1) of PFUTP Regulations, 2003

31. Cases where Shares were fraudulently transferred to related entities and dividend was siphoned off: There were instances where the shares were fraudulently transferred to the entities related to Noticee 3, the dividends in respect of such shares were also siphoned off, since folio name itself was changed all subsequent dividends were issued in favour of entities person who were linked to the Noticee 3. During investigation at 43 such instances were alleged, involving rupees 24,10,736/- belonging to shareholders of Hexaware Technologies Limited, JM Financial Limited, Britannia, Larsen & turbo and Asian paint.

32. A summary of the payment of misappropriated dividends of genuine shareholders to the entities connected to Sharepro management / Indira Karkera through the abovementioned three methods (i.e., through direct instructions to bank, through instructions routed through companies and through misappropriation of shares) are as under:

Table 5

Sr. No	Name of the Person to whom dividend was wrongfully paid	Amount Paid In Rs
1	Satyam Brush Industries (Proprietary Firm of **Noticee 5)**	45,58,009/-
2	Mr. Raju Landge	21,35,969/-
3	Mr. Suresh Unawane	17,67,243/-
4	Mr. Nagesh Karkera	10,18,060/-
5	Mr. Narayan Devadiga	5,18,203/-
6	Mr. Anil Jathan / **Noticee 8**	27,000/-

7	Mr. Swapnil Sutar	24,37,500/-
8	Mr. Balram Mukherjee / **Noticee 4**	15,01,470/-
9	Mr. GR Rao / **Noticee 2**	8,059/-
10	Mr. Ratnakar Loku Poojary	24,090/-
11	Mr. Sadashiv Poojary	19,802/-
	Total	**1,40,90,923/-**

33. SCN indicates that, not only the dividends due to genuine investors were fraudulently siphoned off by Noticee 1 but the records were also falsified so as not to reflect the correct position. The system/database of Noticee 1 showed that dividends were paid to the original shareholders, but the verification of the bank accounts revealed that the dividends were paid to persons who were not the rightful shareholders or were not at all the shareholders of the companies.

34. SCN alleges that, Noticee 1 deliberately not maintained proper records in its system so that demand drafts issued to persons belonging to or connected with the management of Sharepro instead of the genuine shareholders are not immediately visible to anyone. All such payments were recorded as payment being made to the registered shareholder i.e. the names of wrongful beneficiaries to whom it actually paid are not recorded in database of Noticee 1. It was alleged that, this amounts to deliberate falsification of records by Noticee 1.

<u>Irregularities with Respect to Transfer, Transmission, Buyback / Redemption of Securities, Printing of Share Certificates and Maintenance of Records</u>

35. SCN alleged that, Noticee 2 was the MD and overall in-charge of operations of the Noticee 1. Noticee 1 had functions under three departments viz. Transfer Processing, Demat Processing and Handling Correspondences. Noticee 3 was the in-charge of Transfer/Demat Department and directly reporting to the Noticee 2. Correspondence department of Noticee 1 is divided into 7 client managers, Noticee 3 was one of the client manager out of 7, and handled 70 to 80 client companies. All dividend related functions viz. payment of dividend, re-

issue of dividend, transfer of unpaid dividend to IEPF etc. were handled by client manager who directly reported to MD himself.

36. SCN alleged that, as per statement of the Noticee 2 (Annexure SR10, SR11, SR10, SR15 of SCN), the claimed workflow for the processing at Noticee 1 was as follows:

(i) Transfer cases:

i. Request along with transfer deed and other supporting documents are received by "Inward Department" after inward entry the documents are sent to the "Signature Verification Department" which verifies the signature of the transferor/shareholder from the available record.

ii. For value of transaction less than one lakh only one person verifies, for one lakh to five lakh two persons verify and for more than five lakh permission of Notice 2 is required.

iii. If the signature in Noticee 1 record and on transfer document matches, the person verifying signs on the transfer document near the signature of the shareholder. If the signature does not match a cross (X) is placed and signed by person verifying. In case of minor mismatch "R/N" word is written which signifies "Registered Notice" to be sent to parties before transfer. Register notice is also required in case of high value transfer viz. more than five lakh. In case the signature is matching the verification is completed by placing signature as mentioned above.

iv. After verification the documents are sent to the "Transfer Department" (Headed by Noticee 11) which completes the transfer process by making entries in the system, printing "transfer register", taking approval of the company etc. This department also sends rejection letter in case of signature mismatch and "registered notice' in case of minor mismatch and high value transfers. The shares certificates after due transfer are dispatched by "Transfer Department" to the shareholders.

(ii) Name deletion, transmission, transposition, change of name etc.:

i. In these cases after inward the documents are given to Correspondence department (headed by respective Client Manager). CD after satisfying themselves about the relevant documentation (and having further correspondences with the entities, if required) give it to “Signature Verification Department” (wherever required).
ii. Signature verification department after the due process sent the documents back to CD. Correspondence department then instructs to “Transfer Department” for making entry in the system and printing of share certificates.
iii. Transfer department after completing the process in system, taking approval of company, printing of new certificates etc. hand over the share certificates to correspondence department which dispatches the same to shareholder. ”

(iii) Share Certificate Printing Process:

i. Printing of share certificate is always initiated by the shareholder request, and is initiated by the concerned client manager of the department by entry in a register viz. duplicate/split/merger/renewal etc.
ii. the instruction register contains inward number and is signed by client manager and in case of transactions above five lakhs the same is approved by Noticee 2.
iii. The register is then given to concerned department which processes the same and generates “Reference nos.” based on which EDP prints the share certificates and hand over the same to concerned department which after checking details hands over the same to client manager under acknowledgement in a register.
iv. The concerned department also maintains share certificate inventory

control register (print reconciliation register). The client manager then send the share certificate to the company for signature and dispatch it to the client after signature. Noticee 1 was doing share certificate printing for all the client companies.

v. duplicate share certificate can be printed by an RTA only as per due process such as shareholder request, filing FIR/court case, issuing advertisements (in case value is more than Rs. 10000/-), obtaining indemnity bond and affidavit etc. in terms of SEBI Circular No RTI Circular No. 1 (2000-2001)Dated May 09, 2001.

(iv) Process for Rectification of records:

i. “Rectification" is carried out through preparation of “Rectification Forms” which is approved by Noticee 2 himself when value of transaction is more than five lakhs. The details of rectification are stored by capturing in the system and taking print out of the same in the form of “Rectification Registers”. The rectifications are not required to be informed to the companies. Shares from the folio of an institution say UTI can be transferred to an individual by way of a rectification entry only when there is a court order case.

(v) Unique folio to an individual:

i. the transferor’s folio is never assigned to the transferee as folio is unique to an individual so as to ensure the integrity of transactions. A folio which exists in the name of “X” can also be assigned to name “Y” only when the later changes the name to former (by virtue of marriage etc.).

37. Requirement of maintaining unique folio:

i. In terms of Section 108 of Companies Act, 1956, transfer should be registered only after due process on production of instrument of transfer. Each folio in the register of members of a company contains details such as name of person, address, number of shares held etc.

Thus it is clear from the very scheme that folio is unique to an individual/entity.

ii. It may be noted that the requirement of maintenance of separate folios for every person also flows from Para 1.13 of Secretarial Standard 4. As RTA of various companies, the Noticee 1 was required to adhere to the aforesaid Secretarial Standard.

38. SCN alleged that, Noticee 1, 2 and 3 in connivance with other related Noticees falsified records, made misleading submissions to company and siphoned off the securities of the genuine shareholders. The brief details of such instances alleged are as follows:

39. SCN alleged that, Noticee 1's management committed various non-compliances and illegalities in respect of transfer, transmission, buyback/ redemption of securities, printing of share certificates and maintenance of records. A synopsis of the company specific alleged fraudulent transactions instances and modus operandi followed therein are provided below:

Britannia Industries Limited:

40. In one instance, it was alleged that account (folio) of a deceased shareholder of Britannia Industries Limited was tampered with and shares belonging to him were transferred to another entity (Noticee 4) in 2015 based on a fake court order purportedly passed in 1985. The said transfer was initiated by Noticee 3 and approved by Noticee 1. The shares were then dematerialized and a part of the same was parked for some time in the account of Noticee 5 (husband of Noticee 3). Later, Noticee 4 sold these shares and purchased shares of other companies. Some of these shares, acquired out of sale proceeds of Britannia Industries Limited, were then transferred in off-market to entities connected to Noticee 3 / Noticee 1 (viz. Noticee 8, Noticee 9, Sadashiv Poojary and Noticee 18) without any consideration. Later, these transactions were reversed to blur

the audit trail. Noticee 4 later sold the shares and received payments of Rs.9.24 Crores which he withdrew in cash from his account. He was also alleged to have transferred funds to Suresh Unavane (servant of Noticee 3/Prashant). It was also stated that Sadashiv Poojary (an employee of Noticee 1), had also benefitted by receiving shares and the dividend accrued on such shares, for his help in the fraudulent transactions. Sadashiv Poojary was alleged to have transferred a part of the dividend amount to Noticee 3.

41. With respect to debenture redemption payments of Britannia Industries Limited, where fresh Demand Drafts were to be issued in respect of original warrants / instruments, it was alleged that, Noticee 1 deliberately made changes in the payment master files of debenture redemption and submitted two different files to the company and to the bank. It was stated that, while in the file sent to the company the folios were shown in the name of actual debenture holder, in the file sent to the bank the names of the folios were changed and they were shown in the names of entities related to Noticee 3. Accordingly, the bank released demand drafts for debenture redemption payments in favour of such fake debenture holders. It was alleged that such entities, upon encashing the DDs, transferred the funds to Noticee 3 or to entities connected with her. In one instance, DD was issued in the name of a deceased debenture holder and the same was fraudulently encashed by another person with similar name.

42. Valuation of redemption payment misappropriated in this matter are as follows:

Table 6

Sr. No.	Shares Transferred to	Value of the Securities as on date of Siphoning	Remarks
1	Suresh Unawane siphoned off Debenture redemption payment amount due to Sonya Ruth Raymond on 14/01/2015	Rs. 639751.05	Mr. Suresh transferred Rs. 250,000 to Mr. Raju Landge, Rs. 130,000 to The Noticee 3 and withdrew Rs. 250,000 in cash. Suresh and Raju are the proxies of The Noticee 3/The Noticee 5

2	Krishna M Ghosh siphoned off Debenture redemption payment amount due to Fairgrowth Financial Services Limited on 17/06/2014	Rs. 724880	Withdrew in cash.
3	Sukhdev S Bhosale siphoned off Debenture redemption payment amount due to Centbank Financial & Custodial Services Ltd. on 30/10/2014	Rs. 708128.2	Withdrawn in cash on the instruction of Rajesh Bhagat who admitted the same. Rajesh alleged that he carried out on the instruction of The Noticee 3. Fraud could not have been possible without the Noticee 1 and there is relation between Rajesh and The Noticee 3. Both hand in glove.
4	Narayan D siphoned off Debenture redemption payment amount due to Sybil Beatrice Hughes on 05/04/2013	Rs. 2352054.48	Narayan transferred the amount to The Noticee 3. Later paid back to Britannia from The Noticee 3's account.
5	Suresh Unawane siphoned off Debenture redemption payment amount due to Sujit Kumar Gupta on 05/04/2013	Rs. 1985627.93	Suresh transferred to Mohit who in turn transferred to The Noticee 3. Later paid back to Britannia from The Noticee 3's account.
6	One fake Sujit Gupta siphoned off Debenture redemption payment amount due to original Sujit Kumar Gupta on December 04, 2013	Rs. 1985627.93	Withdrawn in cash but the sequence shows the Noticee 1 and The Noticee 3 hand in glove.

Asian Paints Limited

43. Shares of Asian Paints Limited jointly belonging to two persons were fraudulently transferred to Jayshree Shah by printing a new certificate and using forged transfer deed purportedly signed by a dead person. Thereafter, when joint holder cum heir of the actual shareholder appeared and demanded these shares, the said transaction were reversed by a rectification entry carried out through back dated falsification in software system of Noticee 1, and shares were delivered to the said joint holder by printing another set of certificate.

44. Investigation revealed numerous instances where the folios or folio numbers of genuine shareholders were taken over by simply replacing their names with those of entities connected to Noticee 3 through back end entry in the electronic records. It was alleged that while the names in the folios were changed, the

signature attached to the said folios remained those of the original shareholders. It was further alleged that such changes of names in folios were carried out without informing / taking approval of the company and no records of such changes were maintained in the BackOffice Software Module of Noticee 1, which could indicate the reason for such changes.

45. Further, no documentation was maintained in respect of the said changes in folio names. It was alleged that the register of consolidation put up by Noticee 1 to the client company for its approval contained the names of fake shareholders instead of the actual shareholders. Accordingly, the client company, in its Share Transfer Committee meetings, approved the consolidation of shares in the name of fake shareholders. Later, these certificates were dematerialized by such entities. The dematerialization transactions in favour of such entities were carried out under the direction of Noticee 3, despite complete signature mismatch. After dematerialization, such entities either sold the shares or transferred them to other connected entities. The sale proceeds of such shares were later transferred, directly or indirectly, to Noticee 3 or other entities connected to her. Further, since the names in the folios were changed, the subsequent dividends accrued on the shares lying in them were also paid to entities connected to Noticee 3.

46. Investigation further revealed that in many cases, after folios belonging to genuine shareholders were taken over in the abovementioned fashion, further shares belonging to other folios were fraudulently transferred by “Rectification Entry” to such folios which were taken over by fake shareholders connected to Noticee 3.

47. Along with siphoning off of shares by fraudulent transfers, the SCN inter-alia also alleged:

(i) Shares were rematerialized by rectification entry without knowledge and approval of the company and without any documentation. Rematerialized share certificate had the same number as the one on the share certificate that was dematerialized earlier. The same share certificate which is dematerialized cannot be again rematerialized as the certificate is cancelled and defaced.

(ii) Old share certificate which was cancelled upon renewal was again reprinted with the same number, without recording the same in the back-office software module of Noticee 1.

(iii) There was repeated reprinting of various share certificates without mandatory backup documents, to perpetuate the fraud.

(iv) The fraudulent transactions were being processed by Noticee 3.

(v) Noticee 1 failed to cooperate with investigation and did not submit documents in respect of such transactions.

Thus it was alleged that, there was massive falsification of records at Noticee 1 in violation of Noticee 1's policy as well as secretarial standards. The internal checks and balances and control system of Noticee 1 (across various departments) was compromised to illegally siphon of shares belonging to genuine shareholders.

48. Some of the instances of irregularities observed during the investigation are detailed below:

Table 7

Sr. No.	Shares Transferred to	Value of the Share as on date of Siphoning	Value of the Share as on October 10, 2016
1	1000 shares (10000 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to L Ganeshan misappropriated by Noticee 18 and dematerialized through Folio No. - 00902848 on 31/03/2011	Value= Rs. 25,25,800 (Price @ NSE Rs. 2,525.80)	Value= Rs. 12,12,65,000 (Price @ NSE Rs. 1,212.65)
2	842 shares (8420 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to L Ganeshan reappeared as part of 1222 shares into Folio No. - 00001493(Controlled by the Noticee 1 related entities viz. The Noticee 3)	Exact date not available	Value= Rs. 1,02,10,513 (Price @ NSE Rs. 1,212.65)
3	733 shares (7330 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to Amarjit Kaur Arora transferred to Noticee 18 vide back office entry on 08/11/2011	Value= Rs. 2316426.6 (Price @ NSE Rs. 3,160.20)	Value= Rs. 8888724.5 (Price @ NSE Rs. 1,212.65)
4	960 shares (9600 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to Profile System Ltd. transferred to Noticee 18 vide rectification entry on 05/12/2011	Value= Rs. 2739888 (Price @ NSE Rs. 2,854.05)	Value= Rs. 11641440 (Price @ NSE Rs. 1,212.65)
5	480 shares (4800 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to Jardine Fleming Int'l Mgt Inc. dematerialized by Noticee 18 vide back office entry on 16/09/2010	Value= Rs1344336 (Price @ NSE Rs2,800.70)	Value= Rs. 5820720 (Price @ NSE Rs. 1,212.65)
6	500 shares (5000 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to UTI transferred to Noticee 18 vide back office entry on 10/06/2011 from folio no. - 00001493	Value= Rs. 1550425 (Price @ NSE Rs. 3,100.85)	Value= Rs. 60.63.250 (Price @ NSE Rs. 1,212.65)
7	432 shares (4320 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to Govt. of Singapore Investment Corp. misappropriated by Noticee 18 vide back office printing entry on 22/06/2010 (and demat on 20/07/2010)	Value= Rs. 1024142.4 (Price @ NSE Rs. 2,370.70)	Value= Rs. 5238648 (Price @ NSE Rs. 1,212.65)
8	365 shares (3650 Post 1: 10 split on 30/07/2013) of Asian Paints Limited possibly belonging to UTI misappropriated by Noticee 18 vide back office printing entry on 01/11/2010 (and demat on 22/11/2010)	Value= Rs. 987343.25 (Price @ NSE Rs. 2,705.05)	Value= Rs. 4426172.5 (Price @ NSE Rs. 1,212.65)
9	500 shares (5000 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to unknown investor misappropriated by Noticee 18 vide back office printing entry on 05/01/2011 (and demat on 27/01/2011)	Value= Rs. 1440250 (Price @ NSE Rs. 2,880.50)	Value= Rs. 6063250 (Price @ NSE Rs. 1,212.65)

10	460 shares (4600 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to UTI transferred to Noticee 18 vide back office rectification entry on 06/08/2011	Value= Rs. 1407094 (Price @ NSE Rs. 3,058.90 on 05/08/2011)	Value= Rs. 5578190 (Price @ NSE Rs. 1,212.65)
11	450 shares (4500 Post 1: 10 split on 30/07/2013) of Asian Paints Limited transferred vide rectification entry on 12/08/2011 to Folio no. - 00001493 (controlled by the Noticee 1 management viz. Noticee 3) without corresponding debit in Bhalakia's account. Hence misappropriation of some investor's shares	Value= Rs. 1453095 (Price @ NSE Rs. 3,229.10)	Value= Rs. 5456925 (Price @ NSE Rs. 1,212.65)
12	177 shares (1770 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to unknown investor misappropriated by Suresh Unawane vide Remat entry dated 16/08/2011	Value= Rs. 577037.7 (Price @ NSE Rs. 3,260.10)	Value= Rs. 2146390.5 (Price @ NSE Rs. 1,212.65)
13	2994 shares (29940 Post 1: 10 split on 30/07/2013) of Asian Paints belonging to Malpine Limited misappropriated by Suresh Unavane vide back office printing entry on 29/12/2008	Value= Rs. 26,04,929.70 (Price @ NSE Rs. 870.05)	Value= Rs. 3,63,06,741 (Price @ NSE Rs. 1,212.65)
14	380 shares (3800 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to Jacinta Desa misappropriated by Noticee 1 management in 2011	Exact date not available	Value= Rs. 4608070 (Price @ NSE Rs. 1,212.65)
15	230 shares (2300 Post 1: 10 split on 30/07/2013) of Asian Paints Limited misappropriated by Ganesh Nimbalkar vide demat on 25/08/2011	Value= Rs. 750904 (Price @ NSE Rs. 3,264.80)	Value= Rs. 2789095 (Price @ NSE Rs. 1,212.65)
16	310 shares (3100 Post 1: 10 split on 30/07/2013) of Asian Paints Limited misappropriated by Ganesh Nimbalkar vide demat on 22/09/2011	Value= Rs. 961434 (Price @ NSE Rs. 3,101.40)	Value= Rs. 3759215 (Price @ NSE Rs. 1,212.65)
17	250 shares (2500 Post 1: 10 split on 30/07/2013) of Asian Paints Limited misappropriated by Ganesh Nimbalkar vide demat on 28/09/2011	Value= Rs.783525 (Price @ NSE Rs. 3,134.10)	Value= Rs. 3031625 (Price @ NSE Rs. 1,212.65)
18	250 shares (2500 Post 1: 10 split on 30/07/2013) of Asian Paints Limited misappropriated by Ganesh Nimbalkar vide demat on 14/10/2011	Value= Rs. 786600 (Price @ NSE Rs. 3,146.40)	Value= Rs. 3031625 (Price @ NSE Rs. 1,212.65)
19	576 shares (5760 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to Kirtida Desai misappropriated by Ganesh Nimbalkar vide back office print entry on 08/11/2011	Value= Rs. 1820275.2 (Price @ NSE Rs. 3,160.20)	Value= Rs. 6984864 (Price @ NSE Rs. 1,212.65)

20	1500 shares (15000 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to Chandubhai J Patel misappropriated by Chandrakant Pawar vide back office demat entry on 22/11/2011	Value= Rs. 44,31,525 (Price @ NSE Rs. 2,954.35)	Value= Rs. 1,81,89,750 (Price @ NSE Rs. 1,212.65)
21	180 shares (1800 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to Rajesh Bhargava misappropriated by Rajesh Bhagat vide back office printing entry on 09/05/2011	Value= Rs. 493740 (Price @ NSE Rs. 2,743.00)	Value= Rs. 21,82,770 (Price @ NSE Rs. 1,212.65)
22	329 shares (3290 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to Rajesh Bhargava misappropriated by Rajesh Bhagat vide back office demat entry on 21/06/2011	Value= Rs. 9,71,027.05 (Price @ NSE Rs. 2,951.45)	Value= Rs. 39,89,618.5 (Price @ NSE Rs. 1,212.65)
23	177 shares (1770 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to UTI misappropriated by Rajesh Bhagat vide back office rectification entry on 10/6/2011	Value= Rs. 5,48,850.45 (Price @ NSE Rs. 3,100.85)	Value= Rs. 21,46,390.5 (Price @ NSE Rs. 1,212.65)
24	743 shares (7430 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to Canara Bank/SHCIL misappropriated by Akhil Dalal vide back office printing entry on 17/09/2009	Value= Rs. 1013786.35 (Price @ NSE Rs. 1,364.45)	Value= Rs. 9009989.5 (Price @ NSE Rs. 1,212.65)
25	743 shares (7430 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to unknown investor misappropriated by Akhil Dalal and Sharepro management vide back office remat entry on 18/08/2011	Value= Rs 2390045.25 (Price @ NSE Rs 3,216.75)	Value= Rs 9009989.5 (Price @ NSE Rs 1,212.65)
26	480 shares (4800 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to SHCIL misappropriated by Akhil Dalal vide back office printing entry on 07/12/2009	Value= Rs. 802104 (Price @ NSE Rs. 1,671.05)	Value= Rs. 5820720 (Price @ NSE Rs. 1,212.65)
27	50 shares (500 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to unknown investor (possibly UTI) misappropriated by Akhil Dalal and the Noticee 1 management vide back office rectification entry on 06/08/2011 for remat	Value= Rs. 1,52,945 (Price @ NSE Rs. 3,058.90 on 05/08/2011)	Value= Rs.6,06,325(Price @ NSE Rs. 1,212.65)
28	430 shares (4300 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to UTI misappropriated by Akhil Dalal and the Noticee 1 management vide back office rectification entry on 17/08/2011	Value= Rs. 1395135 (Price @ NSE Rs. 3,244.50)	Value= Rs. 5214395(Price @ NSE Rs. 1,212.65)
29	50 shares (500 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to unknown investor misappropriated by Akhil Dalal and the Noticee 1 management vide back office rectification entry on 10/11/2011 for remat	Value= Rs. 155825 (Price @ NSE Rs. 3,116.50on 09/11/2011)	Value= Rs. 606325(Price @ NSE Rs. 1,212.65)

30	334 shares (3340 Post 1: 10 split on 30/07/2013) of Asian Paints Limited belonging to UTI misappropriated by Akhil Dalal vide back office transfer entry on 31/10/2012	Value= Rs. 1292980.8 (Price @ NSE Rs. 3,871.20)	Value= Rs. 4050251(Price @ NSE Rs. 1,212.65)

Kansai Nerolac Paints Limited

49. As in the case of Asian Paints Limited, in the folios of genuine shareholders of Kansai Nerolac Paints Limited, the actual names were replaced with the names of entities connected to Noticee 3 (viz. Nagesh Karkera, Ganesh Nimbalkar) through back end entry, without approval of the company and without following due procedure and proper documentation. Here also, it was alleged that even after change of name, the signatures attached to the folios were of genuine shareholders.

50. SCN alleged that, after the folio names were changed, shares were transferred from taken over folios to entities connected to Noticee 3 (viz. Shrikant Bhalakia) through fraudulent book entry, without consideration and without knowledge/approval of the company. The share certificates were reprinted in the name of such connected persons who subsequently dematerialized the shares and sold them and shared the proceeds, directly or indirectly, with Noticee 3 or entities connected to her (Nagesh Karkera). Further, it was alleged that apart from transfer to other entities, shares were also directly dematerialized sold in the market.

51. Shares from other folios belonging to genuine shareholders were fraudulently transferred to the taken over folios by rectification entry, without following due procedure. The share certificates were reprinted just before such transfers, but there was no record of re-print in Back Office Software System of Noticee 1. The said shares were later dematerialized and sold in the market or transferred to other entities connected to Noticee 3 (viz. Rajesh Bhagat), in off-marker transfer.

52. Some of the instances of irregularities observed during the investigation are detailed below:

Table 8

Sr. No.	Shares Transferred to	Value of the Share as on date of Siphoning	Value of the Share as on October 10, 2016
1	100 shares (1000 Post 1: 10 split on 26-03-2015) of Kansai Nerolac Paints Ltd. belonging to LIC misappropriated by Nagesh vide back end modification entry on 17/04/2010.	Value= Rs. 132550 (Price @ NSE Rs.1,325.50on 16/04/2010)	Value= Rs. 378450 (Price @ NSE Rs.378.45)
2	100 Bonus shares (1000 Post 1: 10 split on 26-032015) of Kansai Nerolac Paints Ltd. as 1:1 Bonus for record date 23-06-2010 on the 100 shares misappropriated by Nagesh as above.	NA	Value= Rs. 378450 (Price @ NSE Rs.378.45)
3	666 shares (6660 Post 1: 10 split on 26-03-2015) of Kansai Nerolac Paints Ltd. belonging to SHCIL misappropriated by The Noticee 18 vide back office transfer entry on 15/04/2010.	Value= Rs. 885080.7 (Price @ NSE Rs.1,328.95)	Value= Rs. 2520477 (Price @ NSE Rs.378.45)
4	666 Bonus shares (6660 Post 1: 10 split on 26-032015) of Kansai Nerolac Paints Ltd. as 1:1 Bonus for record date 23-06-2010 on the 666 shares misappropriated by The Noticee 18 as above.	NA	Value= Rs. 2520477 (Price @ NSE Rs.378.45)
5	650 shares (6500 Post 1: 10 split on 26-032015) of Kansai Nerolac Paints Ltd. belonging to SHCIL misappropriated by Nagesh vide back end modification entry on 15/04/2010.	Value= Rs. 863817.5 (Price @ NSE Rs. 1,328.95)	Value= Rs. 2459925(Price @ NSE Rs. 378.45)
6	650 Bonus shares (6500 Post 1: 10 split on 26-03-2015) of Kansai Nerolac Paints Ltd. as 1:1 Bonus for record date 23-06-2010 on the 650 shares misappropriated by Nagesh as above.	N.A.	Value= Rs. 2459925 (Price @ NSE Rs.378.45)
7	533 shares (5330 Post 1: 10 split on 26-032015) of Kansai Nerolac Paints Ltd. belonging to SHCIL misappropriated by The Noticee 18 vide back office transfer entry on 15/04/2010.	Value= Rs. 708330.35 (Price @ NSE Rs. 1,328.95)	Value= Rs. 2017138.5(Price @ NSE Rs.378.45)
8	533 Bonus shares (5330 Post 1: 10 split on 26-03-2015) of Kansai Nerolac Paints Ltd. as 1:1 Bonus for record date 23-06-2010 on the 533 shares misappropriated by The Noticee 18 as above.	N.A.	Value= Rs. 2017138.5 (Price @ NSE Rs.378.45)
9	2000 shares (20000 Post 1: 10 split on 26-03-2015) of Kansai Nerolac Paints Ltd. belonging to Amrit Lal misappropriated by Ganesh Nimbalkar vide back office Rectification entry on 25/10/2011	Value= Rs. 1684800 (Price @ NSE Rs. 842.40)	Value= Rs. 7569000(Price @ NSE Rs. 378.45)
10	1586 shares (15860 Post 1: 10 split on 26-032015) of Kansai Nerolac Paints Ltd. belonging to Amrit Lal misappropriated by Ganesh Nimbalkar vide back office Rectification entry on 10/11/2011	Value= Rs. 13,76,251.5 (Price @ NSE Rs. 867.75 on 09/11/2011)	Value= Rs. 60,02,217(Price @ NSE Rs. 378.45)

Philips India Limited

53. The company Philips had engaged the services of Noticee 1 from the year 2001-2002 and in the past had come out with buyback programme from time to time to provide liquidity to the shareholders. The Company announced two buyback programs in the years 2008 and 2009. The applications for buy back were scrutinized initially by Noticee 1 for factual accuracy and completeness of information and documents. On finding it complete in all respects, the same were accepted and request was issued by Noticee 1 for release of the funds to the shareholders whose applications tendered for buyback were found to be complete in all respects. Noticee 1 sent to the Company the statistical data of the buyback applications found to be in order with a request for release of payment. On receipt of the request, the Company forwarded these requests to the Bank for releasing the payment instruments or to make direct online payments to the shareholders. In case of payments to be effected through physical instruments, the instruments were delivered at the office of Noticee 1 for dispatch to the shareholders.

54. SCN alleged that, adopting a similar modus operandi as above, the names in folios of genuine shareholders were replaced with those of entities connected with Noticee 3 through back end entry and shares belonging to such folios were reprinted and tendered in buyback. The money received upon tendering the shares in buyback ultimately reached Noticee 3/entities related to her.

55. Some of the instances of irregularities observed during the investigation are detailed below:

Table 9

Sr. No.	Shares Transferred to	Value of the Share as on date of Siphoning	Value of the Share as on October 10, 2016
1	501 shares of Phillips India Limited belonging to Indian Bank Limited misappropriated by Suresh vide Buyback on 18/09/2008	Rs. 130260	N.A. as unlisted

2	400 shares of Phillips India Limited belonging to Union Bank of India Limited misappropriated by Suresh vide Buyback on 18/09/2008	Rs. 10400	N.A. as unlisted
3	330 shares of Phillips India Limited belonging to AGF Fund Inc. misappropriated by Anil vide Buyback on 18/09/2008	Rs. 85800/-	N.A. as unlisted
4	2200 shares of Phillips India Limited misappropriated by Raju Landge vide Buyback on 20/08/2009 {belonging to Ravindra Patel (PL900244) & Jyoti Patel (PL900245)}	Rs. 532400/-	N.A. as unlisted
5	757 shares of Phillips India Limited belonging to ILF Mauritius misappropriated by Raju Landge vide Buyback on 18/09/2008	Rs. 196820/-	N.A. as unlisted
6	2200 shares of Phillips India Limited belonging to 'Dev R Chaudhary misappropriated by Narayan Devadiga vide Buyback on 14/12/2009	Rs. 532400/-	N.A. as unlisted

JM Financial Limited

56. SCN alleged that, there was issuance of bonus shares and splitting of shares. Here also, the folios of genuine shareholders were fraudulently taken over by replacing their names with those of entities connected to Noticee 3 through back end entry, without any authority and supporting documents, in a similar fashion as in case of other companies. The shares were reprinted in the name of entities connected to Noticee 3 and dematerialized. The shares were then sold by such entities. It was further alleged that, dividends belonging to these taken over folios were also fraudulently issued in favour of entities related to Noticee 3 and the instructions for the same were issued by Noticee 3 herself directly to the bank.

57. Some of the instances of irregularities observed during the investigation are detailed below:

Table 10

Sr. No.	**Shares transferred to**	**Value of the shares as on date of siphoning**	**Value of the shares as on October 10, 2016**

1	45000 shares (Post bonus 3:2 and split 1:10 on ex-split date & ex-bonus date of 08-09-2008) of JM Financial Limited belonging to Apple Holding Development Limited. Misappropriated by Noticee 8 *vide* Demat on 12/04/2010	Rs. 17,77,500 (Price @ NSE Rs. 39.50)	Rs. 32,42,250 (Price @ NSE Rs. 72.05)
2	95000 shares (post bonus issue in the ratio of 3:2 and split issue in the ratio of 1:10 on ex-split date & ex-bonus date of 08-09-2008) of JM Financial Limited belonging to Crystal Securities Pvt. Ltd. misappropriated by Suresh Unavane *vide* demat on 12/04/2010.	Exact date not available.	Rs. 68,44,750 (Price @ NSE Rs. 72.05)

Navin Fluorine International Limited

58. SCN alleged that, similar to the cases of other companies, the folios of genuine shareholders were taken over by replacing the name of actual shareholders with those of entities connected with Noticee 3 (viz. Suresh Unavane), through back end modification.

59. Further, shares from folio of genuine shareholder were fraudulently transferred to an entity connected to (Notiee 16) by Noticee 3 by rectification entry, without making any reference to the company. The share certificates were reprinted and dematerialized by such entity and money was paid to Noticee 3. Notiee 16 had tried to cover up the fraud by claiming that he had bought the shares from certain person on the written assurance of Noticee 3 by obtaining an indemnity bond from Noticee 3 and a certificate (signed by Noticee 3) from Noticee 1 that the shares transferred to him were owned by the transferor.

60. Further, shares from folio of genuine shareholder were fraudulently transferred to a different entity (Chetan Shah). In this case, it was shown as a ‘transfer entry’ in the back-office software module and the transfer register was sent to the company without any supporting documents. The company had approved the same based on due diligence done by Noticee 1. Here, the share certificates were reprinted to enable Chetan Shah to lodge a fraudulent claim for dematerialization. Here rematerialization of the same certificates which were earlier dematerialized was also alleged.

61. Some of the instances of irregularities observed during the investigation are detailed below:

Table 11

Sr. No.	Shares transferred to	Value of the shares as on date of siphoning	Value of the shares as on October 10, 2016
1	10 shares of Navin Fluorine International Ltd. belonging to Suresh D Shah misappropriated by Suresh Unavane *vide* back end modification entry on 20/07/2006.	Rs. 2075.5 (Price @ BSE Rs. 207.55)	Rs. 2,3384.5 (Price @ NSE Rs. 2,338.45)
2	1000 shares of Navin Fluorine International Ltd. belonging to UTI misappropriated by Pradeep Rathod *vide* back office rectification entry on 03/04/2006.	Rs. 303000 (Price @ BSE Rs. 303.00)	Rs. 2,338450 (Price @ NSE Rs. 2,338.45)
3	1500 shares of Navin Fluorine International Ltd. belonging to UTI misappropriated by Chetan M. Shah *vide* back office entry on 30/04/2012.	Rs. 5,64,900 (Price @ BSE Rs. 376.60)	Rs. 35,07,675 (Price @ NSE Rs. 2,338.45)
4	2450 shares of Navin Fluorine International Ltd. belonging to UTI for which an attempt was made to misappropriate by Chetan M. Shah *vide* back office entry on 15/05/2012.	Rs. 9,97,150 (Price @ NSE Rs. 407.00)	Rs. 35,07,675 (Price @ NSE Rs. 2,338.45)
5	There was error in processing of 30 shares of Navin Fluorine International Ltd. belonging to Virbala Shah by Noticee 1 and the said shares were transferred to Sanjeev Upadhyay in 2004.	Exact date not available	Rs. 70153.5 (Price @ NSE Rs. 2,338.45)
6	30 shares of Navin Fluorine International Ltd. given to Virbala Shah to meet her claim were given by Noticee 1 and Noticee 3 by misappropriating shares of UTI on 20/04/2010.	Rs. 10249.5 (Price @ NSE Rs. 341.65)	Rs. 70153.5 (Price @ NSE Rs. 2,338.45)

Apple Finance Limited

62. In case of Apple Finance Limited also, the names of actual shareholders were replaced with the name of Raju Landge, an entity connected to Noticee 3, without authorization from the company. Some of the instances of irregularities observed during the investigation are detailed below:

Table 12

Sr. No.	Shares transferred to	Value of the shares as on date of siphoning	Value of the shares as on October 10, 2016

1	270 shares (70 of R14439, 100 each of R18516 and R19545) of AFL misappropriated by Noticee 3 through Raju Landge in the year2000.	Rs 1487.7 (Average close price @ BSE during 2000-01 Rs. 5.51)	Rs. 845.1 (Price @ BSE Rs. 3.13)

Aptech Limited

63. Similar to cases of other companies, in case of Aptech Limited also, various folios, the names of actual shareholders were replaced with the names of entities connected to Noticee 3 (Raju Landge, Satyam Brush Industries, Suresh Unavane and Notiee 16), without authorization from the company.

64. Suresh Unavane dematerialized and sold these shares in the folio taken over by him and also transferred shares and funds to Noticee 5 and such funds ultimately reached Noticee 3. Further, it was alleged that Noticee 2 had also received Rs.300000 from Noticee 5 out of such funds.

65. Noticee 2, in his statement before Investigating Authority, had stated that Noticee 5 was not known to him and he had no financial dealings with him. However, the above fund transfer from Noticee 5 showed that Noticee 2 had deliberately made the above false statement to mislead the investigation.

66. SCN alleged that, Notiee 16 dematerialized and sold the shares in the folio taken over by him and transferred funds to Raju Landge. Such funds ultimately reached Noticee 3 and Noticee 5. It was also alleged that, Notiee 16 had tried to cover up the fraud by claiming that he had bought the shares from Raju Landge on the written assurance of Noticee 3 by obtaining an indemnity bond from Noticee 3 and a certificate (signed by Noticee 3) from Noticee 1 that these shares transferred to him were owned by the transferor. Notiee 16 did the same in other scrips also.

67. Some of the instances of irregularities observed during the investigation are detailed below:

Table 13

Sr No	Shares transferred to	Value of the shares as on date of siphoning	Value of the shares as on October 10, 2016
1	48 shares (24 each of 0178892 and 1788922) of Aptech Limited (Code-ATAT) misappropriated by Noticee 3 through Raju Landge.	Exact date not available	Rs. 7893.6 (Price @ NSE Rs. 164.45)
2	10980 shares of Aptech Limited (Code-ATAT) belonging UTI "India Fund Unit Scheme 1986" misappropriated by Noticee 3/Noticee 5/Govind Raj Rao through Suresh Unavane on system modification entry dated 08/12//2006.	Rs. 16,49,745 (Price @ NSE Rs. 150.25)	Rs. 18,05,661 (Price @ NSE Rs. 164.45)
3	4152 shares of Aptech Limited (Code-ATAT) belonging to The Oriental Insurance Co. misappropriated by Pradeep Rathod on 19/01/2006.	Rs. 5,47,441.2 (Price @ NSE Rs. 131.85)	Rs. 6,82,796.4 (Price @ NSE Rs. 164.45)

Hexaware Technologies Limited

68. SCN alleged that, in case of Hexaware Technologies Limited also, folios of genuine shareholders were taken over by simply replacing their names with those of entities connected to Noticee 3 (viz. Notiee 16, Suresh Unavane, Raju Landge, Satyam Brush Industries) by changes in electronic records to siphon of the shares. It was also alleged that, same folio had been changed indiscriminately from one name to another name multiple times by making changes in the electronic record.

69. SCN alleged that, Notiee 16 dematerialized the shares in the taken over folios and sold the shares. Funds from the sale proceeds were transferred to Raju Landge and Anil Jathan (entities connected to Noticee 3) from whom it ultimately reached Noticee 3 and related entities. Here also, Notiee 16 had tried to cover up the fraud, as done in the scrip of Aptech Ltd.

70. Suresh Unavane also dematerialized the siphoned of shares. He either sold the shares or transferred them to Noticee 5. The sale proceeds ultimately went to Noticee 5 (husband of Noticee 3).

71. SCN alleged that, Bonus shares were also illegally issued to Suresh Unavane in the folio taken over by him. Further, bonus shares were also fraudulently issued to Nagesh Karkera (relative of Noticee 3) even though he was not a shareholder. These shares were misappropriated.

72. Some of the instances of irregularities observed during the investigation are detailed below:

Table 14

Sr. No.	Shares transferred to	Value of the share as on date of siphoning	Value of the share as on October 10, 2016
1	320 shares (160 each from folio no. 01788892 and 01788922) of Hexaware Technologies Limited misappropriated by Noticee 3 through Raju Landge.	Exact date not available.	Rs. 59312 (Price @ NSE Rs. 185.35)
2	9500 shares (19000 Post 1:1 Bonus on 24-022011) of Hexaware Technologies Limited belonging to UTI "India Fund Unit Scheme 1986" misappropriated by Pradeep Rathod by printing entry dated 03/07/2006	Value= Rs. 1272050(Price @ NSE Rs. 133.90)	Value= Rs. 3521650(Price @ NSE Rs. 185.35)
3	10000 shares (20000 Post 1:1 Bonus on 24-022011) of Hexaware Technologies Limited belonging to UTI "India Fund Unit Scheme 1986" misappropriated by The Noticee 3/The Noticee 5 through Suresh Unavane by printing entry dated 03/07/2006 and demat on 09/01/2007	Value= Rs. 1339000(Price @ NSE Rs. 133.90)	Value= Rs. 3707000(Price @ NSE Rs. 185.35)
4	17100 shares of Hexaware Technologies Limited belonging to UTI "India Fund Unit Scheme 1986" misappropriated by The Noticee 3/The Noticee 5 through Suresh Unavane on 29/06/2006 and still held in the folio	Value= Rs. 2250360 (Price @ NSE Rs. 131.60)	Value= Rs. 3169485 (Price @ NSE Rs. 185.35)
5	17100 Bonus shares of Hexaware Technologies Limited belonging to UTI "India Fund Unit Scheme 1986" misappropriated by The Noticee 3/The Noticee 5 through Nagesh Karkera by printing entry dated 03/07/2006 and demat on 15/04/2011	Value= Rs. 2289690(Price @ NSE Rs. 133.90)	Value= Rs. 3169485 (Price @ NSE Rs. 185.35)
6	2285 Bonus shares of Hexaware Technologies Limited misappropriated by The Noticee 3/The Noticee 5 through allotment to Nagesh Karkera from Folio No. - 02753537 (Canara Bank Trustee Canbank Mutual Fund) on 15/04/2011	Value= Rs. 305961.5 (Price @ NSE Rs. 133.90)	Value= Rs. 423524.75 (Price @ NSE Rs. 185.35)
7	3920 Bonus shares of Hexaware Technologies Limited misappropriated by The Noticee 3/The Noticee 5 through allotment to Nagesh Karkera from	Value= Rs. 524888 (Price @ NSE Rs. 133.90)	Value= Rs. 726572 (Price @ NSE Rs. 185.35)

	Folio No. - 02753847 (Canara Bank Trustee Canbank Mutual Fund) on 15/04/2011		

Larsen and Toubro Limited

73. SCN alleged that, in the case of Larsen and Toubro Ltd., the folio of a genuine shareholder was taken over by replacing his name with that of an entity (Ratnakar Loku Poojary) connected to Noticee 1/ Noticee 2 , through back end entry, without authorization of the company. The shares from that folio were apparently given to him in physical form by Noticee 2. The said shares along with bonus shares received on them were dematerialized in his demat account. After dematerialization, he had transferred shares to Noticee 2 and other entities including Sunanda Jathan (Ratnakar's relative) on Noticee 2 's instructions. Ratnakar Loku Poojary had also received dividend on such shares which did not belong to him.

74. SCN alleged that, Shares received by Sunanda Jathan in her demat account were further transferred to account of Noticee 2. These transactions in her account were carried out by Dayanand Jathan (an employee of Noticee 1 and husband of Sunanda Jathan) in co-ordination with and at the behest of Noticee 2. Sunanda Jathan was in possession of an Office Note of Noticee 1 approved by Noticee 2 which indicated that Dayanand Jathan would be acting at the behest of Noticee 2 in the matter.

75. It was alleged that, Noticee 2 after receiving the shares from Ratnakar and Sunanda, transferred the same to various other entities. He also rematerialized 145 shares received from Ratnakar and transferred the same to different entities as rectification entry. The certificate number of the shares transferred to different entities were different from the number on certificate on which shares were rematerialized, this indicated that share certificates were repeatedly reprinted before transfers, apparently to obscure the audit trail.

76. It was alleged that, Noticee 2 also directly benefited from the above transactions by receiving dividends amounting to of Rs.8059 on the shares misappropriated by him through Ratnakar and Sunanda.

77. Some of the instances of irregularities observed during the investigation are detailed below:

Table 15

Sr. No.	Shares transferred to	Value of the share as on date of siphoning	Value of the share as on October 10, 2016
1	435 shares (2610 shares Post 1:1 bonus on October 2006, 1:1 bonus on October 2008 and 1:2 Bonus on July 2013) of Larson & Toubro Ltd. belonging to Pangal Nayak misappropriated vide demat entry on 16/08/2006 by G.R.Rao, with help from Ratnakar Loku Poojary, Sunanda Jathan and Dayanand Jathan	Value= Rs. 1035996 (Price @ NSE Rs. 2,381.60)	Value= Rs. 3784500 (Price @ NSE Rs. 1,450)

Mather and Platt Pumps Limited

78. SCN alleged that, in case of Mather and Platt Pumps Ltd., folio of an investor was taken over by replacing the name with that of Satyam Brush Industries (proprietary firm of Noticee 5, husband of Noticee 3). In this case, there was a scheme of arrangement involving the company. As per the said scheme of arrangement, the shareholders whose names appeared in the register of members as on record date could opt to sell the shares in the exit offer. Noticee 1, while processing the entitlement of shareholders, had fraudulently changed the name in the abovementioned folio with that of Satyam Brush Industries in order to claim the entitlement. Upon the same, the bank had issued cheque in favour of Satyam Brush Industries which was encashed.

79. Some of the instances of irregularities observed during the investigation are detailed below:

Table 16

Sr. No.	Shares transferred to	Value of the share as on date of siphoning	Value of the share as on October 10, 2016
1	720 shares of WILO Mather and Platt Pumps Ltd. misappropriated by Satyam Brush (The Noticee 5) and offered in Exit offer at Rs. 1,98,000/-	198000/-	NA

Artson Engineering Limited

80. SCN alleged that, in the case of Artson Engineering Ltd., shares in the folio of an investor were misappropriated by replacing the name of investor with that of Anil Jathan (brother of Noticee 3). The shares lying there were dematerialized and sold.

81. Some of the instances of irregularities observed during the investigation are detailed below:

Table 17

Sr. No.	Shares transferred to	Value of the share as on date of siphoning	Value of the share as on October 10, 2016
1	700 shares of Artson Engineering Limited belonging to unknown investors misappropriated. by The Noticee 8 by demat entry dated 13/04/2007	Value= Rs. 29645(Price @ NSE Rs. 42.35)	Value= Rs. 38605(Price @ NSE Rs. 55.15)

The Great Eastern Shipping Company Limited

82. SCN alleged that, in case of Great Shipping Company Ltd., Noticee 1 had failed to maintain proper electronic records of transactions in one folio.

<u>Securities Misappropriated and value thereof:</u>

83. SCN alleged that, the total value of securities of various companies so misappropriated, as on October 10, 2016, amounted to Rs. 60,45,74,718.15/-

<u>Non maintenance of records and failure to do proper due diligence in certain matters:</u>

84. It is alleged that there is clear lack in maintenance of proper documents and carrying out due diligence on part of Noticee 1 while processing these transactions. The details of the said transactions and the reply of Noticee 1 is tabulated below:

Table 18

Sr. No.	**Transfer or Folio No**	**Certificate Reprint Details**	**Transfer Details**	**Company reply *vide* letter dated April 07, 2016**	**Remarks**
1	31028 054 of UTI (Scree n Shot placed at Annex ureSP36)	As per system, Certificate no 156321 for 100 shares (Distinctive no 2442278 to 2442377) printed on 12/10/2010 in place of old certificate no 152600. As per physical share certificate print reconciliation/ control register (AnnexureOD74) certificate No 156321 printed on October 19, 2010.	Transfer of 100 shares on share certificate bearing no. - 156321 (Distinctive no 2442278 to 2442377) as "Rectification entry" (Inward No. - 800013, transaction no. - 800001) to Folio No. - 26012771 (Malani Mukesh Sundar) on 12/11/2010.	Mukesh has purchased the shares of MIL but lodged it very late. Noticee 1 has transferred the shares to Mukesh through "Rectification mechanism" and signed the shares certificates without making any reference to the Company. The documents submitted by the company (page 1129 of compilation Part-II of reply dated April 07, 2016; Placed as Annexure-CRNF1).	The mismatch of dates of printing of certificates in system *vis-à-vis* control register indicates that improper maintenance of records by Noticee 1. Such issues should have been referred by Noticee 1 to company also.
2	31028 054 of UTI	NA	Transfer of total 150 shares viz. 100 shares on certificate nos. 152607 (Distinctive no 2442978 to 2443077) and 50 shares on certificate no. - 152608 (Distinctive no 2443078 to 2443127) to Folio No. - 26001828 (Neha Jain; Screen Shot at AnnexureSP37) as "rectification entry"	Reply received was similar to reply provided in serial no. 1 above. Documents submitted by the company (page 30- 36 of compilation Part-II; of reply dated April 07, 2016; Placed as Annexure-CRNF1).	As per the statement of Noticee 2 dated February 15, 2016(Annexure--SR11), there is no signature record for the folio no 31003243 as it is "No Card" case *i.e.* neither any original data of signature was received from the company at the time of taking over share transfer work by Noticee 1 nor

			(Inward no - 800004, transaction no. - 800002) on 03/02/2004		such data was subsequently available with Noticee 1. The certificates transferred to Neha and dematerialized by her appears to be of old series which strongly suggests that such certificates were actually kept by the Noticee 1 without any records in the system.
3	31003 243 of UTI (Scree n Shot placed at Annex ureSP35)	NA	Transfer of 200 shares (Certificate no. - 139355; Distinctive no. - 1125907 to 1126006 and Certificate no. - 139356; Distinctive no. - 1126007 to 1126106) to Folio No. - 26001828 of Neha Jain through "rectification entry" on 03/02/2004.		
4	31000 092 of UTI (Scree n Shot placed at Annex ureSP32)	NA	Transfer of 265 shares (Certificate no. - 139228; Distinctive no. - 1115543 to 1115642, Certificate no. - 139229; Distinctive no. - 1115643 to 1115742 and Certificate no. - 155236; Distinctive no. - 1115743 to 1115807) to Folio No. - 26001828 of Neha Jain (Screen Shot placed at Annexure-SP37) through "Name Deletion" entry on 16/03/2004.		

5	31000092 of UTI	NA	Transferred 315 shares (Certificate no. - 139106; Distinctive no. - 1103343 to 1103442, Certificate no. - 139107; Distinctive no. - 1103443 to 1103542, Certificate no. - 139109; Distinctive no. - 1103643 to 1103742 and Certificate no. - 155427; Distinctive no. - 1103543 to 1103557) to the Folio No. - 26004438 of Anish Bhatt (Screen Shot placed at Annexure-SP38) through "transfer" entry on 16/03/2005.	Reply received was similar to reply provided in serial no. 1 above. Documents submitted by the company (page 37-64 of compilation Part-II; of reply dated April 07, 2016; Placed as **Annexure-CRNF1).** The earliest available correspondence from Anish Bhatt to SHCIL is of 18/12/2003. SHCIL had corresponded with Noticee 1 at the same time. First available correspondence with Noticee 1 is dated 16/02/2004.	The certificates transferred to Anish and dematerialized by him appears to be of old series. It was noted from the correspondence between SHCIL and Noticee 1 that initially Noticee 1 tried to pass the matter to SHCIL by stating that the share certificates are in the custody of SHCIL but when SHCIL demanded dispatch details *etc.* they stated that the shares certificates were in their custody. Noticee 1 took extremely long time (more than one year) to resolve the complaint.
6	31003243 of UTI	NA	Transfer of 635 shares to folio no. - 26004438 (Anish Bhatt) on 16/03/2005.		
7	31000092 of UTI	NA	Transferred 100 shares on Certificate no. - 139137 (Distinctive no. - 1106443 to 1106542) (inward no. - 21253) to folio no. - 26009992 (Pawan Kumar Jain) on 01/10/2007 which was dematerialized in demat account no. - IN300206-10393867 on 05/11/2007.	Reply received was similar to reply provided in serial no. 1 above. Documents submitted by the company (page of 166 to 199 of compilation Part-II; of reply dated April 07, 2016; Placed as Annexure-CRNF1). The earliest available correspondence from Pawan Kumar Jain to Mafatlal Industries	The certificates transferred to Pawan and dematerialized by him appears to be of old series and in the name of UTI later transferred by endorsement in the name of Pawan which strongly suggests that such certificates were actually kept by Noticee 1 without any records in the system. Pawan received the shares after long correspondences with the RTA of

				Limited is of July 16, 2007 which was forwarded to Noticee 1 on July 21, 2007	Mafatlal Noticee 1 took long time (around six months) to resolve the complaint.
8	31000 092 of UTI	NA	Transferred 100 shares on certificate no. - 139111 (Distinctive no. - 1103843 to 1103942) to 26009744 (Murari Lal Aggarwal) on 18/06/2007 which he dematerialized in demat account no. - 1203350300107375 on 17/09/2008.	Reply received was similar to reply provided in serial no. 1 above. Documents submitted by the company (page of 200 to 205 of compilation Part-II; of reply dated April 07, 2016; Placed as Annexure-CRNF1).	From the reply of the company and documents obtained by them from the office of Noticee 1, it appears that Murari got the shares transferred in his name after obtaining order from Consumer Forum. The certificates transferred to Murrari and dematerialized by him appears to be of old series and in the name of UTI later transferred by endorsement in the name of Murari which strongly suggests that such certificates were actually kept by Noticee 1 without any

					records in the system.
9	31000092 of UTI	The share certificate print reconciliation/control register (Annexure-OD80) shows that the certificate bearing no. 155883 was printed on August 18, 2006 though the page is torn/mutilated.	Transferred total 935 shares (Certificate no. - 139116; Distinctive no. - 1104343 to 1104442, Certificate no. - 139117; Distinctive no. - 1104443 to 1104542, Certificate no. - 139118; Distinctive no. - 1104543 to 1104642, Certificate no. - 139119; Distinctive no. - 1104643 to 1104742, Certificate no. - 139120; Distinctive no. - 1104743 to 1104842, Certificate no. - 139121; Distinctive no. - 1104843 to 1104942, Certificate no. - 139122; Distinctive no. - 1104943 to 1105042,	Reply received was similar to reply provided in serial no. 1 above Documents submitted by the company (page of 206 to 226 of compilation Part-III; of reply dated April 07, 2016; Placed as Annexure-CRNF1).	The share certificates transferred to Ashok Naraidas were in the name of UTI and transferred by endorsement in the name Ashok Naraidas. This strongly suggests that the records of the share certificates were not maintained properly and certificates had to be reprinted.

			Certificate no. - 139123; Distinctive no. - 1105043 to 1105142, Certificate no. - 139124; Distinctive no. - 1105143 to 1105242 and Certificate no. - 155883; Distinctive no. - 1105243 to 1105277) to folio no. - 26008573 (Ashok Kumar Naraindas) through Rectification Entry on 16/08/2006 which he dematerialized in demat account no. - IN30047642652016 on 11/09/2006.		
10	31000092 of UTI	The share certificate print reconciliation/control register (Annexure-OD76) shows that the certificate bearing no. 168365 & 168366 were printed on April 15, 2011.	Transferred 150 shares (100*1+ 50*1: Certificate no. - 168365; Distinctive no. - 1115443 to 1115542 and Certificate no. - 168366; Distinctive no. - 1103743 to 1103792) through "Rectification Entry" (inward no. - 800018) to 26013126 (Shyam Narain) on 31/05/2011 which he dematerialized in demat account no. - IN30267931457058 on 21/10/2011.	Reply received was similar to reply provided in serial no. 1 above. Documents submitted by the company (page of 227 to 288 of compilation Part-III; of reply dated April 07, 2016; Placed as Annexure-CRNF1).	Noticee 1 obtained PAN of the transferee for registering the shares in his name as per SEBI circular no. - MRD/DoP/Cir-05/2009 dated May 20, 2009. The share certificates transferred to Shyam Narain was in the name of UTI and transferred by endorsement in the name Shyam Narain but the share certificates nos. are of new series and there are no records w.r.t. the time and reason for re-printing of such share certificates.

11	31000 092 of UTI	The share certificate print reconciliation/control register (Annexure - OD75) shows that the certificate bearing no. 15542was 8 on printe 22, d March 2005.	Transfer of 85 shares (certificate no. - 155428; Distinctive no. - 1103558 to 1103642) through rectification entry (inward no. - 800017) on 01/03/2006 to Folio no. - 26007626 (Neha Jain) which dematerialized the shares on 25/03/2006 in demat account no. - IN300476-42126617	Reply received was similar to reply provided in serial no. 1 above. Documents submitted by the company (page of 289 to 292 of compilation Part-III; of reply dated April 07, 2016; Placed as Annexure-CRNF1).	The share certificates transferred to Neha Jain were in the name of UTI and transferred by endorsement which strongly suggests proves that such share certificates were actually kept by Noticee 1 without any records in the system.
12	31000 092 of UTI	NA	Transferred 400 shares (Certificate no. - 139112; Distinctive no. - 1103943 to 1104042, Certificate no. - 139113; Distinctive no. - 1104043 to 1104142, Certificate no. - 139114; Distinctive no. - 1104143 to 1104242 and Certificate no. - 139115; Distinctive no. - 1104243 to 1104342) through rectification entry (inward no. - 800014) on 01/03/2006 to folio no. - 26007627 (Rajesh Sohanraj Punmiya) who dematerialized the shares on 22/03/2006 in demat account no. - IN30082910622117.	Reply received was similar to reply provided in serial no. 1 above. Documents submitted by the company (page of 293 to 381 of compilation Part-II; of reply dated April 07, 2016; Placed as Annexure-CRNF1).	The share certificates transferred to Rajesh were in the name of UTI and transferred by endorsement in the name Rajesh which strongly suggests that such share certificates were actually kept by Noticee 1 without any records in the system.

13	31000 092 of UTI	NA	Transfer of 140 shares (100*1+10*4: Certificate no. - 139138; Distinctive no. - 1106543 to 1106642, Certificate no. - 156064; Distinctive no. - 1106643 to 1106652, Certificate no. - 156065; Distinctive no. - 1106653 to 1106662, Certificate no. - 156066; Distinctive no. - 1106663 to 1106672 and Certificate no. - 156067; Distinctive no. - 1106673 to 1106682) through "Name Deletion Entry" (inward no. - 830655) on 16/11/2007to folio no. - 37000115 (Praveen Kumar Dhall) which he dematerialized on 18/02/2013 in demat account no. - IN30011810153943.	Reply received was similar to reply provided in serial no. 1 above. Documents submitted by the company (page of 382 to 431 of compilation Part-III; of reply dated April 07, 2016; Placed as Annexure-CRNF1).	The transfer deeds w.r.t. the transfer was of year 1999 while the same was received and processed by Noticee 1 in the year 2006 without revalidation from RoC. The share certificates transferred to Praveen were in the name of UTI and transferred by endorsement which strongly suggests that such certificates were actually kept by Noticee 1 without any records in the system. The shares were been transferred and "Name Deletion" entry was passed. It is pertinent to mention that Praveen was not a surviving joint holder of shares with UTI for which "name deletion" entry should have been passed.

14	31000 092 of UTI	NA	Transfer of 100 shares (Certificate no. - 139140; Distinctive no. - 1106743 to 1106842) through "name deletion entry" (inward no. - 830682) on 16/11/2007 to folio no. - 26010577 (Gayatri Gupta) which she dematerialized on 16/11/2007 in demat account no. - IN30226910464323.	Reply received was similar to reply provided in serial no. 1 above. Documents submitted by the company (page of 432 to 487 of compilation Part-III; of reply dated April 07, 2016; Placed as Annexure-CRNF1).	The share certificates transferred to Gayatri were in the name of UTI and transferred by endorsement in the name of Gayatri which strongly suggests that such share certificates were actually kept by Noticee 1 without any records in the system. The shares were transferred and "Name Deletion" entry was passed. It is pertinent to note that Gayatri was not a surviving joint holder of shares with UTI for which "name deletion" entry should have been passed.

85. In view of the above, it is alleged that Noticee 1 has failed to maintain proper records and carry out transactions in prescribed manner as:

(i) It has not transferred the shares after obtaining approval from shares transfer committee.

(ii) There is no record even w.r.t. which shares of PRCL were allotted to UTI as against shares of MIL and not lodged for transfer by the entities.

(iii) There is no record w.r.t. what happened to original shares certificates of Navin Fluorine allotted to UTI and why new share certificates were printed.

(iv) The certificates were issued and signed without making any reference to the company.

(v) The transfer was carried through "Rectification entry" which as per own statement of Noticee 2 dated January 28, 2016 (Annexure-SR15), the same is used in only rare cases.

(vi) In the case of Anish Bhatt, though the company stated that the transfer was effected by normal transfer route, however, no copy of approved "transfer register" was found in the documents submitted (as recovered from Noticee 1 records) by the company.

(vii) In some of the cases transferred through "name deletion" entry which is used only for transmission cases. Apparently UTI could not die and the individuals could not be the heirs of UTI.

(viii) In some cases, the transfer deeds w.r.t. the transfer was many years old, however, the same was received and processed by Noticee 1 without revalidation from RoC.

86. Noticee 1 is expected to resolve grievances of investors within one month. It is also observed that Noticee 1 has not taken prompt steps to redress the grievances of investors as the aggrieved investors obtained their shares only after long and repeated correspondences with Noticee 1.

Non Compliance with Summons by Noticees:

87. As the Noticee 1 was not providing any supporting documents for the transactions reflected in the Noticee 1 Systems, Investigation Team visited the warehouse of the Noticee 1 and to ascertain the state of affairs, documents w.r.t. sample of certain transaction under investigation were sought. SEBI observed that record of inward and outward of documents from/to the warehouse were not maintained. It was observed that documents were not available w.r.t. folios which were being investigated. The above facts were also brought to the notice of the Noticee 2 who admitted the same. In view of the above it was alleged that the records and documents are not being maintained properly. It was also alleged that either the documents in transactions under investigation are being removed in a very suspicious manner or investigation was not allowed to have hands on the same. Therefore, there was lack in exercising proper due skill, care and proper due diligence and the Noticee 1 has not maintained high standards of integrity in the conduct of its business and has not fulfilled its obligations in a prompt, ethical and professional manner.

88. Various summons were issued to the Noticees asking for detailed information/explanation, documents w.r.t. each transaction however it was alleged that the Noticees failed to comply with the said summons. The Noticees were served with the summons, to which Noticees either did not respond/complied with the summons or responded with incomplete information, the details of which are given in the following paragraphs.

Summons Table

89. Details of non-compliance of summons issued to Noticee 1 and 2 are as follows:

Date	**Summons No**	**Annexure to SCN**	**Remarks**
04/11/2016	MIRSD2/DB/LS/SSIL/30325/16	Annexure - SG1	All Summons again issued. Hand Delivered to Sharepro office on Nov 04, 2011.
04/11/2016	MIRSD2/DB/LS/SSIL/30325/16	Annexure - SG2	All Summons again issued. Delivered through Superintendent, Mumbai Central Prison on Nov 06, 2016. Acknowledgement provided by Superintendent vide letter dated Dec 12, 2016
04/07/2016	MIRSD2/DB/SD/SSIL/18534/2016	Annexure - SG3	Regarding own transactions in the shares of L&T limited of Pangal Nayak. Along with copy of Summon No-17532 & 18503 issued through Superintendent of Jail, Mumbai central Prison. Delivered. Informed and acknowledgement provided by Superintendent vide letter dated 18/07/2016
04/07/2016	MIRSD2/DB/SD/SSIL/18503/2016	Annexure - SG4	Regarding his own transactions in the shares of L&T Limited of Pangal Nayak. Delivered at home address. Advocate Ravi Kotian submitted vide letter dated July 15, 2016 that G.R.Rao is not in charge of day to day operations of Sharepro and was not aware of any such transfers. The submissions are completely misleading as the transaction pertains to transfer of shares to/from his folio and demat accounts which cannot transpire without his knowledge and consent.
04/07/2016	MIRSD2/DB/SD/SSIL/18631/2016	Annexure - SG5	Issued to Shri Ravi S Kotian, Advocate of G.R.Rao. Reminder to 20/06/2016.
20/06/2016	MIRSD2/DB/SD/17532/2016	Annexure - SG6	Regarding his own transactions in the shares of L&T limited of Pangal Nayak. Delivered at home address
29/04/2016	MIRSD2/LS/2016/12527	Annexure - SG7	Documents and explanations w.r.t. dividend siphoned by entities

12/04/2016	MIRSD2/LS/2016/10903	Annexure - SG8	Regarding his own transactions with Lalit Joshi in the matter of Navin Flourine and to explain the deposit of Rs 300,000/- in his own bank account by cheque no-807055 in the matter of Aptech Limited and other transactions in his bank accounts
17/03/2016	Hand Delivery	Annexure - SG9	Regarding Apple Finance Ltd, Aptech Ltd, Hexaware Technologies Limited, Larson & Toubro Ltd., WILO Mather and Platt Pumps Ltd., Artson Engineering Limited, Search Chem Industries Ltd., The Great Eastern Shipping Limited, Mahindra Lifespace Developers Limited, ISMT Limited, Zensar Technologies Limited. and other general details w.r.t. the operations of RTA. G.R.Rao sought extension for all summons vide email dated 17/03/2016. Granted extension till 31/03/2016 vide email dated 21/032016
10/03/2016	MIRSD2/DB/OW/2016/7158	Annexure - SG10	Regarding Transactions in Kansai Nerolac. Also forwarded by email dated 10/03/2016.
09/03/2016	MIRSD2/OW/P/2016/6970	Annexure - SG11	Regarding the transactions of Phillips India Limited. Also forwarded by email dated 09/03/2016.
08/03/2016	MIRSD2/DB/SD/SSIL/6940/2016	Annexure - SG12	Reminder with fresh summons w.r.t. Summons dated 12/02/2016 w.r.t. transactions in Asian Paints Limited
29/02/2016	MIRSD2/OW/2016/6099	Annexure - SG13	Regarding the transactions in Navin Flourine International Limited. Also emailed on 01/03/2016. Extension sought vide email dated 08/03/2016. Extension Granted
17/02/2016	Hand delivery	Annexure - SG14	Complied w.r.t. Point No-1 w.r.t. Register of Members but other points w.r.t. salary and perks of employees & management not provided.
12/02/2016	Hand Delivery to G.R.Rao on 15/02/16	Annexure - SG15	Regarding transactions in Asian Paints Limited
07/12/2015	Hand delivered	Annexure - SG16	Regarding transactions in Balram Mukherjee which complied. Also w.r.t. dividend on the shares of Britannia w.r.t. shares of Sujit Gupta which not complied.
04/12/2015	Hand delivered	Annexure - SG17	Hand Delivered to Noticee 2 on December 04, 2015. Regarding Dividend of Asian Paints Ltd belonging to Manuchas given to Raju Landge, dividend of the shares of Tata Communications issued to Satyam Brush, Other dividend related information

90. Details of non-compliance of summons issued to Noticee 3 are as follows:

Date	Summon No	Annexure Nos	Remarks
16/11/2016	MIRSD2/DB/LS/SSIL/31133/16	Annexure-S1	Extension granted for all earlier summons. Superintendent, Mumbai Central Prison delivered the same to G.R.Rao and informed vide letter dated November 22, 2016
16/11/2016	MIRSD2/DB/LS/SSIL/31133/16	Annexure-S2	Extension granted for all earlier summons. Hand delivered through Prashant Karkera. Advocate of Indira, Shri Arun Panicker submitted vide letter dated November 28, 2016 that they are unable to reply as all documents are seized by EOW. So SEBI may approach them for information.
30/06/2016	MIRSD2/DB/SD/SSIL/18501/16	Annexure-S3	Extension granted for all earlier summons. Remained undelivered
10/05/2016	MIRSD2/DB/SD/SSIL/13601/16/I	Annexure-S4	Extension granted for earlier summons. Delivered through advocate.
10/05/2016	MIRSD2/DB/SD/SSIL/13606/16	Annexure-S5	Extension granted for earlier summons. Remained undelivered. Pasted outside her home by her broker Sharekhan Limited in the presence of two witness and taken pictures. Informed to SEBI vide letter dated June 22, 2016. Also delivered by her broker Kotak Securities Limited by pasting as well as on the registered email Id of her son Mohit Karkera who duly acknowledged the same.
12/04/2016	MIRSD2/SD/2016/11041	Annexure-S6	Regarding transactions in her bank account. Pasted outside her home by her broker Sharekhan Limited in the presence of two witness and taken pictures. Informed to SEBI vide letter dated June 22, 2016. Also delivered by her broker Kotak Securities Limited by pasting as well as on the registered email Id of her son Mohit Karkera who duly acknowledged the same.
07/01/2016	MIRSD2/DB/LS/SSIL/OW/742/2016	Annexure-S7	Reminder to December 02 & 07, 2015 Summons. Family member details, bank/demat account details. Asset details. Details of documents in the matter of dividend of Manucha given to Raju (her driver). Contact details of Mr. Raju. Details of 1440 bonus shares. And details of all instruments where dividend belonging to original shareholder has been transferred to another
07/12/2015	Hand delivered	Annexure-S8	Details of 1440 bonus shares of Manucha and list of all assets
02/12/2015	Hand delivered	Annexure-S9	Family member details, bank/demat account details. Asset details. Details of documents in the matter of dividend of Manucha given to Raju (her driver). Contact details of Mr. Raju etc.

91. Details of non-compliance of summons issued to Noticee 4 are as follows:

Date	Summons No	Annexure No	Remarks
12/04/2016	MIRSD2/SD/2016/11070	Annexure-SBM	Speed Post Delivered

92. Details of non-compliance of summons issued to Noticee 5 are as follows:

Date	Summons No	Annexure No	Remarks
10/05/2016	MIRSD2/DB/SD/SSIL/13605/16	Annexure-SPK1	Extension granted for all earlier summons. Remained undelivered. Pasted outside his home by his broker Sharekhan Limited in the presence of two witness and taken pictures. Informed to SEBI vide letter dated June 22, 2016. Also delivered by his broker Kotak Securities Limited by pasting as well as on the registered email Id of his son Mohit Karkera who duly acknowledged the same. Letter of brokers at Annexure-S5 &S6
12/04/2016	MIRSD2/SD/2016/11047 in the name of Satyam Brush		Regarding transactions in his bank account. Delivered by post.
04/01/2016	MIRSD2/DB/LS/SSIL/OW/280/16	Annexure-SPK2	Reminder to December 08, 2015. Hand delivered to Indira on 07/01/2016
04/01/2016	MIRSD2/DB/LS/SSIL/OW/262/16	Annexure-SPK3	Reminder to December 08, 2016. Delivered by post at two addresses.
08/12/2015	Hand Delivery	Annexure-SPK4	Details w.r.t. transfer of dividend to Satyam Brush illegally in the matter of Tata Communications Limited. Other details e.g. bank account/demat account, relation with G.R.Rao, assets, any other Dividend or shares of others transferred to him etc. Hand Delivered to Indira on 09//12/2015
08/12/2015	OW/34023/2016	Annexure-SPK5	Details w.r.t. transfer of dividend to Satyam Brush illegally in the matter of Tata Communications Limited. Other details e.g. bank account/demat account, relation with G.R.Rao, assets, any other dividend or shares of others transferred to him etc. Delivered through Professional Courier.

93. Details of non-compliance of summons issued to Noticee 6 are as follows:

Date	Summons No	Annexure No	Remarks
April 12, 2016	MIRSD2/LS/10941	Annexure-SAD1	w.r.t. his transactions in Asian Paints Limited and other details
May 09, 2016	MIRSD2/DB/LS/SSIL/13528	Annexure-SAD2	Reminder to April 12, 2016

94. Details of non-compliance of summons issued to Noticee 8 are as follows:

Date	Summon No	Annexure No	Remarks
14/06/2016	Letter from CDSL	Annexure -SAJ	CDSL informed that Anil Jathan has refused to reply about various facts under investigation and contained in SEBI order dated March 22, 2016. Hence they have terminated the service of their employee i.e. Anil Jathan.
10/05/2016	MIRSD2/DB/SD/SSIL/13677/2016	Annexure -SAJ1	Delivered by post to Advocate Arun Panicker who vide letter dated April 22, 2016 informed that all records at Sharepro are Seized by EOW because of which his client (Anil Jathan) cannot reply. SEBI Vide Letter No 13677/2016 informed him that citing non-availability of doc/info with third party will not be accepted. Reply should be provided from own records. CC sent to clients vide Letter no-MIRSD2/DB/SD/SSIL/13684/2016.
10/05/2016	MIRSD2/DB/SD/SSIL/13684/2016	Annexure -SAJ2	
13/04/2016	MIRSD2/DB/SD/SSIL/11145/2016	Annexure -SAJ3	Extension of Time Sought vide letter dated April 01, 2016 for the Summons. Extension granted vide this letter. Delivered through post
29/03/2016	MIRSD2/DB/SD/OW/9074/2016	Annexure -SAJ4	SEBI order 22/03/2016 and Summons 01/03/2016 through CDSL. CDSL hand delivered on 29/03/2016 and informed us vide letter dated 31/03/2016
29/03/2016	Forwarding letter MIRSD2/DB/SD/SSIL/9152/2016 and Summon No MIRSD2/DB/SD/SSIL/9156/2016	Annexure -SAJ5	Regarding his transactions in Phillips India, JM Financial Limited, Search Chem, Artson Engineering, etc. also details w.r.t. transactions in his bank account, dividend received etc. Delivered through post.
01/03/2016	MIRSD2/DB/SD/SSIL/6100/2016	Annexure -SAJ6	Regarding his transactions in Phillips India, JM Financial Limited, Search Chem, Artson Engineering, etc. also details w.r.t. transactions in his bank account, dividend received etc. No acknowledgement.

95. Details of non-compliance of summons issued to Noticee 9 are as follows:

Date	Summon No	Annexure No	Remarks

10/05/2016	MIRSD2/DB/SD/SSIL/13677/2016 issued to Arun Panicker, Advocate of Bhavani Jathan	Annexure -SBJ1	Advocate Arun Panicker vide letter dated April 22, 2016 informed that all records at Sharepro are Seized by EOW because of which his client cannot reply. SEBI Vide Letter No 13677/2016 informed him that citing non-availability of doc/info with third party will not be accepted. Reply should be provided from own records. CC sent to client at two alternate addresses. Delivered
10/05/2016	MIRSD2/DB/SD/SSIL/13685/2016	Annexure -SBJ2	
10/05/2016	MIRSD2/DB/SD/SSIL/13687/2016	Annexure -SBJ3	
12/04/2016	MIRSD2/LS/2016/10994	Annexure -SBJ4	Regarding her transactions with Balram Mukherjee and other details. Delivered by post at two alternative addresses
12/04/2016	MIRSD2/LS/2016/10995	Annexure -SBJ5	

96. Details of non-compliance of summons issued to Noticee 10 are as follows:

Date	Summon No	Annexure No	Remarks
April 12, 2016	MIRSD2/LS/2016/10978	Annexure -SCS1	Regarding his transactions
May 06, 2016	MIRSD2/LS/2016/13966	Annexure -SCS2	Extension granted through letter to Advocate Preeti Thobhani. CC to client
May 06, 2016	MIRSD2/LS/2016/13966	Annexure -SCS3	
June 20, 2016	MIRSD2/DB/LS/SSIL/17513/16	Annexure -SCS4	Extension granted through letter to Advocate Preeti Thobhani. CC to client
June 20, 2016	MIRSD2/DB/LS/SSIL/17513/16	Annexure -SCS5	

97. Details of non-compliance of summons issued to Noticee 16 are as follows:

Date	Summons No	Annexure No	Remarks
April 12, 2016	MIRSD2/LS/2016/10977	Annexure -SPR	W.r.t. his transactions in the shares various companies and other details.

98. Details of non-compliance of summons issued to Noticee 18 are as follows:

Date	Summons No	Annexure No	Remarks
12/04/2016	MIRSD2/LS/2016/10938	Annexure-SSB	Regarding his transactions in Asian Paints and Kansai Nerolac, dealings with Balram Mukherjee and other details

99. In view of the foregoing it was alleged that

Table 19

Sr No	Name of the Entity	Nature of Violations	Applicable Regulatory provisions/Comments
	A	**B**	**C**
1	**Sharepro Services (I) Pvt. Ltd.**	1. Committed Fraud, 2. Falsification of records, 3. Facilitating fraudulent and unauthorized transfers, 4. Settling/ attempting to settle claim of investors through misappropriation, 5. Failure to do due diligence, 6. Non-maintenance of proper records, 7. Destruction of records, 8. Not following due procedures, 9. Non redressal of investor grievance promptly, 10. Attempt to Mislead 11. Non-cooperation with SEBI 12. Investigation, 13. Non-compliance with summons, 14. False and misleading statements to IA	1. Section 12 A (a) (b) (c) of SEBI Act, 1992, Regulation 2 (1) (c), 3 (b) (c) (d), 4 (1) & (2) (p) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 for point no 1 to 4 (of column B). 2. Clauses (1),(2), (3), (5), (6), (16), (17), (18), (20), (25), (28), (30) of Code of Conduct specified in Regulation 13 of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 {“RTA” Regulations”}, Regulation 9 (A) (e) & (f), Regulation 6 (g) and Regulation 14 (3) (b) & (c) of RTA Regulations, SEBI Circular No RTI Circular No. 1 (2000-2001) Dated May 09, 2001 for point no 5 to 13 (of column B). 3. Section 11C(2) and 11C (3) of SEBI Act, 1992 for point no. 11 to 13 (of column B).
2	**Govind Raj Rao**	1. Committed fraud, 2. Beneficiary of fraud, 3. Approved the fraudulent transactions , 4. Settling/ attempting to settle claim of investors through misappropriation, 4. Non-compliance with summons, 5. Attempt to mislead,	1. Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) & (2) (h) of PFUTP Regulations, 2003 for Point No- 1 to 4, 6 & 7 (of Column B) 2. Section 11C(2), 11C (3) and 11C(5) of SEBI Act , 1992 for Point No 5 & 6 (of column B)

		6. Vicarious liability as Director of Sharepro	
3	**Indira Karkera**	1. Mastermind of the conspiracy of fraud, 2. Committed fraud, 3. Beneficiary of fraud, 4. Settling claim of investors through misappropriation, 5. Non-compliance with summons, 6. False and misleading statements to IA	1. 12A (c) of SEBI Act, 1992, Regulation 3, 4 (1) & (2) (h) of PFUTP Regulations, 2003 for Point No 1 to 4 (of column B) 2. Section 11C(2), 11C (3) and 11C(5) of SEBI Act, 1992 for Point No 5 & 6 (of column B).
4	**Balram Mukherjee**	1. Fraudulent transactions, 2. Committed Forgery, 3. Beneficiary of fraud, 4. Non-compliance of summons	1. Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003 for Point No 1 to 3 (of column B) 2. Section 11C(2) and 11C (3) of SEBI Act, 1992 for Point No 4 (of column B)
5	**Prashant Karkera**	1. Committed fraud by using the accounts of different conduits, 2. Beneficiary of fraud, 3. False and misleading statements to IA, 4. Non-compliance with summons	1. Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003 for Point No 1 to 2 (of column B) 2. Section 11C(2), 11C (3) and 11C(5) of SEBI Act , 1992 for Point No 3 to 4 (of column B)
6	**Akhil K Dalal**	1. Committed fraud, 2. Beneficiary of fraud, 3. False and misleading statements to 4. IA, 5. Non-compliance with summons	1. Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003 for Point No 1 to 2 (of column B) 2. Section 11C(2) and 11C (3) of SEBI Act , 1992 for Point No 3 to 4 (of column B)
7	**Anand S. Bhalakia**	1. Committed fraud by providing demat/bank accounts, 2. Beneficiary of fraud	Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), (b)(c)(d), 4 (1) of PFUTP Regulations, 2003 for Point No 1 to 2 (of column B)
8	**Anil Jathan**	1. Committed fraud, 2. Beneficiary of fraud, 3. Non-compliance with summons	1. Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003 for Point No 1 to 2 (of column B) 2. Section 11C(2) and 11C (3) of SEBI Act , 1992 for Point No 3 (of column B)

9	**Bhavani Jathan**	1. Beneficiary of fraud, 2. Non-compliance with summons	1. Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003 for Point No 1 (of column B) 2. Section 11C(2) and 11C (3) of SEBI Act , 1992 for Point No 2 (of column B)
10	**Chetan Shah**	1. Fraudulent transactions 2. Beneficiary of fraud, 3. Non-compliance with summons	1. Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003 for Point No 1 & 2 (of column B) 2. Section 11C(2), 11C (3) and 11C (5) of SEBI Act , 1992 for Point No 3 (of column B)
11	**Dayanand Jathan**	Committed fraud	Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003
12	**Dina Bhalakia**	Beneficiary of fraud	Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003
13	**Jayshree Shah**	Fraudulent transactions, Beneficiary of fraud	Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003
14	**Mohit Karkera**	Committed fraud by providing demat/bank accounts, Beneficiary of fraud	Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003
15	**Sujitkumar Amarnath Gupta**	Committed fraud, Beneficiary of fraud	Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003
16	**Pradeep Rathod**	1. Committed fraud, 2. Beneficiary of fraud, 3. False and misleading statements to IA	Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003 for Point No 1 to 2 (of column B) Section 11C(2) and 11C(3) of SEBI Act , 1992 for Point No 3 (of column B)
17	**Rajesh Bhagat**	Committed fraud by using the accounts of different conduits and own account , Beneficiary of fraud	Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003
18	**Shrikant Bhalakia**	1. Committed fraud, 2. Beneficiary of fraud, 3. False and misleading statements to IA, 4. Non-compliance with summons	Section 12A(a)(b)(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(b)(c)(d), 4 (1) of PFUTP Regulations, 2003 for Point No 1 to 2 (of column B) Section 11C(2) and 11C(3) of SEBI Act , 1992 for Point No 3 to 4 (of column B)

100. In response to SCN, Noticees filed their reply, inspected documents and attended personal hearing before undersigned as follows:

Table 20

Noticee No.	Filed reply vide letter/Email dated	Hearing Date	Inspection date	Remarks/ Represented by
1	Response dated May 02, 2023	NA	NA	Official Liquidator, High Court Bombay
2	Reply dated December 05, 2022, January 12, 2023	November 09, 2022 December 07, 2022 December 12, 2022, December 14, 2022, December 23, 2022 Final hearing was scheduled on January 20, 2023, which was not attended hence taken as concluded.	NA	Advocate Ashmita Goradia & Advocate Kunal Katariya
3	January 10, 2023 30th November 2022	December 23, 2022 Final hearing was scheduled on January 20, 2023, which was not attended hence taken as concluded.	NA	Advocate Pranit Kulkarni
4	NA	October 06, 2022	NA	Publication Dated 27/09/2022
5	Reply from Son Mohit Karkera (Death Certificate) December 02, 2022	NA	NA	NA
6	NA	October 06, 2022	NA	Publication Dated 27/09/2022
7	May 17, 2022 and September 21, 2022.	27th September 2022	NA	Mr. Shrikant Bhalakia (Noticee 18) attended the hearing
8	November 29, 2022	December 07, 2022, December 19, 2022	NA	Advocate Mr. Rushin Kapadia
9	November 29, 2022	December 07, 2022, December 19, 2022	NA	Advocate Mr. Rushin Kapadia
10	September 22, 2022, October 03, 2022	September 26, 2022	NA	Ms. Preeti Thobhani
11	November 29, 2022	December 07, 2022, December 19, 2022	NA	Advocate Mr. Rushin Kapadia
12	May 17, 2022 and September 21, 2022.	27th September 2022	NA	Mr. Shrikant Bhalakia (Noticee 18) attended the hearing.
13	May 17, 2022 and	27th September 2022	NA	Mr. Shrikant

	September 21, 2022.			Bhalakia (Noticee 18) attended the hearing.
14	November 29, 2022	December 07, 2022, December 19, 2022	NA	Advocate Mr. Rushin Kapadia
15	NA	NA	NA	Publication Dated 27/09/2022
16	February 17, 2023, January 23, 2023	January 23, 2023	November 18, 2022	Advocate Mr. Vikas Bengani.
17	October 19, 2022, October 07, 2022	October 07, 2022	NA	Advocate Mr. Ashok Sahebrao Dhemare
18	May 17, 2022 and September 21, 2022.	27th September 2022	NA	Mr. Shrikant Bhalakia (Noticee 18) attended the hearing.

101. *Inter alia* the main submissions of the Noticees are summarized as below:

<u>Inordinate delay in issuance of SCN (Common submission of Noticee 2, 3, 8, 9, 11, 14, 16):</u>

102. Noticees have *inter alia* submitted that, SCN has been issued after almost 2 years from the date order passed by WTM and 8 years from beginning of investigation. The allegations framed in the SCN relate to transactions of 2010-2014, which was more than eight years ago. SEBI has also been aware of the so-called alleged violation since 2015 and, has already passed Interim Order in 2016, Confirmatory Order in 2017 and WTM Order in 2020. Yet the SCN in the present matter only came to be issued after almost seven years of SEBI beginning its investigation. SCN does not provide any explanation to justify the inordinate delay in initiation of proceedings against Noticees.

103. The initiation of proceedings by the SEBI after such a long delay, severely prejudices the ability of Noticees to put up an adequate response to the allegations made by the SEBI. The present proceeding is vitiated on account of inordinate delay by the SEBI to initiate the proceedings. Reliance was placed on the following orders:

i. *Rajeev Bhanot and Ors v. SEBI*,

ii. Ashok Shivlal Rupani vs. SEBI appeal No. 417 of 2018,

iii. In Mr. Rakesh Kathotia v. SEBI (Appeal No.07 of 2016 ,
iv. *SEBI v. Bhavesh Pabari 2019 SCC OnLine SC 294 held:*

104. Noticee submitted that, immediately after receipt of the captioned SCN, the Noticee vide letter dated 21-03-2022 requested the erstwhile Ld. AO to explain the delay in issuance of the captioned SCN. So far as the delay in the present proceeding is concerned, no clarification or response has been made. The said Common SCN has been issued after a lapse of more than 16 years from the alleged transaction took place in the year 2005-2006. The delay in issue of the SCN highly prejudices the case of the Noticee beside been causing the Noticee undue mental agony. The present proceeding is liable to be disposed-off on the ground of inordinate delay and latches. Reliance has also been placed on the following cases:
   i. Bhavnagar University v. Palitana Sugar Mill (2004) Vol.12 SCC 670,
   ii. State of Punjab vs. Bhatinda District Coop. Milk P. Union Ltd (2007) Vol.11 SCC 363 and
   iii. Joint Collector Ranga Reddy Dist. & Anr. vs. D. Narsing Rao & Ors. (2015) Vol. 3 SCC 695.
   iv. Anilkumar Nandkumar Harchandani & Ors. vs. SEBI (Appeal No. 75 of 2019)
   v. Shriram Insight Share Brokers Ltd (Appeal No. 559/2020, Order dated 04-01-2022)
   vi. Yatin Pandey HUF v/s SEBI (Appeal No. 719 of 2021)
   vii. Government of India vs. Citedal *Fine Pharmaceuticals, Madras & Ors. [AIR 6 (1989) SC 1771].*

<u>Unavailability of documents on account of action by enforcement agencies (Common submission of Noticee 2, 3, 8, 9, 11, 14):</u>

105. Noticee contended that, they had no access to documents. Noticee 2 submits that, he was in jail when summons were issued and was released on July 2019 and had no access to documents, as they were seized by enforcement

agencies.

106. Noticee 3 submits that, most of the information sought has been seized by an enforcement agency. Noticee 3 herself was lodged in the Jail March 28, 2016 and only got bail on April 13, 2019, and thus she could not furnish any information during the period when she was in the Jail.

107. Noticee 8, 9 and 14 submits that, by the time of issuance of SCN, there is no document available with them, as each and every document pertaining to the violation in the SCN have been seized by the Investigating Authority prosecuting Noticee 1 to 3.

<u>Allegations not supported by evidences (Common submission of Noticee 3, 8, 9, 11, 14):</u>

108. Noticee submit that, it is also relevant to consider what evidence has been adduced by SEBI before making allegations as is set out in the SCN. In this regard, it is respectfully submitted that there is not an iota of evidence which supports the allegations in the SCN. The law of evidence is based on the principle of 'proved', 'disproved' and 'not proved'. This is a clear case of the charge in the SCN being 'not proved' given that the SEBI has not adduced any evidence to show that the charge in the SCN is proved. Reliance was placed on Nirmal Bang Securities (P) Ltd. v. SEBI SAT Order dated October 31, 2003.

109. Noticee 3, 8, 9, 11, 14 referred judgments of the Hon'ble Supreme Court in *Chief Engineer, MSEB and Anr. v. Suresh Raghunath Bhokare, KSL & Industries Ltd. v. SEBI, Union of India v. Chaturbhai M. Patel & Co. (Hon'ble Supreme Court), A.L.N, Narayanan Chettyar v. Official Assignee and Nandakishore Prasad v. State of Bihar* and submits that, it is well settled that where fraud is alleged, it would be incumbent on the authority to set out the nature of the fraud along with full particulars. The SCN is however lacking in material particulars. The SCN levels a serious charge of fraud on the basis of mere suspicion, in complete

ignorance of the time-tested judicial precedents including rulings of the Hon'ble SAT which cautions against suspicion, conjecture and surmise being passed off as proof especially where fraud is alleged. Hence, the charges under the PFUTP 2003 needs to be established as per the applicable standards rather than on mere conjectures and surmises

<u>SCN has vague allegations without specific evidence and details in respect to charges of fraud (Common Submissions of Noticee 8, 9, 11, 14):</u>

110. Noticee submitted that, the SCN does not point to the facts or evidence based on which such draconian conclusions have been drawn by the SEBI against Noticee. It is respectfully submitted that in absence of specific evidence, the SCN stands vitiated and is liable to be set aside. It is an established principle that vague allegation which does not specifically set out the reason for such allegation cannot be sustained as the same does not provide an opportunity to a Noticee to counter the charges and the same is contrary to the rules of natural justice. Reliance was placed on the following orders:

   i. Vikas Bengani v. SEBI
   ii. Case of Commissioner of Central Excise
   iii. Bangalore V Brindavan Beverages Pvt Ltd and Ors.
   iv. Dhanalakshmi Bank Ltd. v. SEBI

111. Noticee submitted that, even though the SCN has failed to produce any evidence to show involvement of the Noticees in the alleged fraud, the SEBI is still attempting to sentence the Noticees by relying on circumstantial evidence. Reliance is placed on :

   i. Hanumat v. State of Madhya Pradesh,
   ii. Balram Garg v. SEBI,
   iii. Kishore R. Ajmera,
   iv. Maharashtra State Board of Secondary and Higher Education v. KS Gandhi,
   v. Ashok Kumar Chatterjee

vi. v. The State of M.P,
vii. Gambhir v. State of Maharashtra, 1982 CriLJ 1243.

112. Noticee submitted that, the SCN levels a serious charge of fraud on the basis of mere suspicion, in complete ignorance of the time-tested judicial precedents including rulings of the Hon'ble SAT which cautions against suspicion, conjecture and surmise being passed off as proof especially where fraud is alleged. Reliance is placed on :
   i. Nirmal Bang Securities (P) Ltd. v. SEBI
   ii. Chief Engineer, MSEB and Anr. v. Suresh Raghunath Bhokare,
   iii. KSL & Industries Ltd. v. SEBI,
   iv. Union of India v. Chaturbhai M. Patel & Co,
   v. A.L.N, Narayanan Chettyar v. Official Assignee,
   vi. Nandakishore Prasad v. State of Bihar

113. Noticee submitted that, SCN fails to demonstrate as to how Noticees were aware of the fraud. They were under bona fide belief that the transactions being undertaken were genuine. In fact, the SCN lacks to show the basic requirement that Noticee had any intention to defraud the securities market, the SCN also fails to meet and satisfy the definition of 'fraud' under the PFUTP Regulations. It is a settled principle recognized by SEBI that "the necessity of 'intent' and the element of 'fraud' appears to be a pre-requisite in all parts of Regulation 3 and 4 of the PFUTP Regulations". It is respectfully submitted by the Noticee 8, 9, 11 &14 that they neither derived any benefit nor any advantage from the contraventions alleged in the SCN.

114. There is nothing on record to show that the Noticees had any intention to play a fraud on the securities market, the SCN also fails to meet and satisfy the definition of 'fraud' under the PFUTP Regulations.

Submissions of Noticee 2

115. SCN issued by AO is on the same facts as that of WTM, and has been issued

to take advantage of amendment to the SEBI PFUTP regulations, which are not applicable to the Noticee.

116. Noticee is of 82 years of age and suffering from various old age diseases.
117. Even in Noticess's representative capacity, no liability /action to be fastened upon Noticee by SEBI.
118. No failure has been attributed to solely to by personal action. These allegations are generic and vague in nature. It is submitted that, Hon'ble SC in case of Kanhaiyalal has categorically held that element of inducement must exist and should be proved before holding a person guilty of fraud.
119. The involvement of Noticee 3 is very evident. The Complaint purported to the role of Noticee 3.
120. Noticee has given statements along with documents to SEBI on December 04, 2015, January 28, 2016 and March 23, 2016 and SCN has relied on these statements. These show that, Noticee 2 has co-operated with SEBI.
121. Noticee was not aware that, whether the dividends were actually reaching the customers or not. It was Ms. Indira Karkera who was the client manager and was handling the issue and ensuring the dividends were reaching the customer. Hence, Noticee is not aware what happened to the amount transferred to Satyam brush industries, which was Mr. Prashant Karkera's (Notice 5) company, who was husband of Noticee 3 and was known to the Noticee 1.
122. It is submitted that, with regard to transmission of shares of Mr. Sujit Kumar Gupta to Mr.Balram Mukherjee, it is pertinent to note that the approval of Noticee 2 is required only in transactions above Rs. 5 Lakh. There is no connection between Noticee and Mr. Balram Mukherjee. Noticee is not even aware of the subsequent transfers.

123. With regard to alleged fake court order, it is submitted that Noticee was not even aware of alleged fake court order. The Noticee has just signed the transmission request basis the documents provided by Mrs. Indira Karkera. On a due diligence documents were prima facie found to be proper. Noticee was not

required to perform the role of an investigator. Mrs. Indira Karkera was connected to the entities and was handling these transactions as client manager.

124. SCN provides that Noticee 3, 8, 5, 9 and 18 are the beneficiary of the fraud along with Noticee 4. Nothing on record shows that, Noticee has participated in the wrongdoings. It is denied that Sadashiv Poojary informed to the Noticee regarding this fraud. Noticee 3 was the mastermind of the fraud.

125. The fraudulent transaction in the matter of Radha and Rajiv Manucha, corrective action was taken and fresh certificates were issued to Mr. Rajiv Manucha in year 2013 and same were dispatched to Mr. Manucha. It was Noticee 3 who knew Jayashree shah and has transferred these shares to Ms. Jayashree Shah.

126. In regard to the fraudulent transaction in the matter of LIC of India, it is submitted that Nagesh Karkera who was the brother of Prashant Karkera purchased some shares of the company and he was allotted same portfolio L42. However, when the overlapping of the folios were noticed the same was rectified and there was no impact on LIC or Mr. Nagesh Karkera. Noticee 2 was not aware that Nagesh Karkera was relative of Ms. Indira Karkera. The Noticee has just signed the transfer deed and thereafter the client manager viz. Indira Karkera was involved in the entire transaction. Noticee was not aware that the transfer deed was a forged document.

127. It is submitted, regarding forging of a letter on behalf of Mr. Amrit Lal. Ms. Indira Karkera has reissued the dividends in question in favour of Mr. Raju Langde, who was the driver of Ms. Indira Karkera and Prashant Karkera and was used by Indira Karkera as a front entity. The Noticee was unaware and was a victim of fraud perpetrated by Noticee 3.

128. Regarding fraudulent transfers of shares of Larsen and Tourbo, The folio of Mr.

P.A. Nayak was a dormant folio and as a business practice for commercial expediency that dummy accounts were used for such dormant accounts, and when the outcome of investigation was not forthcoming such dummy accounts were utilized for tallying and accounting purposes. It was all done with the knowledge of the concerned company, and no gains were reaped by the undersigned or any person from such transactions. The dividend amount of Rs. 8059 was received during the temporary holding of such shares.

129. Noticee has already suffered as a result of recent procedures and incidents, Noticee 84 years old with diabetes and sole earner for his family and has a 38 years old son with autism. Noticee has no income which has made it difficult to meet even the most basic needs. Noticee is already undergoing a ten years ban from order of WTM SEBI.

Submission of Noticee 3

130. The core allegation made against Noticee in the table at paragraph 482 of the SCN viz. that she was the mastermind of the conspiracy of fraud, she committed and was beneficiary of fraud and did not comply with SEBI summons as well provided false and misleading statements.

131. It is submitted that, Noticee was employed with Sharepro since the beginning of her career. Managing Director of Sharepro, i.e. Noticee 2 was her mentor. It was under his guidance that she undertook transactions impugned by SEBI.

132. It is submitted that, SEBI has lodged FIR bearing Crime No.49/2016 on May 30, 2016, at the Saki Naka Police Station against Sharepro, its management and key personal under various provisions. Pursuant thereto, Noticee has been arrested on March 28, 2016 and is presently under prosecution by EOW. Noticee is also serving a 10 year debarment as per order dated July 8, 2020 of WTM, SEBI.

133. Noticee submits that, SCN has failed to produce a single piece of evidence to conclusively prove that Noticee 3 was the mastermind of the conspiracy of fraud. The SEBI is attempting to penalize Noticee only on the basis of circumstantial evidence, which is in itself inconclusive. Reliance was placed on the following matters:

   a. Hanumat v. State of Madhya Pradesh. AIR 1952 SC 343.
   b. Balram Garg v. SEBI

134. Noticee submits that, there is direct evidence to show that it is the Managing Director, Noticee 2, who is responsible for the fraud and had a direct role to play. It is a settled position that when direct evidence is available, the SEBI should refrain from taking aid of circumstantial evidence since direct evidence is a more certain basis to come to a conclusion. Reliance was placed on Maharashtra State Board of Secondary and Higher Education v. KS Gandhi.

135. Another charge against Noticee in the SCN is that she failed to respond to summons and made false and misleading statements. In this regard, it is respectfully submitted that this allegation is incorrect and without any basis.

136. Also, the allegation that Noticee made false and misleading statements is also erroneous as the SCN does not state what false and misleading statements she made. In any event, she made all the statements based on information available with her and to the best of her memory. The transactions pertain to period of 2010, which was almost five years before the investigation commenced by the SEBI.

137. It is respectfully submitted that Noticee has already been penalized under the order of Learned WTM. Noticee has been debarred from accessing securities market for a period of ten years. Noticee was also lodged in the jail for a period of more than three years and is currently out on bail.

138. Noticee has not taken the present regulatory proceedings in a nonchalant

manner and is not guilty of conduct which is contumacious or dishonest or acted in conscious disregard of law. Noticee has not acted in defiance of law. Noticee has not made any disproportionate gain or gained any unfair advantage, whether quantifiable or otherwise. Reliance was placed on judgments like M/s Hindustan Steel Ltd. v. State of Orissa and SEBI v Bhavesh Pabari, Maharashtra State Board of Secondary Education and Higher Secondary Education v. K.S. Gandhi & Ors, P. G. Electroplast Ltd. & Ors. v. SEBI

139. As a result of these proceedings Noticee 3 has lost her job and has no source of livelihood. Noticee lost her husband Mr. Prashant Karkera currently have no one to provide for her financially. Noticee is an elderly women with daily mounting medical needs. All of these events have already taken a toll on his aging body due to the stress that have been induced.

Submissions on behalf of Noticee 5

140. Noticee 3 submitted that she is the wife/ legal heir of Noticee 5, and informed that Mr. Prashant Karkera (Noticee 5) passed away on September 16, 2020 and has also enclosed the death certificate dated October 10, 2020 registered vide no. 27-90281-002461.

Submission of Noticee 7

141. Noticee submits that, he was a joint account holder with his father i.e., Noticee 18. Noticee has not committed any fraud and also is not a beneficiary of fraud directly or indirectly. As per Point no. 103 of the SEBI WTM Order passed, SEBI has taken a lenient view about these transactions.

Submission of Noticee 8 and Noticee 9

142. Noticees submitted that, the core allegation made against the Noticees is in the table at paragraph 482 of the SCN viz. that (a) Noticee 8 committed fraud, he was the beneficiary of fraud and he did not comply with SEBI summons; and (b)

Noticee 9 was the beneficiary of fraud and that she did not comply with SEBI summons.

143. SEBI is oblivious of the fact that the Noticees had acted on a genuine belief that Noticee 3, being sister and daughter of Noticee 8 and 9 respectively, was doing acts which were legal.

144. SEBI has alleged that only because the Noticees participated in receiving/ sending of funds/ securities at the instructions of Noticee. 3, they are guilty of fraud.

145. In so far as charge of benefiting from fraud is concerned, there is not an iota of evidence to suggest that the Noticees benefitted from the fraud in any manner whatsoever. If the SEBI were of the opinion that the Noticees illegally benefitted from the fraud, the SEBI could have disgorged the illegal benefits in terms of Section 11B of the SEBI Act.

146. Another charge against the Noticees in the SCN is that they failed to respond to summons. In this regard, it is respectfully submitted that the Noticees did not have majority of the information requisitioned by the SEBI through summons. Most of the information so sought has been seized by an enforcement agency.

147. The Noticees were under bona fide belief that Noticee 3 was making them do legitimate transactions. In the circumstance, out of blind trust and faith, like any brother and mother would have, they undertook transactions for Noticee 3.

148. It is respectfully submitted that the Noticees have already been penalized under the order of Learned WTM – the Noticees have been debarred from accessing securities market for a period of seven years. A penalty should not be imposed for the sake of it and should be utilized to achieve a specific purpose. Judgments like Hindustan Steel Ltd. v. State of Orissa and SEBI v Bhavesh Pabari, Maharashtra State Board of Secondary Education and Higher Secondary Education v. K.S. Gandhi & Ors, P. G. Electroplast Ltd. & Ors. v. SEBI.

Submission of Noticee 10

149. As already one matter on the same subject matter is pending with Mumbai Sessions Court being Spl. Case No. 274/2020 and thus the present Notice is

against the Principals of Natural Justice and nothing but Double Jeopardy.

150. Noticee does not know personally any of the persons listed in the title. However, in the year 2012, Noticee along with one share broker from Ambit Securities Ltd; Vasai (West) had visited M/s Sharepro Services (India) Pvt. Ltd. with respect to submitting the original documents like Purchase Bills, copy of transfer forms etc. of shares of Navin Flourine International Ltd. Noticee did not retain any copies of the same. Noticee's father had purchased the said 5000 Shares of Mafatlal Consultancies.

151. With respect to para No. 317, Noticee states that so far as, 1500 shares of Navin Flourine International Ltd.(Certificate No. 168551; Distinctive No-1126907 to 1128406) transferred from folio No-310032 to 26013730 on 30/04/12 was made as a result of and for an exchange of my 5000 physical shares of Mafatlal Industries Ltd. The entire original documents pertaining to the said transaction was submitted to M/s Sharepro Services (India) Pvt. Ltd. Further the said shares were disposed off at that time only. Entire detail with respect to the payment received has been submitted to M/s Sharepro Services (India) Pvt. Ltd., through my broker and Noticee has not retained the copy of the same and is not traceable in my record.

152. Further, Noticee submits that, the 950 shares of Navin Flourine International Ltd.(Certificate No. 168553; Distinctive No- 1129907 to 1130706, 1126742, 1126837 to 1126906, 1130717 to 1130731) transferred from folio No-31003243 to 26013748 on 15/05/12; and 1500 shares of Navin Flourine International Ltd.(Certificate No. 168552; Distinctive No- 1128407 to 1129906) transferred from folio No-3100324 to 26013748 on 15/05/12 was made as a result of and for an exchange of my 5000 physical shares of Mafatlal Industries Ltd., through Mafatlal Consultancies. The entire original documents pertaining to the said transaction was submitted to M/s Sharepro Services (India) Pvt. Ltd. Further the said shares were delivered, however when it was sent for demat transaction it

was refused for the reasons not known to me and M/s Sharepro Services (India) Pvt. Ltd., verbally informed that it will take some time and will be done in due course.

153. The brokers M/s. Ambit Securities also addressed a letter pertaining to the said rematerialization to the Company, but there was no reply from the Company and thereafter Noticee was informed that an inquiry is going on against M/S. Sharepro.

154. Total shares 2450 (1500+950) were dematerialized and then it was rejected by the Company in the year 2012 for the reasons best known to them and Noticee immediately as explained above contacted the authorized agents M/s Sharepro Services (India) Pvt. Ltd. at that time, however they verbally informed that it will take some time and will be done in due course. Again in 2015, Noticee received the said shares through post and then it was sent for dematerialization to my demat account through, SMC Global Securities Ltd. Link Road, Malad West and it was rejected again at that time. Even after few follow ups there was no communication.

155. Noticee was not aware of the fact that the said 2450 shares of Navin Fluorine International Ltd. (Share Certificate No.168552 & 168553) which were rematerialized earlier in the Folio No- 26013748 were consolidated into one share Certificate No. 169327(for 2450 shares with same distinctive No.) on 16/11/2015 and new certificate was printed. Noticee came to know from SEBI that any such kind of Certificate is ever re-printed.

156. Noticee submits that, he has already submitted the entire documents pertaining to above referred shares to the broker and it was only after the submission, the company has demated them in his account. Noticee is a victim and due to inquiry on Noticee 1, his valuable shares has been stuck.

157. Noticee states that, he has already explained and have also disclosed the

details known to him and also submitted that he is entitled to said balance 2450(1500+950) shares of Navin Fluorine International Ltd. in an exchange of my 5000 physical shares of Mafatlal Industries Ltd, which is not yet received. Noticee 10 request you to deliver the said balance 2450 shares as above as a rightful claimant after due recovery from Noticee 1.

158. Noticee states that, the delay in submitting response to the present SCN was due to a similar enquiry wherein he had already recorded his statement. Being a layman he could not distinguish between these proceedings. Noticee was also attending the spl SEBI case at Hon'ble sessions case regularly.

159. Noticee states that, there has been no complaint from the originating company i.e., Navin Fluorine Ltd. However, Noticee has been accused of being hand in glove without any supporting evidence. Noticee states that, his brokers have communicated with Noticee 1 for release of his remaining shares, however, no reply has been received and was informed that, his shares shall be released only after clarification of SEBI case against Noticee 1.

160. Noticee submits that, he has no connection with Noticee or all the 18 Noticees, and Noticee is being victimized for acts of Noticee 1 and his 1500 share have been retained by Noticee 1.

Submission of Noticee 11

161. The core allegation made against the Noticee is in the table at paragraph 482 of the SCN viz. that (a) that he committed fraud during his employment at Sharepro. The SCN is purporting to punish Noticee despite being aware that he was only acting on instructions of Noticee 2, who was his seniors. Noticee had no knowledge of the fraud being perpetrated by Noticee 2 and 3. Only because Noticee was acting on instructions of Noticee 2, he is presumed to have committed to the fraud. Noticee was under a bona fide belief that he was doing legitimate work. It is a settled position in law that an employee cannot be held

liable for fraudulent actions of his/ her employer if such employee was not aware of the fraud. Reliance is placed on: Hanumat v. State of Madhya Pradesh, Balram Garg v. SEBI, Kishore R. Ajmera, Maharashtra State Board of Secondary and Higher Education v. KS Gandhi, Ashok Kumar Chatterjee v. The State of M.P, Gambhir v. State of Maharashtra, 1982 CriLJ 1243, N. Sridhar vs. Maruthi Jayaraman & Anr.

162. Noticee 11 has neither derived any benefit nor any advantage from the contraventions alleged in the SCN.

163. Noticee has already been penalized under the SEBI WTM order– the Noticees have been debarred from accessing securities market for a period of five years. A penalty should not be imposed for the sake of it and should be utilized to achieve a specific purpose. Reliance is placed on: Hindustan Steel Ltd. v. State of Orissa and SEBI v Bhavesh Pabari, Maharashtra State Board of Secondary Education and Higher Secondary Education v. K.S. Gandhi & Ors, P. G. Electroplast Ltd. & Ors. v. SEBI.

Submission of Noticee 12

164. Noticee is not a beneficiary of fraud directly or indirectly, as alleged in the SCN. Point no. 108 of the SEBI WTM Order, clearly states that the charges against Noticee are unsustainable and are dismissed and proceeding disposed off.

Submission of Noticee 13

165. Noticee has not committed any fraud and also is not a beneficiary of fraud directly or indirectly. Point no. 114 of SEBI WTM Order, clearly states that the charges against Noticee do not stand established, and at point 118(g) proceeding were disposed without any direction.

Submission of Noticee 14

166. The core allegation made against Noticee is in the table at paragraph 482 of the

SCN viz. that he committed fraud by providing demat/ bank accounts to the perpetrators of frauds and that he was the beneficiary of fraud. Noticee 14 was born to Prashant Karkera (Noticee 5) and Indira Karkera (Noticee 3) on February 16, 1988 as per his school leaving certificate. Noticee 14 was a minor at the time of account opening and, in fact, Noticee 3 was a joint account holder. The SCN is purporting to punish Noticee 14 despite being aware that the concerned bank account had been operated by Noticee 3, without Noticee 14 being aware of it.

167. Noticee 14 submits that, SEBI has alleged that only because Noticee 14 was one of the account holder of the Relevant Bank Account, he is presumed to have committed the fraud and was beneficiary of fraud. On this blanket statement, without demonstrating the exact role or involvement of Noticee 14, in relation to the alleged violations, the SCN purports to penalize Noticee 14 under the PFUTP Regulations. Noticee 14 was not subjected to any restraint under the Interim Order. No allegation has been made against Noticee 14 in the FIR, which would be available with the SEBI.

168. Noticee 14 submits that, the form and substance of the SCN has completely handicapped Noticee 14 from responding to the SCN adequately. In fact, it appears that the SEBI has already decided to hold Noticee 14 guilty without giving a fair opportunity to Noticee 14 to deal with the SCN.

169. Noticee 14 submits that, following are the direct evidence showing no involvement of Noticee 14:

a. The Relevant Bank Account, which has been used for fraud, has admitted been opened by Noticee 3. Noticee 14 at the relevant time was only about 10 years old, who was merely joint account holder.
b. The cheques used for the alleged fraud, i.e. for fund transfers, were signed by Indira Karkera (Noticee 3).
c. Noticee 14’s statement recorded by the SEBI during investigation, clearly

shows that the Relevant Bank Account was not operated by Noticee 14. To controvert this position, the SEBI has not adduced any evidence in the SCN

170. Noticee 14 submits that, SCN categorically ignores the following findings of the Hon'ble Sessions Court, which is a judicial body:

   d. The role attributed to Noticee 14 was that Rs. 19 lakh was withdrawn from a joint bank account (viz. Relevant Bank Account) held in the names of Noticee. 14 and his mother (Noticee 3).
   e. The Relevant Bank Account in question was opened when Noticee 14 was a minor and even as on date, is only operated under signature of Noticee 14's mother – Indira Karkera (Noticee 3).
   f. There is no active role attributable to Noticee 14 in the matter.
   g. Even as per Police investigation and charge-sheet, the said amount was withdrawn under signature of Indira Karkera, and not Noticee 14.

171. Noticee 14 submits that, The ABA Order, being passed by a judicial body, is binding on the SEBI. It has been concluded by the Hon'ble Sessions Court that Noticee 14 had no role to play in the alleged fraud and, that he was not even a beneficiary of the proceeds of the alleged fraud. The ABA Order also records a pertinent finding viz.:

> "*11. This court also inquired from the investigating officer whether appellant no.1 Mohit Karkera withdrawn any amount from his account under his signature. The investigating officer fairly conceded that during the investigation he found that account standing in the name Mohit Karkera is account of minor which was opened by his mother Indira Prashant Karkera when he was minor and all the amount transferred or encashed from his account were under the signature of Indira Prashant Karkera and not of Mohit Karkera, though at that time he had attained majority.*"

172. Noticee 14 submits that, SCN does not adduce any evidence to show that:

   a. Noticee 14 was a signatory of the Relevant Bank Account;
   b. Noticee 14 was operating the Relevant Bank Account;
   c. Noticee 14 was aware that his mother had been operating his account

for fraudulent purposes; or Noticee 14 was a beneficiary of the alleged fraud.

173. Noticee 14 submitted that, he has already been penalized under the order of Learned WTM – the Noticees have been debarred from accessing securities market for a period of five years. A penalty should not be imposed for the sake of it and should be utilized to achieve a specific purpose. Reliance was placed on the following orders:
    a. Hindustan Steel Ltd. v. State of Orissa and
    b. SEBI v Bhavesh Pabari,
    c. Maharashtra State Board of Secondary Education and Higher Secondary Education v. K.S. Gandhi & Ors,
    d. P. G. Electroplast Ltd. & Ors. v. SEBI.

Submission of Noticee 16

174. Noticee 16 submits that the SCN issued is ultra vires the provisions of the Adjudication Rules and thus without jurisdiction. It is submitted that the SCN purports to impose Penalty upon the Noticee and is, as such, contrary to Rule 4 of the Adjudication Rules. It is submitted that Penalty can only be imposed following a three-stage process contemplated under the Adjudication Rules.

175. Noticee 16 further submits that the SCN is defective in as much as it proposed to impose a Penalty under the Adjudication Rules, whereas under Rule 4, no Notice for imposing Penalty can be issued at the first instance, and cause is only to be shown as to why an Enquiry should not be instituted against the Noticee.

176. It is clear from the law laid down in Takano and Natwar Singh Judgements that the Adjudicating Officer is mandatorily required to follow the procedure laid down in the Adjudication Rules and the procedure laid down is clear that the stage of Penalty is only reached after separate prior decision has been made to institute an inquiry. It is submitted that the Adjudicating Officer cannot deviate from the procedure prescribed in the Adjudication Rules or merge any 3 of the

stages under the sub-rules of Rule 4 of the Adjudication Rules.

177. Noticee 16 submits that, the SCN issued did not disclose that an opinion, as required under Rule 3 of the Adjudication Rules, had been formed by the board of the SEBI.

178. Noticee 16 submits that, so far as the allegation of false and misleading Statements to the Investigating Authority in concerned, the Noticee submits that vide Summons dated 12-04-2016, the Noticee was asked to supply certain information and details. The Advocates of the Noticee i.e. 'Legal Juris' on behalf of the Noticee had submitted Reply vide letter dated 27-06-2016 to the queries made vide Summons dated 12-04-2016. During the course of investigation, the Investigating Officer did not feel it necessary to ask Noticee to appear personally to record his Statement. Further, after supplying the documents vide letter dated 27-06-2016, the Investigating Officer had not called the Noticee to clarify / explain the purported false and misleading Statements to the Investigating Authority.

179. Noticee 16 strongly refute and denies that the Noticee had made false and misleading Statements before the Investigating Authority. The information and documents provided by the Noticee 16 submits that along with the Reply made vide letter dated 27-06-2016 the actual documents were submitted which the Noticee 16 had in his possession.

180. Noticee 16 further submits that the Investigating Officer in the entire Investigation Report has not recorded that the details of payment provided by the Noticee is false and misleading.

181. Noticee 16 further submits that the Noticee had no reason to disbelieve that the copies of the share certificates in possession of the Noticee are forged.

182. Noticee 16 further submits that the Noticee had cooperated with the Investigative Authority by providing information and documents which was in the possession of the Noticee.

183. Noticee 16 further request your goodself to allow the Noticee to cross examine the Investigating Officer as the Investigating Officer had made adverse findings

against the Noticee without any documents

184. Noticee 16 strongly refutes and denies that the Noticee had committed any fraud and / or the Noticee is beneficiary of fraud.

185. Noticee 16 was made scapegoat by none other than the Noticee number 3 in connivance with Noticee 1.

186. Noticee 16 submits that in the year 2005 - 2006, trading in physical shares was ongoing and it was not unusual.

187. Noticee 16 further submits that the Noticee had made payment of consideration for sale of shares of 3 companies (Hexaware Technologies Limited, Aptech Limited and Navin Fluorine International Limited) to the Noticee 3 and the entities connected to her. Noticee 16 had retained his commission only and made full payment to the Noticee 3 and the entities connected to her after the Noticee sold the shares of 3 companies in the market.

188. Noticee 16 once again places reliance on the reply submitted by the Advocates of the Noticee vide letter dated 27-06-2016. In the said reply, the Noticee had provided complete information, details of the transactions executed in the shares of 3 companies, Indemnity given by Noticee 3, Bank Statement of the Noticee showing payment made to the Noticee 3 and entities connected.

189. Noticee 16 submits that, SEBI has pick and choose part of the reply and failed to taken into consideration the complete submissions made by the Noticee 16.

190. Noticee 16 submits that, after receipt of the SCN he came to know that Noticee 3 had forged large number of documents and data of listed companies whose Registrar and Share Transfer Agent was Noticee 1. The Noticee 3 by forging the documents transferred the said shares in the names of Noticee 16.

191. Noticee 16 submits that, he during the relevant time made a mistake by placing reliance on the Noticee 3. He had no in-depth knowledge of securities market and was not aware that a fraud can be committed like this.

192. Noticee 16 belongs to a Jain family and has converted to a Jain monk in 2018 by renouncing the whole world. Noticee 16 had no crime record in past.

193. Noticee 16 submits that, so far as the specific allegation made in Para 314 of the SCN, it is submitted that in case of every Duplicate Issue of share certificate, the concern shareholder holder needs to submit an indemnity bond with the Company. Does it mean that the shareholder holder intention from the day one cheat to the Company and / or Company know from day one that the shareholders is going to cheat the Company.

194. Noticee 16 submits that, vide Order dated 24-11-2015, the Ld. Executive Director has authorized, General Manger, SEBI to conduct the investigation in the captioned matter and to submit the Report. According to Section 11C of the SEBI Act, an Investigation Report needs to be submitted with Board only. In the present case, before submitting the Investigation Report with the Board, the Investigating Officer got approved the Investigation Report from CIDC i.e. not authorized by the Board or by the Ld. Executive Director in his Order dated 24-11-2015. Please note that under Section 11C of the SEBI Act, 1992, no liberty has been granted to the Investigating Officer to get the Investigation Report approved from any person and/or CIDC before submissions of the same before the Board of the SEBI. Thus, the investigation in the captioned matter has been influenced by the CIDC though not authorized by the Board.

195. Noticee 16 submits that, in the entire SCN it is not explained that how the information provided by Noticee 16 to the investigating Officer were misleading. It is further submitted that, in the para 314 of the SCN, it is alleged that

"It is also alleged that Noticee 3 had used the above circuitous transactions for "layering" and creating "smoke screen" for fraudulent transactions to blur the audit trail and any future investigation/inspection to detect the same becomes difficult."

196. This further strengthen the argument of the Noticee 16 that the Noticee 3 had complete control on the affairs of Noticee 1 and the Noticee 16 herein was not having any control over the affairs of the Noticee 1. The Noticee in 2005-2006 had no reason to smell the fraud as committed by Noticee 3 in accomplice with other Noticees.

197. Noticee 16 submits that, admittedly SEBI and 3 Companies have no records regarding transfer of shares of 3 Companies in favour of Noticee 16 herein. Thus, SEBI has no reason to disbelieve the photocopies of the documents submitted by the Noticee 16.

198. Noticee 16 submits that, when the 3 Companies from 2005-2006 to next couple of years could not have realized that share of their Companies had been fraudulently transferred in the names of various entities, then how it is expected from the Noticee 16 that he could smell in 2005-2006 that he has been cheated by Noticee 3.

Submission of Noticee 17

199. Noticee 17 submits that, he was working as a peon at the office of Mr. Mahesh Krishnan, Sub Broker, where he met with Ms. Indira Karkera who was director of Sharepro. She asked to provide details for opening demat accounts for sale of shares. Noticee 17 provided own details and details of few friends and family members for the same. She opened the demat accounts transferred the share in account and sold it. The money received from the sale were paid to her office.

200. Noticee 17 submits that, Ms. Indira Karkera, Sharepro Services private limited and its president has done financial misbehavior. EOW has also filed criminal complaint against Indira Karkera and Company director in the Police Case No. 627/2016 and 513/2016. Noticee 17 has already given statement before the court and Indira Karkera has herself admitted that the entire financial transactions has been done by her. The EOW has not filed any complaint against Noticee 17, or his friends in the matter.

201. Noticee 17 submits that, he is not a member of Sharepro and has not bought or sold any shares. All transactions were done by Indira Karkera and Noticee 17 has nothing to do with those share transactions.

202. Noticee 17 submits that, he has not cheated or has entered into any illegal transaction, and SEBI has wrongly charged Noticee 17, for penalty.

Submission of Noticee 18

203. Noticee 18 submits that, due to transition from physical to demat mode many individuals were facing difficulty to open demat accounts or not able to move out, he was helping them with respect to shares related work.

204. Noticee 18 submits that, he had to leave job in year 2000 due to macular degeneration glaucoma. Between 2008 to 2010 Noticee 18 gave services to approx. 10-12 clients, which included opening of demat account, transferring of physical shares to his demat account and selling those shares and paying through cheque after deducting some charges incurred.

205. Noticee 18 submits that, while attending the AGM of Companies he met Indira Karkera as Operations manager and VP of Sharepro. She approached Noticee 18 after one such AGM regarding helping the ex-employees of Kansai Nerolac & Asian paints as they did not have demat accounts, and they did not want to keep the shares due to financial need, and were offering physical shares at discounted rates. Ms. Indira informed Noticee 18 that she can't buy these shares because she may be charged for insider trading. Hence these shares were transferred to Noticee 18, which were dematerialized and sold, and amount was paid to seller through cheque and cash. Few weeks later Noticee 18 was offered to do the same for more employees. Noticee 18 had no reason to doubt her intentions.

206. Noticee 18 submits that, he is a 73 years old law abiding citizen and have never been charged with any sort of offence. Noticee 18 has not helped anyone in fraud but is a victim of this fraud.

207. Noticee 18 submits that, he still have 647 shares of Rs. 10 FV which were charged as commission, and is ready to return the same.

208. Noticee 18 submits that, as far as role of his son Mr. Anand Bhalakia (Noticee 7) is concerned, Noticee 7 was a joint account holder due to eye problem of Noticee 18 and Notice 7 does not have any role in this matter. WTM Mr. Mahalingam has in his final order given him the benefit of doubt.

209. Noticee 18 submits that, as far as role of his sister Jayashree B shah (Noticee

13) is concerned, physical shares few companies were held by Noticee 13 and his mother jointly, due to ill health of his mother, his mother told to delete her name and transfer all the shares to Noticee 13 and Noticee 13 gave me the duly signed transfer form. One of the transfer from of Noticee 13 went to Ms. Indira Karkera, and she misused the same. Noticee 13 is not well versed with the share market and hence she realized late that these share does not belong to Noticee 13, after upon realizing she returned these shares to Sharepro through a covering letter. Mr. Mahalingam in his final order has also said that Noticee 13 has no role in this fraud and she was discharged.

210. Noticee 18 submits that, as far as role of his wife Ms. Dina Bhalakia (Noticee 12) is concerned, Noticee 12 also has no role in this fraud as Noticee 12 was merely a joint holder in demat account and Bank account. In final order of WTM, he ruled that Noticee 12 has no role in the fraud and her demat account should be defreeze with immediate effect and she should be discharged from the case.

211. Noticee 18 submits that, also enclosed is the reply dated May 13, 2016 submitted by my advocate in the matter and considering my health, family condition and financial situation he requested to dischare all the 4 members of family from the present case.

212. Noticee 18 submits that, he has not committed any fraud, nor is he a beneficiary of fraud and have not given any false or misleading statement. He is one of the victims of systematic fraud committed by Ms. Indira Karkera. None of the transactions were done for benefitting unduly or with an intent to defraud any person. He has submitted all possible information to SEBI and has attended to all the summons.

213. Noticees 4, 15 did not appear for hearing nor submitted any reply to SCN. As adequate opportunity was provided to these Noticees to submit reply and appear for hearing, which they failed to avail, the proceedings against them are being undertaken ex-parte.

214. As the inquiry in the matter has been completed, I now proceed to decide the case on the basis of SCN issued, replies made by the Noticees and material available on record.

CONSIDERATION OF ISSUES AND FINDINGS

215. In order to evaluate the case on its merits, I will now proceed to deal with the following issues arising out of the present proceedings, one by one, as under:

Issue No. I Whether **(i)** Noticee 1 is in violation of Section 12 A (a) (b) (c) of SEBI Act, 1992, Regulation 2 (1) (c), 3 (b) (c) (d), 4 (1) & (2) (p) of SEBI PFUTP Regulations, 2003; Clauses (1),(2), (3), (5), (6), (16), (17), (18), (20), (25), (28), (30) of Code of Conduct specified in Regulation 13 of RTA Regulations, Regulation 9 (A) (e) & (f), Regulation 6 (g) and Regulation 14 (3) (b) & (c) of RTA Regulations, SEBI Circular No RTI Circular No. 1 (2000-2001) Dated May 09, 2001; Section 11C(2) and 11C (3) of SEBI Act

(ii) Noticee 2 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d), 4(1) & (2)(h) of PFUTP Regulations 2003; Section 11C(2), 11C (3) and 11C(5) of SEBI Act

(iii) Noticee 3 is in violation of Section 12 A(c) of SEBI Act, Regulation 3, 4(1) & (2)(h) of PFUTP Regulations 2003; Section 11C(2), 11C (3) and 11C(5) of SEBI Act

(iv) Noticee 4 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2 (1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003; Section 11C(2) and 11C (3) of SEBI Act

(v) Noticee 5 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003; Section 11C(2), 11C (3) and 11C(5) of SEBI Act

(vi) Noticee 6 is in violation of Section 12A(a) (b) (c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003; Section 11C(2) and 11C(3) of SEBI Act

(vii) Noticee 7 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003

(viii) Noticee 8 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003; Section 11C(2) and 11C (3) of SEBI)

(ix) Noticee 9 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations; Section 11C(2) and 11C (3) of SEBI Act

(x) Noticee 10 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations; Section 11C(2), 11C(3) and 11C(5) of SEBI Act

(**xi**) Noticee 11 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations

(**xii**) Noticee 12 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4 (1) of PFUTP Regulations

(xiii) Noticee 13 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations

(xiv) Notice 14 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP

(**xv**) Noticee 15 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations

(**xvi**) Noticee 16 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations and Section 11C(2) and 11C(3) of SEBI Act

(**xvii**) Noticee 17 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP

(**xviii**) Noticee 18 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations; Section 11C(2) and 11C (3) of SEBI Act

216. Before moving forward, it is pertinent to refer to the relevant provisions of SEBI Act and regulations made and Circulars issued thereunder:

SEBI Act, 1992

Investigation.

11C. (2) Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

(3) The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or

the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.

(5) Any person, directed to make an investigation under sub-section (1), may examine on oath, any manager, managing director, officer and other employee of any intermediary or any person associated with securities market in any manner, in relation to the affairs of his business and may administer an oath accordingly and for that purpose may require any of those persons to appear before it personally.

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;
….

PENALTIES AND ADJUDICATION

Penalty for failure to furnish information, return, etc.
15A. If any person, who is required under this Act or any rules or regulations made thereunder,—
(a) to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to [a penalty [which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees];
……
(c) to maintain books of account or records, fails to maintain the same, he shall be liable to [a penalty [which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]].

[Penalty for failure to redress investors' grievances.
15C. If any listed company or any person who is registered as an intermediary, after having been called upon by the Board in writing, to redress the grievances of investors, fails to redress such grievances within the time specified by the Board, such company or intermediary shall be liable to a penalty [which shall not be less than one lakh rupees

but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees].

[Penalty for fraudulent and unfair trade practices.
15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty [which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher].

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

SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

Definitions
2. (1) In these regulations, unless the context otherwise requires,—
…
(c) "fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—
(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
(2) a suggestion as to a fact which is not true by one who does not believe it to be true;
(3) an active concealment of a fact by a person having knowledge or belief of the fact;
(4) a promise made without any intention of performing it;
(5) a representation made in a reckless and careless manner whether it be true or false;
(6) any such act or omission as any other law specifically declares to be fraudulent,
(7) deceptive behaviour by a person depriving another of informed consent or full participation,
(8) a false statement made without reasonable ground for believing it to be true.
(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.
And "fraudulent" shall be construed accordingly;
Nothing contained in this clause shall apply to any general comments made in good faith in regard to—
(a) the economic policy of the government

(b) the economic situation of the country
(c) trends in the securities market or
(d) any other matter of a like nature
whether such comments are made in public or in private;

CHAPTER II
PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO THE SECURITIES MARKET

3. Prohibition of certain dealings in securities
No person shall directly or indirectly—
……….
(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.
*[Explanation.–For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.]
* Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020 w.e.f. October 19, 2020.

(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]:—

……..

(h) selling, dealing or pledging of stolen or counterfeit security whether in physical or dematerialized form;
……….
(p) an intermediary predating or otherwise falsifying records.

SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993

GENERAL OBLIGATIONS AND RESPONSIBILITIES

6. Consideration of application.─The Board shall take into account for considering the grant of a certificate all matters which are relevant to the activities and in particular the following, namely, whether the applicant─
[(g) is a fit and proper person.]

9A. Conditions of registration.─(1) [registration granted under regulation 8]] shall be subject to the following conditions, namely:-
(e) it shall take adequate steps for redressal of grievances of the investors within one month of the date of the receipt of the complaint and keep the Board informed about the number, nature and other particulars of the complaints received and the manner in which such complaints have been redressed;

(f) it shall abide by the regulations made under the Act in respect of the activities carried on by it as a registrar to an issue or a share transfer agent.

13. To abide by Code of Conduct.─Every registrar to an issue and share transfer agent holding a certificate shall at all times abide by the Code of Conduct as specified in Schedule III.
14. To maintain proper books of accounts and records, etc.─(1) Every registrar to an issue and share transfer agent being a body corporate shall keep and maintain the following books of accounts and documents in respect of [eight] preceding financial years, namely: -
……
(3) Every share transfer agent shall maintain the following records in respect of a body corporate on whose behalf he is carrying on the activities as share transfer agent namely:-

…..
(b) the names of transferor and transferee and the dates of transfer of securities;
(c) such other records as may be specified by the Board for carrying out the activities as share transfer agents.

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

1. A Registrar to an Issue and Share Transfer Agent shall maintain high standards of integrity in the conduct of its business.
2. A Registrar to an Issue and Share Transfer Agent shall fulfill its obligations in a prompt, ethical and professional manner.
3. A Registrar to an Issue and Share Transfer Agent shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.

5. A Registrar to an Issue and Share Transfer Agent shall always endeavor to ensure that -

a. inquiries from investors are adequately dealt with;
b. grievances of investors are redressed without any delay;
c. transfer of securities held in physical form and confirmation of dematerialisation / rematerialisation requests and distribution of corporate benefits and allotment of securities is done within the time specified under any law .

6. A Registrar to an Issue and Share Transfer Agent shall make reasonable efforts to avoid misrepresentation and ensure that the information provided to the investors is not misleading.

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

18. A Registrar to an Issue and Share Transfer Agent shall not neglect or fail or refuse to submit to the Board or other agencies with which he is registered, such books, documents, correspondence, and papers or any part thereof as may be demanded / requested from time to time.

20. A Registrar to an Issue and Share Transfer Agent shall take adequate and necessary steps to ensure that continuity in data and record keeping is maintained and that the data or records are not lost or destroyed. Further, it shall ensure that for electronic records and data, up-to-date back up is always available with it.

25. A Registrar to an Issue and Share Transfer Agent shall ensure that it has satisfactory internal control procedures in place as well as adequate financial and operational capabilities which can be reasonably expected to take care of any losses arising due to theft, fraud and other dishonest acts, professional misconduct or omissions.

28. A Registrar to an Issue and Share Transfer Agent shall ensure that good corporate policies and corporate governance are in place.

30. A Registrar to an Issue and Share Transfer Agent shall be responsible for the acts or omissions of its employees and agents in respect of the conduct of its business.

RTI CIRCULAR NO. 1 (2000-2001) DATED MAY 09, 2001

TO:
ALL REGISTERED REGISTRARS TO AN ISSUE/
SHARE TRANSFER AGENTS
Dear Sirs,
All companies listed on stock exchanges are required to do the processing of share transfers and effect transfers in accordance with the provisions of the Companies Act, 1956, listing agreement and the guidelines issued by SEBI. It has been observed that

there are no uniform procedures or practices adopted by companies and their Registrars to Issue/Share Transfer Agents for handling and processing of transfer documents/bad delivery documents/stock invests etc. resulting in avoidable confusion and inconvenience to the investors. The Stock Exchange, Mumbai and National Stock Exchange had set up task forces to evolve uniform norms in these areas. The task forces submitted their recommendations to SEBI. SEBI thereafter convened meetings of representatives of Registrar Association of India, Stock Exchanges, Clearing Corporation, Depositories and Custodians to finalise these norms. After detailed deliberations uniform guidelines to be followed by RTI/STA & Companies have been agreed upon by the various market intermediaries. These guidelines have been divided into three parts:

1. General norms for processing of documents.
2. Norms for processing of transfers.
3. Norms for objection.

Draft of the formats to be used have also been suggested in these guidelines.
It is hereby directed that all registered Registrar to An Issue and Share Transfer Agents and Companies listed on Stock Exchanges shall mandatorialy follow these guidelines and formats with immediate effect. These directions are issued pursuant to powers conferred on SEBI under Section 11B of SEBI Act, 1992.

217. I have gone through the facts of the case, as explained in detail in the SCNs and briefly summarized above. Now, I proceed to deal with the cases of individual Noticees by looking into the specific role allegedly played by them, as brought out in the SCN, and decide on their culpability, after considering their replies / responses, wherever available.

218. Before proceeding with the consideration of the issues, it is necessary to address the preliminary issue raised by the Noticees regarding the alleged inordinate delay in initiating the proceedings and the resulting prejudice caused to the entity. The Noticees placed reliance on the following Orders of Hon'ble SAT, Hon'ble WTM and Ld. Adjudicating Officer, SEBI, in their defence:

c. *Rajeev Bhanot and Ors v. SEBI*,
d. *Ashok Shivlal Rupani vs. SEBI appeal No. 417 of 2018,*
e. *In Mr. Rakesh Kathotia v. SEBI (Appeal No.07 of 2016 ,*
f. *SEBI v. Bhavesh Pabari 2019 SCC OnLine SC 294*
g. *Bhavnagar University v. Palitana Sugar Mill (2004) Vol.12 SCC 670,*
h. *State of Punjab vs. Bhatinda District Coop. Milk P. Union Ltd (2007) Vol.11 SCC 363 and*

i. *Joint Collector Ranga Reddy Dist. & Anr. vs. D. Narsing Rao & Ors. (2015) Vol. 3 SCC 695.*
j. *Anilkumar Nandkumar Harchandani & Ors. vs. SEBI (Appeal No. 75 of 2019)*
k. *Shriram Insight Share Brokers Ltd (Appeal No. 559/2020, Order dated 04-01-2022)*
l. *Yatin Pandey HUF v/s SEBI (Appeal No. 719 of 2021)*
m. *Government of India vs. Citedal Fine Pharmaceuticals, Madras & Ors. [AIR 6 (1989) SC 1771].*

219. In this regard, I note that, in the judgment in the matter of Ashlesh Gunvantbhai Shah (Order dated 31.1.2020), the Hon'ble SAT has made the following pertinent remarks:
"It is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the adjudication proceedings. The Supreme Court in Government of India vs, Citedal Fine Pharmaceuticals, Madras and Others, [AIR (1989) SC 1771] held that in the absence of any period of limitation, the authority is required to exercise its powers within a reasonable period. What would be the reasonable period would depend on the facts of each case and that no hard and fast rule can be laid down in this regard as the determination of this question would depend on the facts of each case." This proposition of law has been consistently reiterated by the Supreme Court.

220. I further note that in Pooja Vinay Jain vs. SEBI (Appeal No. 152 of 2019) decided on March 17, 2020, the Hon'ble SAT *inter alia* held the following: "On the issue of delay, in the case of Ashok Rupani (supra), this Tribunal, inter-alia, noted the ratio in the case of Mr. Rakesh Kathotia and Ors. vs. SEBI [Appeal No 7 of 2016 decided on May 27, 2019]. Paragraph No. 7 of the case of Ashok Rupani Judgment is as under
"....The decision would show that the power to initiate the proceedings must be

exercised by the authorities within a reasonable time. This would depend upon the facts and circumstances of the case, nature of the default / statute and prejudice caused to the noticee."

221. In the context of delay in initiating the proceeding, Hon'ble SAT in Mr. Rakesh Kathotia & Ors. vs SEBI vide order dated May 27, 2019 has held the following:
"23. It is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the adjudication proceedings. The Supreme Court in Government of India vs, Citedal Fine Pharmaceuticals, Madras and Others, [AIR (1989) SC 1771] held that in the absence of any period of limitation, the authority is required to exercise its powers within a reasonable period. What would be the reasonable period would depend on the facts of each case and that no hard and fast rule can be laid down in this regard as the determination of this question would depend on the facts of each case."

222. The Hon'ble Supreme Court in the matter of Adjudicating Officer, SEBI Vs. Bhavesh Pabari wherein the Hon'ble Supreme Court, while dealing with the issue of delay in issuance of the show cause notice by the Adjudicating Officer, has observed that,
".... There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default / statute, prejudice caused, whether the third - party rights had been created etc......"

223. The Noticees have also placed reliance on the order passed by the Hon'ble SAT in the case of *Anilkumar Nandkumar Harchandani Vs. SEBI* wherein the Hon'ble SAT had allowed the appeal by observing that there was an inordinate delay in initiation of the proceedings. In the said case, the Hon'ble SAT has placed reliance on its observations in the case of Ashok Shivlal Rupani & Anr(Supra)

which has been differentiated in the preceding paragraph. It is once again noted that the Hon'ble SAT while holding that there was an inordinate delay also observed that in the case of Anilkumar Nandkumar Harchandani, the investigation report itself showed non-availability of the documentary evidence because of which the investigating authority did not recommend taking drastic action to direct making of public announcement. Also, the said appeal was filed by the appellants for imposition of monetary penalty by the Adjudicating Authority for the violation of Regulation 11(1) of the SAST Regulations, 1997. Thus, the said order passed by the Hon'ble SAT stands differentiated.

224. I find that the fact of delay in completion of investigation and/or initiation or completion of enforcement proceedings, in itself, cannot be a ground for dropping the proceedings. Only in cases where a Noticee is adversely affected, such a submission be considered. In this context, I find it relevant to refer to the order passed by Hon'ble SAT in the case of Metex Marketing Pvt. Ltd. vs. SEBI (order dated June 4, 2019) wherein Hon'ble SAT held that: *"This Tribunal has consistently held that in the absence of any specific provision in the SEBI Act or in the Takeover Regulations, the fact that there was a delay on the part of SEBI in initiating proceedings for violation of any provision of the Act cannot be a ground to quash the penalty imposed for such violation"*. In this regard, I also find that, PFUTUP Regulations and/or SEBI Act also does not have any specific provisions w.r.t., timeline /limitation etc., and therefore, a parallel can be drawn and the fact of delay in completion of investigation and initiation or completion of enforcement proceedings, in itself, cannot be a ground for dropping the proceedings.

225. Further, the ratio laid out in the various judgments referred by the Noticees is that wherever essentially period of limitation is not prescribed, such power must be exercised within a reasonable time. In this regard, I note that SEBI received a complaint in October 2015, and SEBI initiated action immediately upon receipt

of complaint in 2015 there was no delay in the same. Though some of the impugned transactions were more than 16 years old, they came into notice of SEBI during the investigation and certain non-compliances were observed to take place as late as in year 2017. It is also noted that the present case involved multiple data collection points and all the Noticees were weaved through an unanticipated scheme, which required time and effort to unearth. The investigation was concluded in May 2017.

226. I note that the first Adjudication Officer was appointed in July 2019, and the matter was later transferred to Mr. Prasanta Mahapatra vide Communique dated July 2021, the erstwhile adjudication officer. The show cause notice (SCN) was issued by erstwhile AO in March 2022. It is also noted that there were change of AOs in the matter and further the period span of the time between appointment of AO and issuance of SCN, overlaps with a considerable timeline where the country was battling the Covid-19 pandemic. Further, the nature of evidence collected and volume of Investigation report approved was also humongous and intricately complex. In view of the above, in my opinion the time taken to complete the investigation and to initiate the adjudication proceedings is accounted for and is reasonable, hence the contention of the Noticees that there was inordinate delay is not acceptable.

227. I note that the instant case is factually and legally distinguishable from the above-mentioned judgments in view of the above findings and reliance on these judgments do not help the Noticees in any manner.

228. Before proceeding to consider the matter on merits, I note that Noticees have, *inter alia*, relied upon the judgment of the Hon'ble SAT in the matter of Shriram Insight Brokers Ltd vs SEBI decided on January 04, 2022, and contended that due to the inordinate delay in receiving the SCN, important documents to prove non-violation could not be retrieved, and that the instant proceedings stand

vitiated on this ground. In this regard, I note that the Noticees were aware of the ongoing investigation and proceedings against them, and they were also a party to the parallel proceedings under Section 11B of the SEBI Act and Section 12(3) of SEBI Act in the matter. Therefore, the contention that they do not have possession of documents to defend themselves does not hold much ground.

229. In conclusion, I note that the time gap in the matter serves as a factor which could be relied upon as a mitigating factor while considering the matter, and deciding quantum of monetary penalty, if any. However, the same cannot be a ground to vitiate the instant proceedings.

230. Another preliminary contention of the Noticees is that the SCN is ex - facie illegal, as it illegally combined discrete three stage process contemplated under Rule 4 of the Adjudication Rules, i.e. no Notice for imposing Penalty can be issued at the first instance, and cause is only to be shown as to why an Enquiry should not be instituted against the Noticee. The stage of Penalty is only reached after separate prior decision has been made to institute an inquiry, whereas the SCN issued did not disclose that an opinion, as required under Rule 3 of the Adjudication Rules, had been formed by the board of the SEBI.

231. I have considered the allegation levelled in the, reply / submissions of the Noticee 16 and the relevant material brought on record. The Noticee has raised certain common technical objections w.r.t. due process followed in instant proceedings. In this regard, it will be appropriate to refer to the relevant provisions specified under the Adjudication Rules, reproduced herein:

"Appointment of adjudicating officer for holding inquiry.

3. Whenever the Board is of the opinion that there are grounds for adjudging under any of the provisions in Chapter VI-A of the Act, it may appoint any of its officers not below the rank of Division Chief to be an adjudicating officer for holding an inquiry for the said purpose.

Holding of inquiry.

4.(1) In holding an inquiry for the purpose of adjudging under sections 15A, 15B, 15C, 15D, 15E, 15F, 15G, 15HA and 15HB, whether any person has committed contraventions as specified in any of sections 15A, 15B, 17 15C, 15D, 15E, 15F, 15G, 15HA and 15HB the adjudicating officer shall, in the first instance, issue a notice to such person requiring him to show cause within such period as may be specified in the notice (being not less than fourteen days from the date of service thereof), why an inquiry should not be held against him.

(2) Every notice under sub-rule (1) to any such person shall indicate the nature of offence alleged to have been committed by him.

(3) If, after considering the cause, if any, shown by such person, the adjudicating officer is of the opinion that an inquiry should be held, he shall issue a notice fixing a date for the appearance of that person either personally or through his lawyer or other authorised representative.

(4) On the date fixed, the adjudicating officer shall explain to the person proceeded against or his lawyer or authorised representative, the offence, alleged to have been committed by such person indicating the provisions of the Act, rules or regulations in respect of which contravention is alleged to have taken place.

(5) The adjudicating officer shall then give an opportunity to such person to produce such documents or evidence as he may consider relevant to the inquiry and if necessary the hearing may be adjourned to a future date and in taking such evidence the adjudicating officer shall not be bound to observe the provisions of the Evidence Act, 1872 (11 of 1872) Provided that the notice referred to in sub-rule (3), and the personal hearing referred to in sub-rules (3),(4) and (5) may, at the request of the person concerned, be waived.

(5A) The Board may appoint a presenting officer in an inquiry under this rule.

(6) While holding an inquiry under this rule the adjudicating officer shall have the power to summon and enforce the attendance of any person acquainted

with the facts and circumstances of the case to give evidence or to produce any document which, in the opinion of the adjudicating officer, may be useful for or relevant to, the subject-matter of the inquiry.

(7) If any person fails, neglects or refuses to appear as required by sub-rule (3) before the adjudicating officer, the adjudicating officer may proceed with the inquiry in the absence of such person after recording the reasons for doing so."

232. In terms of foretasted provisions, I note that at the stage of Rule 3, if Board is of the opinion that there are grounds for adjudication under any of the provisions in Chapter VIA of the SEBI Act, it appoints an Adjudicating Officer. At this stage, the Board only decides whether adjudication proceedings should be initiated or not against the Noticee(s). I further note that, the formation of opinion is not a formal inquiry proceeding involving any person or persons against whom inquiry is contemplated. The participation of the person against whom inquiry is contemplated is not necessary. The Board forms its opinion, based on whether there are prima facie materials or grounds for initiation of inquiry. The opinion of the Board under Rule 3 has nothing to do with the outcome of the inquiry. After the Board forms its opinion to appoint an Adjudicating Officer, comes the next stage, which is the stage under Rule 4 of an inquiry for adjudging under relevant Sections 15A to15HB of the SEBI Act, whether any person has committed contraventions as specified in those sections. The inquiry commences with a Show Cause Notice calling upon the notice to show cause why an inquiry should not be held against Noticee(s). The Show Cause Notice has to specify the nature of offence alleged to have been committed and the penalty proposed, to enable the Noticee(s) to effectively reply to the show cause. A reading of Rule 4(3) makes it clear that, if after considering the cause, if any shown by the Noticee(s), the Adjudicating Officer is of the opinion that an inquiry should be held, he shall issue a notice fixing a date for appearance of that person either personally or through his lawyer or other authorised representative. The Noticee(s) is not required to be heard personally or through lawyer before taking

a decision to proceed with an inquiry in respect of the contraventions alleged in the SCN. Decision to proceed or not to proceed with the inquiry may be taken on the basis of the reply of the Noticee to the Show Cause Notice, if any. Once it is decided to proceed with the inquiry, an opportunity of personal hearing is mandatory. The inquiry has to be conducted in accordance with law, in compliance with the principles of natural justice.

233. I note from the communication order dated July 12, 2019 that, in this matter, prima facie it appeared to the Competent Authority that the Noticees have violated the provisions of the SEBI Act, PFUTP Regulations, etc. and thus, approved Adjudication under the provisions of Sections 15A(a) & (c), 15C, 15HA and 15HB of the SEBI Act qua the Noticees. Accordingly, the Competent Authority by exercising its power under Section 19 of the SEBI Act read with Section 15I(1) of the SEBI Act and Rule 3 of the Adjudication Rules has appointed undersigned as the Adjudicating Officer to adjudicate upon the alleged violations by the Noticees. In terms of para 4 of the aforesaid communication order, undersigned has been asked to conduct the Adjudication Proceedings in the manner specified under Rule 4 of the Adjudication Rules. Accordingly, on receipt of the said communication order and records, undersigned has issued the SCN to the Noticees in terms of Rule 4(1) of the Adjudication Rules. It is to be noted that in terms of Rule 4(1) of the Adjudication Rules, minimum fourteen days' time has been prescribed for a Noticee to show any cause regarding, why inquiry should not be initiated against him/ her, from the date of service of the SCN.

234. I note that, in the instant proceedings, undersigned has relied upon the material available on record and written submissions of Noticees (if filed) and after considering the same, undersigned was of the opinion that the inquiry should be held in this matter against the Noticees, and accordingly notice of hearing has been issued to the Noticees in terms of Rule 4(3) of the Adjudication Rules.

Further, the Noticees were also allowed with sufficient extension of time for filing replies in the matter before the date of scheduled hearing. Some of the Noticees after seeking extensions had filed their replies and thereafter, availed the hearing.

235. I have perused the judgment of Hon'ble Supreme Court judgment in the matter of T. Takano (Supra) and Natwar Singh (Supra) and note that the principles prescribed under the aforesaid judgments have been duly complied with, while conducting instant adjudication proceedings against the Noticees and all the stages mentioned in Adjudication Rules has been duly followed, such as –

a) SCN has a clear mention of the prima facie opinion formed by the competent authority of SEBI to enquire into the alleged violations of the SEBI Act, PFUTP Regulations, RTA Regulations by the Noticee;

b) issuance of the SCN in terms of Rule 4(1);

c) granting minimum 14 days' time to the Noticees for showing cause to the SCN in terms of Rule 4(1);

d) explanation of nature of offence in the SCN in terms of Rule 4(2);

e) after replies from the Noticee, granted hearing after considering the material available on record in terms of Rule 4(3); and

(f) conducted hearings in terms of Rule 4(4) and 4(5).

236. In view of the above, I found no infirmity or deviation from the stated Adjudication Rules, while conducting instant proceedings as per the direction of the Competent Authority. I also note that, during instant proceedings due regard has been given to the principle of natural justice while granting extensions and adjournments to the Noticees. Considering the above facts and circumstances, I found no merits in such technical objections of the Noticees.

237. In this regard, I also note that in compliance of Rule 4(1), SCN dated March 14, 2022 was issued to the Noticees requiring them to show cause why an inquiry should not be held against them. The SCN specified the nature of offences

alleged to have been committed and the penalty proposed to enable the Noticees to effectively reply to the SCN. Further, since undersigned decided to proceed with the inquiry, in compliance of Rule 4(3), Hearing Notice (HNs) were issued to the Noticee, an opportunity for hearing was granted to Noticee. Neither at stage of SCN nor at stage of HNs penalty has been imposed on any of the Noticee or finalized. I therefore note that the procedure followed in the matter is in compliance with the Adjudication Rules and the contention of the Noticees are not acceptable.

238. Before the issues on merits are considered I note that the wife of the Noticee 5, i.e. Noticee 3 vide letter dated December 01, 2022 informed that the Noticee-5 had passed away on September 16, 2020, along with the death certificate of Noticee 5 to this effect. The death certificate was verified from the website of Office of the Registrar and Census Commissioner India (Birth & death registration) Website. Further, I also note from the SEBI order dated July 08, 2020, that vide email dated January 18, 2019 and letter dated March 30, 2019, Neepa Dalal, the daughter of Akhil Dalal (Noticee 6) had informed SEBI that Akhil Dalal has already passed away on September 02, 2018, in support of which a copy of his death certificate dated September 14, 2018 was submitted. Considering the fact that the Noticee 6-Akhil K Dalal was no more, the proceedings against him were taken as abated in the aforesaid SEBI Order.

239. Hence, before proceeding further, it would be in the fitness of things to first decide as to whether on the death of the Noticee 5 and 6, the present adjudication proceedings against them would continue or abate.

240. Since Noticee 5 and 6 died on September 16, 2020 and September 02, 2018 respectively, prior to issuance of SCN, reference is drawn to Hon'ble Supreme Court Judgment in Girijanandini Vs Bijendra Narain (AIR 1967 SC 2110) and Hon'ble SAT judgment in Chandravadan J. Dalal vs. SEBI (Appeal No. 35/2004 decided on June 15, 2005), and I am of the view that the instant adjudication

proceedings against the **Notice 5 and 6 are liable to be abated without going into the merits of the case qua them and the SCN dated March 14, 2022 issued against them is disposed of accordingly.**

241. However, I note that dealing with the acts/ omissions and conduct of Noticees 5 and 6 while addressing the submissions made by other Noticees will be essential. The observations and deliberations contained in the ensuing paragraphs while dealing with the submissions of other Noticees, shall hold good in respect of Noticee 5 and 6, insofar as they are applicable.

242. I also note from the records that, Noticee 1 was a SEBI Registered Category I Registrar to Issues and Securities Transfer Agent (CIN: U67120MH2004PTC148994; SEBI Registration No-INR000001476). The certificate of registration of the Noticee 1 as a Registrar to an Issue and Share Transfer Agent with SEBI has been cancelled vide SEBI order dated September 30, 2020. Further, it is also noted from the records that in Company Petition No.673 of 2015 filed in the matter of M/s Sharepro Services (India) Pvt. Ltd. (in Liqn.) vide High Court Bombay Order dated January 04, 2018 the matter has been assigned to the Office of Official Liquidator; for carrying out liquidation proceedings. In this regard, a letter dated April 20, 2023 was sent to the Office of the Official Liquidator, High Court Bombay informing him about the instant proceedings and seeking his comments on the same. The Official liquidator vide letter dated May 02, 2023 informed that, the proceedings against the Noticee 1 is subject to Section 446(1) of the Companies act, 1956 and SEBI is required to take leave of the Hon'ble High Court, Bombay in absence of which the proceedings shall be void *ab initio*.

243. In this regard, I note that the liquidator has not filed any reply to the SCN on behalf of Noticee 1. In this regard, as brought out in the preceding paragraphs, detailed allegations of illegal siphoning off of dividends and misappropriation of

shares, compromise of internal checks and balances in RTA's systems, non-adherence to due procedures and falsification / destruction of records of records etc. have been made against Sharepro (Noticee 1) on the basis of the investigation carried out by SEBI. In the absence of any submission in defense of Noticee 1 in respect of the allegations leveled in the SCN, I do not want to burden the order by delving into each and every allegation, narration whereof has already been provided in the preceding paragraphs and in the SCN. Taking note of the ongoing liquidation proceedings against Sharepro, the fact that the action proposed in the present proceedings was approved by the competent authority on May 31, 2017 and considering the purport of section 446 of Companies Act, 1956, I note that presently, while a penalty may not be viable against Noticee 1/Sharepro (Company under liquidation) as such, but dealing with the acts / omissions and conduct of Noticee 1 while addressing the submissions made by other Noticees will be essential. The observations and deliberations contained in the ensuing paragraphs while dealing with the submissions of other Noticees, shall hold good in respect of Noticee 1, insofar as they are applicable.

244. Before I proceed any further, I refer to the legal provisions allegedly violated by the various Noticees. I note that provisions of Section 12A (a), (b) & (c) of the SEBI Act and Regulation 2(1)(c), 3 (b), (c) & (d), 4(1), 4(2) (h) & (p) of the PFUTP Regulations deal with fraud and prohibit various fraudulent practices, such as use of any manipulative or deceptive device or contrivance, employing any device, scheme or artifice to defraud in connection with dealing in securities, engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in securities, in contravention of the provisions of SEBI Act or rules or regulations made thereunder; selling, dealing or pledging of stolen or counterfeit security whether in physical form or dematerialized form; falsification of records by an intermediary etc. Further, the provisions of Section 11C (2), Section 11C (3), and 11C (5) of the SEBI Act require an intermediary or any person associated

with the securities market in any manner to furnish information and documents as sought by the Investigating Authority or require it to appear for examination under oath.

245. I note that Clauses (1), (2), (3), (5), (6), (16), (17), (18), (20), (25), (28) & (30) of Code of Conduct specified in Regulation 13 of the RTA Regulations impose various obligations on an RTA such as, maintaining high standards of integrity in the conduct of business; fulfilling obligations in a prompt, ethical and professional manner; exercise of adequate care, caution and diligence before dematerialization of securities; redressing grievances of investors without delay; to avoid misrepresentation to investors; to abide by the provisions of applicable laws; to cooperate with SEBI and furnish information and documents as and when required; to maintain continuity of data; to have satisfactory internal control procedures in place; to ensure good corporate policies and corporate governance; to be responsible for the acts or omissions of its employees and agents in respect of the conduct of its business etc. Further, SEBI Circular No. RTI Circular No. 1 (2000-2001) dated May 09, 2001 requires an RTA to follow the prescribed guidelines and norms for processing of documents, processing of transfers and norms of objection. Further, Regulation 9(A) (e) and (f), and Regulation 14 (3) (b)& (c) of RTA Regulations mandates, Noticees to redress of investor grievances, abide by regulations, and maintenance of records by Noticees while carrying out the activities as Share Transfer Agent.

246. It was alleged in the SCN that Noticee 1 and its top management in connivance with various other entities facilitated diversion of assets (securities and dividend) belonging to genuine and rightful shareholders to entities related to management of Noticee 1. It was further alleged that records at Noticee 1 were not maintained properly and there was deliberate falsification of records to blur the audit trail. Internal checks and balances were compromised to a high degree in Noticee 1. Various entities actively conspired with the top management of Noticee 1 and had also substantially benefitted from the scheme of fraud.

247. During investigation, based on the transaction patterns, various information received from brokers/DPs/Banks, documents collected, statements of various entities recorded etc. the Noticees and a group of entities were found to be linked with each other and the management of Noticee 1. The relationship among them has been detailed in tabular form above in the order.

248. SCN alleges several irregularities by Noticees in regard to the dividend payments made by its client companies. SCN alleges that the Noticee 1 and its management identified inactive folios (where regularly dividends were getting transferred to IPEF or DDs/Warrants were returning undelivered). Noticee 1 would then divert dividends pertaining to such folios in favour of people connected to the management fraudulently and blur the audit trail by falsifying records or not maintaining them. I note from the investigation findings and records that dividends were siphoned off from the genuine shareholders by the Noticees in different ways. The observation in this regard is detailed in paragraphs below.

249. I note from the statement of Noticee 2 and other records, that the details of uncashed warrants/demand, undelivered warrants/demand draft from shareholder, requests for re-validation and re-issuance of dividend demand drafts and warrants, details of re-validated/re-issued warrants/demand were not recorded and maintained by the Noticee 1. Further no details of undelivered demand drafts were maintained or referred while processing requests for re-validation or re-issuance of dividends by the Noticee 1. There were no records to link between reissued demand drafts and the original demand drafts.

250. From the records it is noted that Noticee 1 would issue demand drafts in favour of investors in bulk just before dividend account is closed and the balance is transferred to IPEF. Since many investors would not claim such demand draft,

all these demand drafts would eventually get cancelled. The Noticee 1 would then request banks to issue demand draft in favour of people connected with its management. The fact that dividend account has got closed and the Notice 1 system showed 'dividend paid', helped the Noticee 1 blur the audit trail.

251. <u>Cases where Client Companies authorized Noticee 1 for giving direct instructions to banks for dividend payments</u>: I note from the records that some of the Client companies (Tata Communications, Kansai Nerolac Paints, Navin Flourine International, Merck Limited) of Noticee 1 in good faith authorized Noticee 1 to directly issue instruction to the bank for payment of dividends to their shareholders for re-validation/issuance of uncashed/undelivered warrants/demand draft requests from shareholders without seeking approval from the company. I note that there was large scale siphoning of dividends where the companies authorized Noticee 1 to issue instructions to banks directly without going through them. It is also noted that Noticee 3 was the client manager for the aforesaid companies.

252. From the records, pattern observed in such instances is as follows:

(ii) It was found that dividend belonging to genuine shareholders were fraudulently paid to entities related to Noticee 3, viz. Suresh Unavane, Narayan Devadiga, Noticee 8, Nagesh Karkera, Satyam Brush Industries (Noticee 5's firm)/ Noticee 5 and Raju Landge.

(iii) banks were asked to issue DDs against old warrant numbers, which were originally in the name of actual investors, to abovementioned entities related to Noticee 3 by showing them as shareholders.

(iv) In some cases, Noticee 2 and 3 misled the banks by stating that the cases pertained to matters under dispute which were settled or pertained to late transfer / transmission.

(v) Even though payments were made to fake shareholders instead of genuine shareholders, Noticee 1's system showed such payments as having been made to genuine shareholders.

(vi) In one instance, in respect of dividends which were due for transfer to IPEF, DDs issued in favour of respective shareholders were cancelled and were issued in favour of Satyam Brush Industries on the pretext of centralized processing. In this regard, it was found that Noticee 2 tried to mislead the investigation in this instance by submitting false information.

(vii) The beneficiaries of such siphoned of dividends were Noticee 3 and her family members.

253. I note from the records, that on 1004 instances (involving Rs. 74,95,420/-), the Noticee 1 misused the said authority by directing banks for issuing dividend payment instruments to persons who were not genuine shareholders of its client companies. As per records (including instruction letters/emails obtained from companies) in such cases either Noticee 3 signed the letters issued to the banks or was in cc of the emails issued in this regard, hence Noticee 3 had knowledge of such instructions and its content. Further, the explanations given in the aforesaid letters/instructions for such fraudulent transfers were mostly 'late transfer case', 'matter under dispute cases and settled now', 'transmission' for misleading the banks. The money siphoned off by this methodology was credited to the bank accounts of the Noticee 8 and other entities related to the management of Noticee 1. This strategy was employed by Noticee 1 / Noticee 3 to mislead the banks. Further, Noticee 1 in connivance with Noticee 2 and Noticee 3 falsified the records to hide the fraud committed in the aforesaid 1004 instances.

254. As per statement of Noticee 5 and Suresh Unawane, the account of Suresh Unawane was operated by Noticee 3 and 5. As per statement of Noticee 5 and Narayana Devadiga, the account of Narayana Devadiga was operated by Noticee 3 and 5. As per statement of Noticee 5, the account of Nagesh Karkera was operated by Noticee 3 and 5. As per statement of Noticee 5 and the letter of Rajesh Landge, the account of Rajesh Landge was operated by Noticee 3 and 5.

255. <u>Cases where Client Companies approval needed by Noticee 1 for issuing instructions to banks for dividend payments/ or Companies issued instructions to banks directly</u>: There were instances wherein the Noticee 1 did not had authorization to issue instructions regarding dividend payments to the banks, but was required to route the instructions to the company, who in turn would issue the instructions to the banks. In 36 instances, Noticee 1 misled the companies (Asian Paints Ltd. and JM Financial Ltd.) by asking companies to issue instructions to banks to credit the dividend proceeds of the rightful investors to entities/persons who were linked to the Noticee 3. As per records in such cases either Noticee 3 signed the letters issued to the banks or was in cc of the emails issued in this regard, hence Noticee 3 had knowledge of such instructions and its content. Further, the explanations given in the aforesaid letters/instructions for such fraudulent transfers was 'late transfer case', 'name deletion case', 'name mismatch', 'transmission' for misleading the banks/companies. The money siphoned off by this methodology was credited to the bank accounts of the Noticee 8, and other entities related to the management of Noticee 1.

256. The system/database of Noticee 1 showed that the dividends were paid to the original shareholders but the verification of the bank accounts revealed that the dividends were paid to non-genuine entities, and the Noticee 1's records were falsified to mask the fraudulent siphoning of dividend. In these instances, the companies were misled into issuing instructions to the banks to issue demand drafts in favour of entities related to Noticee 3, viz. Raju Landge, Satyam Brush Industries / Noticee 5 and Swapnil Sutar.

257. In one case, Noticee 1 misled the company by stating that the cases pertained to name deletion. In two instances, Sharepro directly issued instructions to bank (HDFC Bank) to issue demand drafts in favour of Satyam Brush Industries (proprietary firm of Noticee 5, husband of Noticee 3), even though Noticee 1

was not authorized to issue direction to bankers for revalidation of demand drafts/ dividend warrants by the company, namely Asian Paints Limited.

258. In one instance, when the fraudulent payment of dividends pertaining to Asian Paints Ltd. to Swapnil Sutar through fraudulent instructions of Noticee 3 was discovered, Noticee 2 in order to settle the matter with the company got the entity to refund the money back with the company. However, Noticee 2 did not take any action against Noticee 3 on whose instructions the fraud happened.

259. Cases where Shares were fraudulently transferred to related entities and dividend was siphoned off: There were cases where the shares were fraudulently transferred to the entities related to Noticee 3, the dividends in respect of such shares were also siphoned off, since folio name itself was changed all subsequent dividends were issued in favour of entities person who were linked to the notice 3. During investigation, 43 such sample instances involving rupees 24,10,736/- belonging to shareholders of Hexaware Technologies Limited, JM Financial Limited, Britannia, Larsen & turbo and Asian paint was observed.

260. A summary of the payment of misappropriated dividends of genuine shareholders to the entities connected to Sharepro management / Noticee 3 through the above three methods (i.e. through direct instructions to bank, through instructions routed through companies and through misappropriation of shares) is as under:

Table 21

Sr. No	**Name of the Person to whom dividend was wrongfully paid**	**Amount Paid In Rs**
1	Satyam Brush Industries (Proprietary Firm of **Noticee 5)**	45,58,009/-
2	Mr. Raju Landge	21,35,969/-
3	Mr. Suresh Unawane	17,67,243/-
4	Mr. Nagesh Karkera	10,18,060/-
5	Mr. Narayan Devadiga	5,18,203/-
6	Mr. Anil Jathan / **Noticee 8**	27,000/-

7	Mr. Swapnil Sutar	24,37,500/-
8	Mr. Balram Mukherjee / **Noticee 4**	15,01,470/-
9	Mr. GR Rao / **Noticee 2**	8,059/-
10	Mr. Ratnakar Loku Poojary	24,090/-
11	Mr. Sadashiv Poojary	19,802/-
	Total	**1,40,90,923/-**

261. Investigation also revealed a typical pattern of transactions in bank accounts of the abovementioned persons, wherein they either transferred the wrongful dividend proceeds to Noticee 3 and her family members (viz. Noticee 5 and Noticee 14) or withdrew the same in cash. The said pattern reveals that the bank accounts of these recipients were being used just as a front by the ultimate beneficiaries, viz. Noticee 3 and her family members. Further, Noticee 5 also admitted that he and Noticee 3 were operating the demat/bank accounts of Raju Landge, Suresh Unavane, Nagesh Karkera and Narayan Devadiga.

262. It was thus observed that not only the dividends due to genuine investors were fraudulently siphoned off by Noticee 1 but the records were also falsified so as not to reflect the correct position. The system/database of Noticee 1 showed that dividends were paid to the original shareholders, but the verification of the bank accounts revealed that the dividends were paid to persons who were not the rightful shareholders or were not at all the shareholders of the companies. In 13 cases, the system of Noticee 1 shows that dividends have been transferred to IEPF whereas these payments have actually been made to Mr. Nagesh Karkera and Satyam Brush Industries (Proprietary Firm of Noticee 5 – Noticee 5). Thus, it is observed that Noticee 1 has not only failed to maintain the proper books of account but has also falsified records to hide the fraud committed by Noticee 1 management.

263. Noticee 1 has deliberately not maintained proper records in its system so that demand drafts issued to persons belonging to or connected with the management of Sharepro instead of the genuine shareholders is not

immediately visible to anyone. All such payments have been recorded as payment being made to the registered shareholder i.e. the names of wrongful beneficiaries to whom it actually paid are not recorded in database of Noticee 1. This amounts to deliberate falsification of records by Noticee 1.

264. Noticee 1 did not keep records of undelivered dividend warrant/DD to shareholder, it only sought records from the banks in regard to payment of dividend for a particular warrant. There was no link of reissued instruments with original instruments and only payment status was updated in the system. Hence, in cases of revalidation and reissue, Noticee 1 relied only upon the bank records for processing the request, thus enabling payment of unclaimed/unpaid dividend to the entity who at the time of revalidation/processing held the name in the folio holding shares.

265. There was lack of internal control and improper record keeping as detailed above at Noticee 1, its internal record keeping system did not specify that original instruments remained undelivered. It did not maintain the DD numbers of such reissued instruments and also did not show the fact that these were issued to somebody else and not to the original shareholder. The system only showed that these dividends had been paid. The system thus gave a false impression that original shareholder has received dividends. Since the electronic system does not capture details of reissued instruments, further audit trail became blurred.

<u>Irregularities with Respect to Transfer, Transmission, Buyback / Redemption of Securities, Printing of Share Certificates and Maintenance of Records</u>

266. Noticee 2 is the MD and overall in-charge of operations of the Noticee 1. Noticee 1 has functions under three departments viz. Transfer Processing, Demat Processing and Handling Correspondences. Noticee 11 is the in-charge of Transfer/Demat Department and directly reporting to the Noticee 2. Correspondence department of Noticee 1 is divided into 7 client managers,

Noticee 3 is one of the client manager out of 7, and handled 70 to 80 client companies. All dividend related functions viz. payment of dividend, re-issue of dividend, transfer of unpaid dividend to IEPF etc. are handled by client managers who directly report to MD (Noticee 2) himself.

267. It is noted from the records, that Noticee 1, 2 and 3 in connivance with other related Noticees falsified records, made misleading submissions to company and siphoned off the securities of the genuine shareholders. From the records I note that Noticee 1's management committed various non-compliances and illegalities in respect of transfer, transmission, buyback/ redemption of securities, printing of share certificates and maintenance of records. A synopsis of the company specific alleged fraudulent transactions instances and modus operandi followed therein is provided below:

Britannia Industries Limited:

268. It is noted from records that, in one instance, it was observed that account (folio) of a deceased shareholder of Britannia Industries Limited was tampered with and shares belonging to him were transferred to another entity (Noticee 4) in 2015 based on a fake court order purportedly passed in 1985. The said transfer was initiated by Noticee 3 and approved by Noticee 1. The shares were then dematerialized and a part of the same was parked for some time in the account of Noticee 5 (husband of Noticee 3). Later, Noticee 4 sold these shares and purchased shares of other companies. Some of these shares, acquired out of sale proceeds of Britannia Industries Limited, were then transferred in off-market to entities connected to Noticee 3 / Noticee 1 (viz. Noticee 8, Noticee 9, Sadashiv Poojary and Noticee 18) without any consideration. Later, these transactions were reversed to blur the audit trail. Noticee 4 later sold the shares and received payments of Rs.9.24 Crores which he withdrew in cash from his account. He was also found to have transferred funds to Suresh Unavane (servant of Noticee 3/Noticee 5). It was also found that Sadashiv Poojary (an

employee of Noticee 1), for his help in the fraudulent transactions, had also benefitted by receiving shares and the dividend accrued on such shares. Sadashiv Poojary was found to have transferred a part of the dividend amount to Noticee 3.

269. It is noted that, in respect of debenture redemption payments of Britannia Industries Limited where fresh Demand Drafts were to be issued in respect of original warrants / instruments, Noticee 1 deliberately made changes in the payment master files of debenture redemption and submitted two different files to the company and to the bank. It was observed that, while in the file sent to the company the folios were shown in the name of actual debenture holder, in the file sent to the bank the names of the folios were changed and they were shown in the names of entities related to Noticee 3. Accordingly, the bank released demand drafts for debenture redemption payments in favour of such fake debenture holders. It was found that such entities, upon encashing the DDs, transferred the funds to Noticee 3 or to entities connected with her. In one instance, it was also observed that DD was issued in the name of a deceased debenture holder and the same was fraudulently encashed by another person with similar name.

Asian Paints Limited

270. It was observed that, where shares of Asian Paints Limited jointly belonging to two persons were fraudulently transferred to sister of a person connected to Noticee 3 (viz. Jayshree Shah (Noticee 13) who is sister of Shrikant Bhalakia(Noticee 18)) by printing a new certificate and using forged transfer deed purportedly signed by a dead person. The said transfer and signature of dead person were approved by Noticee 3 and Noticee 2, even though Noticee 1 knew that the said person was already dead. Thereafter, when joint holder cum heir of the actual shareholder appeared and demanded these shares, the said transaction were reversed by a rectification entry carried out through back

dated falsification in software system of Noticee 1, and shares were delivered to the said joint holder by printing another set of certificate. The said reversal of transaction were never put before or sent to the company for approval in any 'Share Transfer Committee' meeting.

271. It is noted from the records that, every shareholder in a company having physical shares has a unique folio number and the same number is never allotted to another person. In case of transfer of shares from one person to another person, the transferee gets a new folio number. However, in respect of the company Asian Paints Limited, investigation revealed numerous instances where the folios or folio numbers of genuine shareholders were taken over by simply replacing their names with those of entities connected to Noticee 3 through back end entry in the electronic records. The same is generally evident from the "System Log for Changes in Folio Master", which is the electronic record of all changes in "Folio Master Data" during a particular period of time. It was observed that while the names in the folios were changed, the signature attached to the said folios remained those of the original shareholders. It was further observed that such changes of names in folios were carried out without informing / taking approval of the company and no records of such changes were maintained in the BackOffice Software Module of Noticee 1, which could indicate the reason for such changes. Further, no documentation was maintained in respect of the said changes in folio names. It was also observed that, generally, subsequent to the name change in the said folios, different share certificates belonging to the said folios were merged (viz. consolidation of old certificates into new ones) and new certificates were printed in the name of such entities connected to Noticee 3. It was noted that the register of consolidation put up by Noticee 1 to the company for its approval contained the names of such fake shareholders instead of the actual shareholders. Accordingly, the company, in its Share Transfer Committee meetings, had approved the consolidation of shares in the name of fake shareholders. Later, these

certificates were dematerialized by such entities. The dematerialization transactions in favour of such entities were carried out under the direction of Noticee 3, despite complete signature mismatch. After dematerialization, such entities either sold the shares or transferred them to other connected entities. The sale proceeds of such shares were later transferred, directly or indirectly, to Noticee 3 or other entities connected to her. Further, since the names in the folios were changed, the subsequent dividends accrued on the shares lying in them were also paid to entities connected to Noticee 3. In many cases, after the shares in the taken over folios were sold, the folios were reverted in the name of original shareholders (i.e. the name in the folios were again changed to reflect the names of original shareholder), to avoid detection in any audit / inspection.

272. Investigation further revealed that in many cases, after folios belonging to genuine shareholders were taken over in the abovementioned fashion, further shares belonging to other folios were fraudulently transferred by "Rectification Entry" to such folios which were taken over by fake shareholders connected to Noticee 3. In a similar fashion as above, the transfers were being carried out without informing / taking approval of the company and without maintaining documentation in respect of the said transfers. It was further found that shares were also transferred from folios which were under dispute and where transactions were not allowed, even though the said fact was in the knowledge of Noticee 1. In a similar fashion as above, the transferred shares were subsequently merged / consolidated and new share certificates were reprinted in the name of such fake shareholders. Subsequently, these entities dematerialized and sold the shares and transferred funds, directly or indirectly, to Noticee 3 or other entities connected to her.

273. In some cases, the ill-gotten gains out of siphoning of shares were being shared by Noticee 3 and entities connected to Noticee 3 who participated in the fraud. It was observed that the abovementioned reprinting of share certificates in the

name of fake shareholders prior to their dematerialization was done since the old certificates were not in the possession of Noticee 1 or such fake shareholders and the old certificates were in the name of actual shareholders. It was further noted that no records of printing of such new certificates were maintained in the back-office software module of Noticee 1, though the physical share certificate print reconciliation/control register showed the reprinting of new certificates.

274. While siphoning off of shares by fraudulent transfers, the following were also observed:

(i) Shares were rematerialized by rectification entry without knowledge and approval of the company and without any documentation. Rematerialized share certificate had the same number as the one on the share certificate that was dematerialized earlier. The same share certificate which is dematerialized cannot be again rematerialized as the certificate is cancelled and defaced.

(ii) Old share certificate which was cancelled upon renewal was again reprinted with the same number, without recording the same in the back-office software module of Noticee 1.

(iii) There was repeated reprinting of various share certificates without mandatory backup documents, to perpetuate the fraud.

(iv) The fraudulent transactions were being processed by Noticee 3.

(v) Noticee 1 failed to cooperate with investigation and did not submit documents in respect of such transactions.

Thus, there was massive falsification of records at Noticee 1 in violation of Noticee 1's policy as well as secretarial standards. The internal checks and balances and control system of Noticee 1 (across various departments) was compromised to illegally siphon of shares belonging to genuine shareholders.

<u>Kansai Nerolac Paints Limited</u>

275. As in the case of Asian Paints Limited, in the folios of genuine shareholders of Kansai Nerolac Paints Limited, the actual names were replaced with the names of entities connected to Noticee 3 (viz. Nagesh Karkera, Ganesh Nimbalkar) through back end entry, without approval of the company and without following due procedure and proper documentation. Here also, it was found that even after change of name, the signatures attached to the folios were of genuine shareholders.

276. After the folio names were changed, shares were transferred from taken over folios to entities connected to Noticee 3 (viz. Shrikant Bhalakia (Noticee 18)) through fraudulent book entry, without consideration and without knowledge/approval of the company. The share certificates were reprinted in the name of such connected persons who subsequently dematerialized the shares and sold them and shared the proceeds, directly or indirectly, with Noticee 3 or entities connected to her (Nagesh Karkera). Further, apart from transfer to other entities, shares were also directly dematerialized sold in the market.

277. Shares from other folios belonging to genuine shareholders were fraudulently transferred to the taken over folios by rectification entry, without following due procedure. The share certificates were reprinted just before such transfers, but there was no record of re-print in Back Office Software System of Noticee 1. The said shares were later dematerialized and sold in the market or transferred to other entities connected to Noticee 3 (viz. Rajesh Bhagat (Noticee 17)), in off-marker transfer. The sale proceeds were ultimately channelized, directly or indirectly, to Noticee 3 / entities related to her.

278. It was also found that in case of siphoning of shares of a dead person (Amrit Lal), Noticee 2 had submitted a forged letter to the company.

<u>Philips India Limited</u>

279. The company Philips had engaged the services of Noticee 1 - Noticee 1 from the year 2001-2002 and in the past had come out with buyback programme from time to time to provide liquidity to the shareholders. The Company announced two buyback programs in the years 2008 and 2009. The applications for buy back were scrutinized initially by Noticee 1 - Noticee 1 for factual accuracy and completeness of information and documents. On finding it complete in all respects, the same were accepted and request was issued by Noticee 1 for release of the funds to the shareholders whose applications tendered for buyback were found to be complete in all respects. The company also informed that only statistical data on a consolidated basis related to all the buyback applications received from the shareholders was provided by Noticee 1 to the Company, wherein the details of the applications found to be in order and accepted; and the applications that were rejected, were communicated to the Company. Noticee 1 sent to the Company the statistical data of the buyback applications found to be in order with a request for release of payment. On receipt of the request, the Company forwarded these requests to the Bank for releasing the payment instruments or to make direct online payments to the shareholders. In case of payments to be effected through physical instruments, the instruments were delivered at the office of Noticee 1 for dispatch to the shareholders.

280. It was found that adopting a similar modus operandi as above, the names in folios of genuine shareholders were replaced with those of entities connected with Noticee 3 through back end entry and shares belonging to such folios were reprinted and tendered in buyback. The money received upon tendering the shares in buyback ultimately reached Noticee 3/entities related to her.

281. These instances had generally happened where there was no record of shareholder's signature termed as "No Card" cases i.e. neither any original data of signature was received from the company at the time of taking over the share transfer work by Noticee 1 - Noticee 1 nor was such data subsequently available

with Noticee 1. It appears that “no signature record” cases had acted as a catalyst (along with other triggers like transfer of dividend to IEPF after 7 years as no one claimed the dividend) for siphoning of such shares because forgery in transfer of shares in such cases would avoid supervisory/audit scrutiny due to lack of signature record of original investor and comparison of fraudster’s signature with the same. Noticee 1 - Noticee 1 failed to do additional due diligence and exercise of proper skill and care in such vulnerable cases.

JM Financial Limited

282. In case of this company, there was issuance of bonus shares and splitting of shares. Here also, the folios of genuine shareholders were fraudulently taken over by replacing their names with those of entities connected to Noticee 3 through back end entry, without any authority and supporting documents, in a similar fashion as in case of other companies.

283. The shares were reprinted in the name of entities connected to Noticee 3 and dematerialized. The shares were then sold by such entities.

284. Further, dividends belonging to the taken over folios were also fraudulently issued in favour of entities related to Noticee 3 and the instructions for the same were issued by Noticee 3 herself directly to the bank.

Navin Fluorine International Limited

285. Here also, similar to the cases of other companies, the folios of genuine shareholders were taken over by replacing the name of actual shareholders with those of entities connected with Noticee 3 (viz. Suresh Unavane), through back end modification.

286. Further, shares from folio of genuine shareholder were fraudulently transferred to an entity connected to Noticee 3 [Pradeep Rathod (Noticee 16)] by rectification entry, without making any reference to the company. The share

certificates were reprinted and dematerialized by such entity and money was paid to Noticee 3. Notiee 16 had tried to cover up the fraud by claiming that he had bought the shares from certain person on the written assurance of Noticee 3 by obtaining an indemnity bond from Noticee 3 and a certificate (signed by Noticee 3) from Noticee 1 that the shares transferred to him were owned by the transferor.

287. Further, shares from folio of genuine shareholder were fraudulently transferred to a different entity [Chetan Shah (Noticee 10)]. In this case, it was shown as a 'transfer entry' in the back-office software module and the transfer register was sent to the company without any supporting documents. The company had approved the same based on due diligence done by Noticee 1. Here, the share certificates were reprinted to enable Chetan Shah to lodge a fraudulent claim for dematerialization. Here rematerialization of the same certificates which were dematerialized earlier was also observed.

<u>Apple Finance Limited</u>

288. In case of Apple Finance Limited also, the names of actual shareholders were replaced with the name of Raju Landge, an entity connected to Noticee 3, without authorization from the company.

<u>Aptech Limited</u>

289. Similar to cases of other companies, in case of Aptech Limited also, in various folios, the names of actual shareholders were replaced with the names of entities connected to Noticee 3 (Raju Landge, Satyam Brush Industries, Suresh Unavane and Notiee 16), without authorization from the company.

290. Suresh Unavane dematerialized and sold the shares in the folio taken over by him and also transferred shares and funds to Noticee 5 and such funds ultimately reached Noticee 3. Further, Notice 2 was also found to have received Rs.300000 from Noticee 5 out of such funds.

291. Noticee 2, in his statement before Investigating Authority, had stated that Noticee 5 was not known to him and he had no financial dealings with him. However, the above fund transfer from Noticee 5 showed that Noticee 2 had deliberately made the above false statement to mislead the investigation.

292. Noticee 16 dematerialized and sold the shares in the folio taken over by him and transferred funds to Raju Landge. Such funds ultimately reached Noticee 3 and Noticee 5. Noticee 16 had tried to cover up the fraud by claiming that he had bought the shares from Raju Landge on the written assurance of Noticee 3 by obtaining an indemnity bond from Noticee 3 and a certificate (signed by Noticee 3) from Noticee 1 that the shares transferred to him were owned by the transferor. Notiee 16 did the same in other scrips also.

Hexaware Technologies Limited

293. In case of Hexaware Technologies Limited also, folios of genuine shareholders were taken over by simply replacing their names with those of entities connected to Noticee 3 (viz. Notiee 16, Suresh Unavane, Raju Landge, Satyam Brush Industries) by changes in electronic records to siphon of the shares.

294. It was also found that same folio had been changed indiscriminately from one name to another name multiple times by making changes in the electronic record.

295. Notiee 16 dematerialized the shares in the taken over folios and sold the shares. Funds from the sale proceeds were transferred to Raju Landge and Anil Jathan (Noticee 8) (entities connected to Noticee 3) from whom it ultimately reached Noticee 3 and related entities. Here also, Notiee 16 had tried to cover up the fraud, as done in the scrip of Aptech Ltd.

296. Suresh Unavane also dematerialized the siphoned of shares. He either sold the shares or transferred them to Noticee 5. The sale proceeds ultimately went to

Noticee 5 (husband of Noticee 3).

297. Bonus shares were also illegally issued to Suresh Unavane in the folio taken over by him. Further, bonus shares were also fraudulently issued to Nagesh Karkera (relative of Noticee 3) even though he was not a shareholder. These shares were misappropriated.

<u>Larsen and Toubro Limited</u>

298. In the case of Larsen and Toubro Ltd., the folio of a genuine shareholder was taken over by replacing his name with that of an entity (Ratnakar Loku Poojary) connected to Noticee 1/ Noticee 2, through back end entry, without authorization of the company. The shares from that folio were apparently given to him in physical form by Noticee 2. The said shares along with bonus shares received on them were dematerialized in his demat account. After dematerialization, he had transferred shares to Noticee 2 and other entities including Sunanda Jathan (Ratnakar's relative) on Noticee 2's instructions. Ratnakar Loku Poojary had also received dividend on such shares which did not belong to him.

299. Shares received by Sunanda Jathan in her demat account were further transferred to account of Noticee 2. These transactions in her account were carried out by Noticee 11 (an employee of Noticee 1 and husband of Sunanda Jathan) in co-ordination with and at the behest of Noticee 2. Sunanda Jathan was in possession of an Office Note dated October 31, 2008 of Noticee 1 approved by Noticee 2 which indicated that Noticee 11 would be acting at the behest of Noticee 2 in the matter.

300. Noticee 2 after receiving the shares from Ratnakar and Sunanda, transferred the same to various other entities. He also rematerialized 145 shares received from Ratnakar and transferred the same to different entities as rectification entry. It was noted that the certificate number of the shares transferred to different entities was different from the number on certificate on which shares

were rematerialized. This indicated that share certificates were repeatedly reprinted before transfers, apparently to obscure the audit trail.

301. Noticee 2 also directly benefited from the above transactions by receiving dividends amounting to Rs.8059 on the shares misappropriated by him through Ratnakar and Sunanda.

Mather and Platt Pumps Limited

302. In case of Mather and Platt Pumps Ltd., it was noted that the folio of an investor was taken over by replacing the name with that of Satyam Brush Industries (proprietary firm of Noticee 5, husband of Noticee 3). In this case, there was a scheme of arrangement involving the company. As per the said scheme of arrangement, the shareholders whose names appeared in the register of members as on record date could opt to sell the shares in the exit offer. Noticee 1, while processing the entitlement of shareholders, had fraudulently changed the name in the abovementioned folio with that of Satyam Brush Industries in order to claim the entitlement. Upon the same, the bank had issued cheque in favour of Satyam Brush Industries which was encashed.

Artson Engineering Limited

303. In the case of Artson Engineering Ltd., it was noted that the shares in the folio of an investor were misappropriated by replacing the name of investor with that of Anil Jathan (brother of Noticee 3). The shares lying there were dematerialized and sold.

The Great Eastern Shipping Company Limited

304. In case of Great Shipping Company Ltd., it was noted that Noticee 1 had failed to maintain proper electronic records of transactions in one folio.

305. The investigation revealed that the total value of securities of various companies

so misappropriated, as on October 10, 2016, amounted to Rs. 60,45,74,718.15/.

306. Thus, on the basis of the facts and findings discussed in the foregoing paragraphs, I note that Noticee 1 and its top management in collusion with other entities have facilitated diversion of assets (securities and dividend) belonging to genuine and rightful shareholders to entities related to management of Noticee 1 in the manner described above. Records were not maintained properly and there was deliberate falsification of records to blur the audit trail by Noticee 1 and its top management. Internal checks and balances were also compromised to the highest degree. Noticee 2 as Managing Director of Noticee 1 was responsible for the operation of Noticee 1. Noticee 3 was the Vice President of Noticee 1 and was the client manager for most of the companies. In case after case, she directly perpetrated the fraud by processing the transactions, getting shares and dividend fraudulently transferred to her front entities, tampering with records and thereafter benefitting from the same. Noticee 4 has also acted as one of the chief conspirators of the scheme of fraud. Noticee 5, the husband of Noticee 3 was also a mastermind perpetrating the fraud. Other Noticees, such as Noticee 6, Noticee 7, Noticee 8, Noticee 9, Noticee 10, Noticee 11, Noticee 12, Noticee 13, Noticee 14, Noticee 15, Noticee 16, Noticee 17 and Noticee 18 actively connived with Noticee 1, 2, 3 and also substantially benefitted from the scheme of fraud. Other related entities, acted as conduits and helped in the perpetration of fraud by Noticee 3 and other entities by providing their bank and/or demat accounts.

307. In view of the above, and the legal provisions in regard to alleged violations, I proceed to consider the alleged violations by the Noticees:

Role of Noticees 1, 2 and 3:

308. As regards the **Noticee 1**, it is noted that the investigation has revealed a massive fraud in the operations of Noticee 1 as an RTA. **Noticee 1** is alleged to

have committed *inter alia* the following:

(a) Misappropriation / siphoning of dividend payments belonging to rightful owners through conduit entities related to management of Noticee 1.

(b) Misappropriation of shares of investors through fraudulent transactions involving conduit entities related to the management of Noticee 1.

(c) Non-maintenance of proper records and destruction of records

(d) Compromise of internal checks and balances in RTA's systems and non-adherence to due procedures

(e) Massive falsification and manipulation of records maintained at RTA's end.

(f) Deliberate attempt by Noticee 1 to mislead SEBI and non-cooperation with SEBI in the course of investigation

(g) Failing to comply with the summons issued by the Investigating Authority by submitting false and misleading information or not submitting any information.

309. As regards the **Noticee 2**, I note that he being the Managing Director of Noticee 1, had a general and an overall responsibility of preventing the abovementioned fraudulent activities involving misappropriation of dividends/shares of investors, compromise of internal checks and balances, non-maintenance and destruction of records, falsification and manipulation of records maintained at RTA's end etc.. He is alleged to have failed to do so. Further, apart from being vicariously liable as the MD of Noticee 1 for the alleged violations committed by Noticee 1, Noticee 2 is also alleged to have been personally involved in the fraud and also being a beneficiary of the fraud. The investigation has revealed the following specific instances of personal role allegedly played by Noticee 2 in the fraud:

(a) In one instance pertaining to dividend payment of Tata Telecommunications Limited, it was found that DDs issued in the names of respective shareholders were cancelled and fraudulently issued in favour of Satyam Brush Industries (Proprietary firm of Noticee 5, who is husband of Noticee 3) purportedly for "centralized processing". Noticee 2 had submitted in his statement dated December 04, 2015 to Investigating Authority (IA) that the transfer to Satyam

Brush Industries was permitted by him as it was known to Noticee 1, so Noticee 1 used Satyam's account for temporary period. Noticee 1 did not have authority to operate the account of Satyam Brush Industries and it was operated by Noticee 5 (Noticee 5). According to Noticee 2, DDs were issued from the account of Satyam Brush Industries in favour of original shareholders and dispatched to them by registered post. However, it was found that Noticee 2 was misleading the investigation by making illogical and misleading claims as he failed to submit relevant documents to support them. Further, he was found to have made false statement on oath regarding the quantum of money transferred to Satyam Brush Industries. Further, even when the misappropriation was discovered by investigation, Noticee 2 did not take any action against Noticee 3 or Noticee 5, which indicated that Noticee 3 had the support of Noticee 2.

(b) In one instance, when the case of fraudulent payment of dividend of Rs.3,52,500, Rs.3,33,000 and Rs. 17,52,000 pertaining to Asian Paints Limited belonging to genuine shareholders to Swapnil Sutar (an entity linked to Noticee 3) due to Noticee 3' fraudulent instructions to bank was discovered, Noticee 2, in order to settle the matter with Asian Paints Limited, got Swapnil Sutar to refund the amounts to the company. However, Noticee 2 did not take any action against Noticee 3, such as filing of FIR etc. for the said fraud. Thus, Noticee 2 had supported Noticee 2 in the fraudulent transactions.

(c) The fraudulent transfer of shares of Britannia Industries Limited belonging to one Sujit Kumar Gupta to Balram Mukherjee (an entity linked to Noticee 3), on the basis of a fake court order, was initiated by Noticee 3 and approved by Noticee 2 (annexure OD 22 of SCN). The Noticee 2 has contended that the documents were prima facie found to be in order, and he was not required to perform the role of investigator. In this regard I note that impugned shares of Britannia were worth Rs.10.50 Crores, and since Noticee 1 claimed that it was in correspondence with Noticee 4 since 2007, and then in March 2009 it received letter from Aloka Choudhary informing death of Sujit Gupta to which it responded too; it was clear that there were two differing versions in regard to ownership of the shares on the basis of two different entities claiming the shares. Further, the submission in 2015 of a court order passed in 1985, by Noticee 4 without explaining the long delay, especially when the Noticee 4 was claimed to be in touch with Noticee 1 since 2007, warranted further probing as part of due diligence expected from Noticee 1, 2 and 3. Further, subsequent sale of shares and transfer of proceeds by Noticee 4 to Noticee 3 related entities, showcase that this was a planned activity. Hence, the contention of Noticee 2 is not acceptable.

(d) The fraudulent transfer of shares of Asian Paints Limited belonging to a dead shareholder, Radha Manucha, to Jayshree Shah based on a forged transfer deed purportedly signed by the dead shareholder was approved by Noticee 3 and Noticee 2, even though they were aware of Radha Manucha's death.

(e) In one instance pertaining to siphoning of shares of Kansai Nerolac Paints Limited from the folio of one Amrit Lal, Noticee 2 had attempted to mislead the company by submitting a fake letter purportedly written by legal heir of the said shareholder. The same indicated that he was not only aware of the fraudulent transactions but was also involved in them.

(f) In the matter of misappropriation of 10980 shares of Aptech Limited from the folio of UTI "India Fund Unit Scheme 1986" by Suresh Unavane, the sale proceeds of shares were transferred to Noticee 5 (husband of Noticee 3) who in turn transferred Rs.3,00,000/- to Noticee 2. Thus, Noticee 2 was one of the direct beneficiaries of the fraud. However, Noticee 2 tried to mislead the investigation by making deliberate false statement before IA that he had no financial dealings with Noticee 5.

(g) In the matter pertaining to misappropriation of 435 shares of Larsen & Toubro from the folio of one Pangal Anant Nayak, Noticee 2 had also received the misappropriated shares from Ratnakar Loku Poojary and also from Sunanda Jathan. In this regard, it was found that Noticee 11 (employee of Noticee 1 and husband of Sunanda Jathan) was carrying out illegal transactions in the account of Sunanda Jathan in co-ordination with and at the behest of Noticee 2. It was also found that Noticee 2 transferred the shares received from Ratnakar Loku Poojary and Sunanda Jathan to various other entities. Noticee 2 also received total dividend of Rs.8059 on the misappropriated shares and thus, personally benefitted from the transactions. The contention of commercial expediency for tallying and accounting by Noticee 2, for making such unauthorized transfers of securities and dummy accounts usage is illogical, against business practice, and untenable given the vast misappropriation of securities and dividend observed in the matter.

(h) In regard to the fraudulent transaction in the matter of LIC of India, Noticee 2 has contended that the he just signed the transfer deed and thereafter the client manager viz. Noticee 3 was involved in the entire transaction. Noticee 2 was not aware that the transfer deed was a forged document. In this regard, I note that the entire impugned transaction was elaborate set up, which required backend change of name in folio L0000042 to Nagesh Karkera, to abruptly include name of Nagesh Karkera as shareholder in place of LIC, without any valid flow of change of title for the impugned shares as available in annual return data Transfer Deed, on the basis of deficient transfer deed, while overlooking technical impossible to have a folio with two names. Further, the transfer deed submitted by Noticee 2 to the company had several deficiencies, to mislead the company, as well as they received no documents for approval in Share Transfer Committee from Noticee 1. Noticee 2 was MD of the company and Noticee 3 reported to Noticee 2, as well as from the records it is observed that the Noticee 2 was actively involved in the process and communicated to the company, hence, the said contention of the Noticee is not acceptable.

310. I note that the SCN has provided the details pertaining to the wrongdoings by Noticee 1 and the copies of relevant documents in the form of various SCN's annexures to the SCN. I have perused the **annexure A** to the SCN, which enlists 1004 instances (involving Rs.74,95,420/-) where Noticee 1 misused the authority of instructing the bankers directly by getting the banks to make payment of dividend to persons other than actual shareholders. I note that the dividend payments in the said 1004 instances were made to entities/Noticees, namely Raju Landge, Suresh Unavane, Narayan Devadiga, Anil Jathan,

Nagesh Karkera and Satyam Brush Industries, who were not the actual shareholders of the companies but were linked to Noticee 3.

311. I have perused the annexure B to the SCN which lists out 36 instances where Noticee 1 misled the client companies (viz. Asian Paints Limited and JM Financial Limited) by asking them to issue instructions to the bankers to pay the dividend payments of rightful investors to entities who were linked to Noticee 3. I note that the said annexure B further points out four instances where Noticee 1 issued instructions directly to the bank (HDFC Bank), vide letters dated 03.10.2008 and 27.01.2012, to issue DDs/dividend warrants to entities related to Noticee 3 (viz. Nagesh Karkera and Satyam Brush Industries) who were not rightful shareholders, even when it was not authorized to do so by those companies, namely, JM Financial Limited and Asian Paints Limited.

312. In this regard, I have perused the letter dated 27.01.2012 (annexure OD18 to the SCN) and note that the aforesaid letter was issued by Noticee 1 to HDFC Bank for issuing DDs to Satyam Brush Industries, in respect of dividend payments pertaining to Asian Paints Limited, is also available on record as SCN's. The said letter dated 27.01.2012 addressed to HDFC Bank, shows that the request was made by Noticee 1 to pay the dividend of Asian Paints Ltd. to Satyam Brush Industries, a proprietary concern of Noticee 5.

313. Further, I have perused the SCN's annexures BRHDFC, BRSTNC and BRMISC which contain copies of various letters issued by Noticee 1 to banks directing them to issue Dividend payments of various companies to entities related to Noticee 3. Similarly, I have perused the SCN's annexure A2, which lists 13 instances where the system of Noticee 1 showed that dividend had been transferred to IEPF whereas these payments were actually made to Nagesh Karkera and Satyam Brush Industries (i.e. entities related to Noticee 3).

314. I note that while Noticee 1, as an organisation, has not submitted any reply,

Noticee 2 has made various submissions which are primarily in his personal defence. I note that he has inter-alia contended that Noticee has not participated in the wrongdoings, and it was Noticee 3, 4, 5, 8, 9 and 18 who were the beneficiary of the fraud, with Noticee 3 being the client manager of the client companies, masterminded the fraud. There was no connection between Noticee 2 and related entities of Noticees 3. The impugned transactions, transfers and instructions were made by Noticee 3. Noticee 3 did the due diligence on the basis of which Noticee 2 approved the impugned transfers/transactions.

315. Noticee 2 has also contended that the amendment provisions of the SEBI PFUTP regulations are invoked in the SCN, which are not applicable to the Noticee. In this regard I note that there are no specific details provided by Noticee as in which amended regulations are not applicable on Noticee and the reason thereof, hence it is noted that the contention of the Noticee is vague. I further note that provisions of SEBI PFUTP Regulations alleged to be violated in the SCN are as per extant regulations at the time of alleged violations and doesn't suffer from any anachronic inaccuracy, hence the aforesaid contention is not acceptable.

316. I have considered the submissions of Noticee 2, and I note that Noticee 2 being the MD of Noticee 1 was primarily responsible for the operations of Noticee 1 and had a duty to ensure that its operations were carried out in a fair, transparent and professional manner. Especially given that since it is noted from the records that all the client managers including Noticee 3 were reporting to Noticee 2 (being MD of Noticee 1). However, the findings of investigation and the documents on records show that he not only failed to do so in his representative capacity as the MD of Noticee 1, he in fact was personally involved in the fraud, along with Noticee 3 and other entities, as evident from the multiple specific instances pointed out in paragraphs above.

317. I note that in respect of the abovementioned specific instances where his

personal involvement is alleged, the Noticee has not offered any cogent explanation or specific replies. For instance, in respect of allegations pertaining to fraudulent transfer of shares and dividends belonging to genuine shareholders to entities connected to Noticee 3, he has not addressed the specific instances pointed out (i.e. fraudulent transfer of dividends to Satyam Brush Industries and Swapnil Sutar and fraudulent transfer of shares to Balram Mukherjee and Jayshree Shah).

318. I note that contrary to Noticee 2's claim that fraudulent transactions at Noticee 1 were executed in good faith, the evidences available on record suggest that these were indeed executed with malafide intentions in which Noticee 2 was wholly complicit. For instance, in respect of the case of Tata Telecommunications Limited where unpaid DDs for dividend issued to shareholders were cancelled and reissued in the name of Satyam Brush Industries, the proprietary firm of Noticee 5 (Noticee 3's husband), it is noted from the statement of Noticee 2 recorded on December 04, 2015 (SCN's annexure SR10), that he has admitted that it was done with his permission. In the said statement, Noticee 2 had submitted that the said transfer of unpaid dividends to Satyam Brush Industries was done in order to facilitate quick disposal of outstanding payments. He further submitted that DDs were later issued from the bank account of Satyam Brush Industries and dispatched by Noticee 1 to respective shareholders. He also admitted that Noticee 1 did not have any authority to operate the bank account of Satyam Brush Industries in which the unpaid dividends were deposited and that the said arrangement regarding use of bank account of a third party was not informed to the company.

319. I also note from the statement of Noticee 2, that he had undertaken to submit, within a week, various information and documents, including bank account details and statement of Satyam Brush Industries where the unpaid dividends were deposited, the details of DDs purportedly issued from account of Satyam to individual shareholders, the details of dispatch of DDs by Noticee 1 to

shareholders etc. However, it is noted that Noticee 2 failed to submit the same to SEBI, which indicates that he was misleading SEBI and that the amount kept with Satyam Brush Industries was actually siphoned off. Considering these facts, I find that it is quite clear that Noticee 1 and Noticee 2 had acted with malafide intentions and were actively complicit in fraud.

320. Similarly, as regards the case of fraudulent payment of dividend of Rs.3,52,500, Rs.3,33,000 and Rs. 17,52,000 pertaining to Asian Paints Limited to Swapnil Sutar (an entity linked to Noticee 3) because of the fraudulent instructions issued by Noticee 3 to the bank, which Swapnil Sutar was later made to repay to Asian Paints Limited, I note from SCN's annexure CRAP5 that Noticee 2 vide letter January 29, 2016 to Asian Paints Limited, had forwarded three DDs received from Swapnil Sutar and had stated in the letter that the said DDs pertained to refund of excess payment made to Swapnil Sutar by mistake at Noticee 1's end. Thus, it is seen that even though he was aware about Noticee 3's role in the said fraudulent payment to Swapnil Sutar, he tried to portray the same as a mistake. Further, he did not take any action against Noticee 3 in this case, like filing of FIR, which reflects that Noticee 2 was complicit in the fraud perpetrated by Noticee 3. This confirms the finding of investigation that both Noticee 2 as the MD of Noticee 1 and Noticee 3 as the VP and Client Manager were hand in glove in the fraudulent transfers, as alleged in the SCN. The role of Noticee 3 has been further elaborated in a later part of this order.

321. The large scale fraudulent diversion of dividends and shares to various connected entities clearly points to a concerted fraud played by Noticees 2 and 3 by misusing the position of Noticee 1, Noticee 1 as a SEBI registered Share Transfer Agent. The fraud was not only played on the innocent investors but also on the companies which had engaged them with the responsibility of record keeping of share transfers and ensuring a smooth transfer of corporate benefits to the investors. Further, Noticee 1 and its management had also breached the

trust of the banks involved in the dividend payment process.

322. As regards allegation pertaining to submission of fake letter purportedly written by the legal heir of a dead shareholder, Amrit Lal, to Kansai Nerolac Paints Ltd, Noticee 2 has submitted Noticee 3 has reissued the dividends in question in favour of Mr. Raju Langde, who was the driver of Noticee 3 and 5 and was used by them as a front entity. The Noticee was unaware and was a victim of fraud perpetrated by Noticee 3.

323. I note that the letter dated February 03, 2016 issued to Kansao Nerolac Prints Limited was signed by Noticee 2, attaching the letter from Sudhir Kumar Dahesar (which was fake). The Noticee 2 was attempting to mislead Nerolac based on an allegedly forged letter which supports the allegation that Noticee 2 was not only aware but mastermind of such fraudulent transactions at the office of the Noticee 1. In view of the above, I find the contention of the Noticee to be unsatisfactory.

324. As regards allegation of fraudulent transfer of shares of Larsen and Toubro Limited belonging to Pangal Anant Nayak and the receipt of Rs.8059 as dividend on them, the Noticee has submitted that the folio of Mr. P.A. Nayak was a dormant folio and as a business practice for commercial expediency that dummy accounts were used for such dormant accounts, and when the outcome of investigation was not forthcoming such dummy accounts were utilized for tallying and accounting purposes. It was all done with the knowledge of the concerned company, and no gains were reaped by the undersigned or any person from such transactions. The dividend amount of Rs. 8059 was received during the temporary holding of such shares.

325. I find the said explanation to be totally unacceptable since he has attempted to justify the transfer of shares from that folio on the pretext of use of dormant accounts of customers on temporary basis for adjusting against accounting

deficits and discrepancies which were noticed during the day to day operations. He has also submitted that the abovementioned receipt of Rs.8059 was also a result of temporary holding of shares. I find the said explanation to be a mere ploy to hide the misdeeds since theoretically also, under no circumstances the shares belonging to investors can be utilized by RTA for sorting out its accounting discrepancies. Further, Noticee 2 has not been able to offer any credible explanation regarding the transfer of shares by Ratnakar Loku Poojary and Sunanda Jathan into his own demat account (no. IN30075710703472) which he subsequently transferred to others. I note that the charges against the Noticee are substantiated by the transactions in the demat account (no. IN30075710703472) and bank accounts (Bank of Baroda account nos. 05880100006349 and 05880100017660) of the Noticee as brought out by the investigation. Further, the encashment of dividends by Noticee 2 is reflected in bank account statements available at SCN's annexure BRSTMT, Page nos. 828-861 & 778-827.

326. I note that the SCN has also pointed out receipt Rs.3,00,000 from Noticee 5 (husband of Noticee 3) out of the ill-gotten money from siphoning of shares of others through cheque no.807055, which was credited in his bank account no. 05880100006349 with Bank of Baroda on 13/03/2007, as evident from SCN's annexure BRSTMT, Page no. 835. I note that Noticee 2 has not offered any explanation whatsoever in this regard. I further note from Noticee 2's statement dated December 04, 2015 (SCN's annexure SR10) that he had stated that he had no financial relationship or dealings with Noticee 5. However, the above transaction proves that Noticee 2 was also trying to mislead SEBI's investigation.

327. Further, the Noticee 1 and 2 are alleged to be in non-compliance of summons issued to them by SEBI, details of which are available in SCN. In this regard I note that, Noticee 2 has contended that the Notiee was in jail during the time when SCN were issued to him and further the relevant documents were seized

by enforcement agencies. The contentions in this regard are dealt in detail in paragraphs below.

328. Noticees as detailed above, have misutilised and siphoned off shares and dividends of the genuine shareholders of its clients companies through elaborate scheme and manipulated the records, which is deemed to be considered as manipulative, fraudulent and an unfair trade practice in the securities market. Further the Noticee being intermediary having falsified records which is fraudulent and unfair trade practice.

329. It is also noted that Noticee 1 has failed to maintain proper records and carry out transactions in prescribed manner as, in noted instances:
   (i) It has not transferred the shares after obtaining approval from shares transfer committee.
   (ii) There is no record even w.r.t. which shares of PRCL were allotted to UTI as against shares of MIL and not lodged for transfer by the entities.
   (iii) There is no record w.r.t. what happened to original shares certificates of Navin Fluorine allotted to UTI and why new share certificates were printed.
   (iv) The certificates were issued and signed without making any reference to the company.
   (v) The transfer was carried through "Rectification entry" which as per own statement of Noticee 2 dated January 28, 2016 (Annexure-SR15), the same is used in only rare cases.
   (vi) In the case of Anish Bhatt, though the company stated that the transfer was effected by normal transfer route, however, no copy of approved "transfer register" was found in the documents submitted (as recovered from Noticee 1 records) by the company.
   (vii) In some of the cases transferred through "name deletion" entry which is used only for transmission cases. Apparently UTI could not die and the individuals could not be the heirs of UTI.

(viii) In some cases, the transfer deeds w.r.t. the transfer was many years old, however, the same was received and processed by Noticee 1 without revalidation from RoC.

330. Having considered the various submissions of Noticee 2, I note that the facts of the case clearly establish Noticee 2's clear involvement in the fraud, both vicariously as the MD of Noticee 1 and also on account of his personal involvement in the fraud. Considering the same, I conclude that the violations against him stand established.

331. In view of the above, it is established that Noticee 2 is in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d), 4(1) & (2)(h) of PFUTP Regulations 2003

Role of Noticee 3 along with Noticee 5, 8, 9, 14

332. As regards the **Noticee 3**, she is alleged to have played a pivotal role in the entire fraud. As per the findings of investigation, she was acting as the mastermind of the conspiracy of fraud. She was directly involved in the entire fraud pertaining to misappropriation of dividends and shares of genuine investors and was one of the main beneficiaries of such fraud. The common themes as observed in respect of her fraudulent dealings are as follows:

(a) She was the Vice-President of Sharepro and was the client manager of the companies in respect of whose shares and dividends, the fraud was committed.

(b) The fraudulent transactions involving siphoning of funds and shares were generally processed by Noticee 3. It was she who had mostly issued instructions to the bank for issue of DDs in the name of entities connected to her.

(c) The proceeds of the misappropriated dividends and shares had ultimately reached her or her relatives or were shared by her with other connected entities.

(d) The connected entities were acting at her behest as her front entities.

333. In the above regard, I note that investigation has provided several direct proofs of her involvement in the fraud. For instance, SCN's annexure A to the SCN dated September 27, 2018 which lists out 1004 instances (involving Rs.74,95,420/-) where Sharepro misused the authority of instructing the bankers directly by getting the banks to make payment of dividend to persons who were not actual shareholders but were linked to Noticee 3 (viz. Raju Landge, Suresh Unavane, Narayan Devadiga, Anil Jathan, Nagesh Karkera and Satyam Brush Industries). It is seen from the said SCN's annexure A that in all the cases (wherever names are available), instructions to the banks were signed by Noticee 3. Further, SCN's annexure B to the SCN dated September 27, 2018 lists 36 instances where Sharepro misled the client companies (viz. Asian Paints Limited and JM Financial Limited) by asking them to issue instructions to the bankers to make the dividend payments of rightful investors to entities who were linked to Noticee 3. I note that the said SCN's annexure B also lists four instances where Sharepro issued instructions directly to the bank (HDFC Bank), vide letters dated 03.10.2008 and 27.01.2012, to issue DDs/dividend warrants to entities related to Noticee 3 (viz. Nagesh Karkera and Satyam Brush Industries) who were not rightful shareholders, even when it was not authorized to do so by the companies. Similarly, SCN's annexure A2 lists 13 instances where the system of Sharepro showed that dividend had been transferred to IEPF whereas these payments were actually made to Nagesh Karkera and Satyam Brush Industries (i.e. entities related to Noticee 3). I note that in all these cases mentioned in SCN's annexures B & A2, instructions to banks were either issued by Noticee 3 herself or she was kept informed of the same by marking a copy of the instruction email. In the above regard, I note that copies of various letters signed by Noticee 3 on behalf of Sharepro to banks directing them to issue Dividend payments to entities/Noticees related to Noticee 3 are available on record as part of SCN's annexures BRHDFC, BRSTNC, BRMISC and

various other SCN's annexures like SCN's annexure OD18, OD5 etc.

334. Further, investigation has pointed out numerous instances where the proceeds of misappropriated dividend and shares of investors were ultimately transferred to Noticee 3 or her close family members by the conduit entities/ front entities of Noticee 3. For example, after dividend payment of Rs.99,000 belonging to some genuine shareholders of Tata Communications Ltd. was fraudulently made to Narayan Devadiga on the instructions of Noticee 3 to HDFC Bank, vide DD no. 631025 dated February 06, 2008, the same was encashed in Narayan Devadiga's Bharat Co-op Bank account no. 001810100074187 on February 18, 2008, which is reflected in his account statement available at SCN's annexure BRBCBL, Page no.190. Subsequently, cheque no. 726361 for Rs.99,000 was issued from the said account of Narayan Devadiga in favour of Noticee 3, which was encashed in her Bharat Co-op Bank account no. 001810100014802, as seen from the Bank Statement available as SCN's annexure BRBCBL, Page no. 220. Similarly, it is noted that Noticee 16 - Pradeep Rathod, who had allegedly misappropriated 1000 shares of Navin Fluorine International Limited and had received the sale proceeds from his broker in his Union Bank a/c no. 316002010070270 (SCN's annexure-BRMISC; Page No-172) on May 06, 2006, had issued cheque no. 138117 worth Rs. 3,78,300 in favour of Noticee 3. She encashed the same in her National Co-op Bank account no. 4672 on May 06, 2006 (as confirmed by bank letter dated January 04, 2017; SCN's annexure-BRMISC- Page No-82). The above transactions are just some of the many transactions cited by investigation where proceeds of misappropriated dividend and shares have ultimately reached Noticee 3 or her family members. The details of all such transactions have been brought out in the SCN however, I note that the Noticee 3 has not submitted any specific response to those charges.

335. Noticee has contended that Noticee 2 was the MD of the Noticee 1, and was

her mentor and under her guidance she undertook the transactions. Noticee 2 was responsible for the transactions and the fraud. In this regard, I note that as discussed in aforesaid paragraphs, Noticee 3 was directly involved in the fraud and she was acting as the mastermind of the conspiracy of fraud. She was directly involved in the entire fraud pertaining to misappropriation of dividends and shares of genuine investors and was one of the main beneficiaries of such fraud.

336. In view of the above, it is established that Noticee 3 is in violation of Section 12 A(c) of SEBI Act, Regulation 3, 4(1) & (2)(h) of PFUTP Regulations 2003.

337. I note that Noticee 5, 8, 9, 14 are family members of Noticee 3 and the charges against them are that they have played a role in the fraudulent transactions involving siphoning of dividends and shares belonging to genuine shareholders by acting as Noticee 3’s front entities. They have allegedly received the misappropriated dividend/shares in their demat/bank account and have either passed on the same to Noticee 3 or have substantially benefitted themselves. Out of these entities, Noticee 5, husband of Noticee 3, has also acted as a mastermind of the fraud. Further, Noticee 5 has also allegedly misappropriated shares and dividends of genuine shareholders through his proprietary firm, Satyam Brush Industries, which happened in cases pertaining to Tata Communications Ltd., Kansai Nerolac Paints Ltd., Asian Paints Limited and Mather and Platt Pumps Ltd. Similarly, numerous instances of misappropriation of dividend payments and shares have happened through the bank account and demat account of Nagesh Karkera (e.g. instances pertaining to dividend payouts / shares of Tata Communications Limited, Asian Paints Ltd., JM Financial Limited and Hexaware Technologies Limited). Nagesh Karkera is the brother of Noticee 5 and has allegedly acted as a front entity for Indira/Prashant. Similarly, Noticee 8 (brother of Noticee 3), Noticee 9 (mother of Noticee 3) and Noticee 14 (son of Noticee 3) are found to have received misappropriated shares/funds

in their account.

338. Noticee 14 vide his reply has contended that, he was a minor at the time of opening of the account which was utilized for transfer of such funds. In this regard, it is noted that, as per the School leaving certificate submitted the dated of Birth of Notice 14 is February 16, 1988 and the Bank account was being managed by his mother Noticee 3. I note that, as per extant laws, Noticee 14 attained majority at the age of 18 years. i.e., February 16, 2006. The Noticee 14 has *inter alia* submitted that, at the time of opening of account the Noticee was merely 10 years old, was merely joint account holder and the account was being operated by Noticee 3, this contention of the Noticee has no merit as he has already attained majority before the fraudulent transactions in question were done in his bank account. In this regard, I note that, Noticee had attained majority on February 16, 2006 and as per Banking norms the account was converted to a regular account which was being operated jointly and as per the extant laws Noticee 14 shall be liable and accountable for all the transactions carried out in his Bank account. In fact the instruments submitted by the Noticee 14 as annexures to his reply show that, those instruments used for transfer of money bear his name, this goes on to establish that, the Noticee 14 granted access to the Bank account and cheque instruments in order to facilitate transactions. It is not the case of the Noticee that, he was completely kept in the dark regarding the existence of the Bank account. The Noticee was well aware of the existence of the Bank account and instruments associated with it. I note that, even for joint account operation the consent of all the account holders are required (either specific or general), and the account holder cannot at a later stage feign ignorance for the acts of other joint account holder, and he shall be liable for all the misutilisations and misdeeds carried out under his permission/consent. I note that, the account of Noticee 14 was used repeatedly to carry out the impugned transactions, has made it clear that the Noticee 14 accounts were not being used in the normal sense and ordinary course. Various

transactions were carried, (ranging up to transaction of Rs. 32 Lacs) out in his account using the instruments issued to Noticee 14. Although, there is limited evidence with respect to the role of Noticee 14, notwithstanding the finding that the Mother of Noticee 14 was effectively controlling the bank accounts of Noticees 14, the same will not absolve absolutely, Noticee 14*,* for his "omission" and utter negligence to act in a prudent manner which enabled Noticee 3 to use his bank accounts, to execute those fraudulent transactions. In this regard, I note that, one cannot allow one's bank account to be used by someone else and not bear the consequences of such use. The veritable lending of the bank account by Noticee 14 to Noticee 3 enabled her to use the same for misappropriation of the securities of genuine clients. Therefore, Noticee 14 cannot be absolved of the responsibility as he allowed his joint account to be used as a mule account by Noticee 3.

339. Noticee 14 has contended that in the ABA Order the Hon'ble Sessions Court has concluded that Noticee 14 had no role to play in the alleged fraud and that he was not even a beneficiary of the proceeds of the alleged fraud, and that the same is binding on SEBI. In this regard I note that the court order dated March 20, 2019 is in regard to the anticipatory bail application of Noticee 14, and the comments of the court is in reference to the need of custodial interrogation of the Noticee 14, and the same is not a clean chit given by the court to Noticee 14 in respect of the alleged offences for which the Noticee apprehended the arrest, in view of the same the contention of the Noticee is not acceptable.

340. Some sample instances of the above entities receiving proceeds of misappropriated dividend/shares, as brought out by the investigation, are as follows:

(a) The names of Noticee 8, and Satyam Brush Industries (proprietary firm of Noticee 5) figure in the list of the entities who had received misappropriated dividends, as provided in SCN's annexure A & B.

(b) It was noted that debenture redemption payment of Rs.19,85,627.93 pertaining to Britannia Industries Limited, which actually belonged to one Sujit Kumar Gupta, was fraudulently paid to Suresh Unavane. Suresh Unavane then transferred Rs.19,00,000 to Noticee 14 - Mohit Karkera which he received in his Bharat Co-op Bank account no. 001810100094710 on April 12, 2013 (SCN's annexure-BRBCBL; Page No-168). Noticee 14 - Mohit Karkera further transferred money to Noticee 3 - Noticee 3 on May 29, 2013 in her HDFC Bank account no. 1461050077471 (SCN's annexure-BRHDFC; Page No-103).

(c) Noticee 4 had misappropriated 33750 shares of Britannia Industries Limited belonging to Sujit Kumar Gupta by using a fake court order. Out of the same, 3500 shares were transferred to Noticee 5 without any consideration. Further, from the sale proceeds of siphoned off shares of Britannia, Balram Mukherjee bought shares of Asian Paints Ltd. which he transferred to various entities, which included Anil Jathan and Bhavani Jathan.

(d) Noticee 5 in his statement recorded on September 27, 2016, which is available as SCN's annexure SR1, has admitted that he was acting at the behest of Noticee 3. He has further admitted that he, along with Noticee 3, operated the demat and bank accounts of various other front entities of Noticee 3 (i.e. Nagesh Karkera, Narayan Devadiga, Raju Landge and Suresh Unavane) through whose accounts dividend and shares of others were misappropriated.

341. I note that the Noticee 8 and 9 have inter alia contended that Noticees had acted on a genuine and bona fide belief that Noticee 3, being sister and daughter of Noticee 8 and 9 respectively, was doing acts which were legal. Noticees participated in receiving/ sending of funds/ securities at the instructions of Noticee 3, they are guilty of fraud. Noticees did not benefit from the fraud in any manner whatsoever.

342. In regard to failure to respond to summons, Noticee 8 and 9 submitted that the Noticees did not have majority of the information requisitioned by the SEBI through summons. Most of the information so sought has been seized by an enforcement agency.

343. I note from the records, that the siphoned off securities, dividend money and sale proceeds of siphoned off securities were deposited in the demat and bank accounts of entities related to Noticee 3 i.e. Noticee 5 (husband of Indira), Noticee 8 (brother of Noticee 3), Noticee 9 (mother of Noticee 3), Noticee 14 (son of Noticee 3) and Nagesh Karkera (Son of Noticee 3). Further, the funds and securities were routed through aforesaid Noticees and related entities of Noticee 3 to blur the audit trails. As well as it's noted that certain portion of illegal proceeds were withdrawn in cash. The Noticees have not disputed the impugned transactions and transfers, in view of the same I find that the contention of the Noticees are not acceptable.

344. Since the role of these Noticees in the misappropriation of funds and securities has already been established through various instances, some of which have also been quoted above, I am compelled to conclude that this group of Noticees, viz. Noticee 5, 8, 9, and 14 [i.e. Noticee 5 (husband of Indira), Anil Jathan (brother of Noticee 3), Bhavani Jathan (mother of Noticee 3), and Mohit Karkera (son of Noticee 3)] had participated in the fraud and had benefitted from the same. Noticee 5 had knowledge of the plot deviced by his wife, Noticee 3, Sharepro and Noticee 2. I note from Noticee 5's statement recorded on September 27, 2016, which is available as SCN's annexure SR1 that he has admitted that he did all the transactions under the instructions of Noticee 3. He has further admitted that he along with Noticee 3 used to operate the bank and demat accounts of Raju Landge, Suresh Unavane, Narayan Devadiga and Nagesh Karkera (the front entities of Indira / Prashant through whom dividends

and shares were misappropriated).

345. In view of the above, I find that it is established that Noticees no. 8, 9, and 14 violated Section 12A(a),(b),(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003.

Role of Noticee 4

1.1. As regards Noticee 4, I note that the charge against him is that 33750 shares of Britannia Industries Limited were siphoned of from the account of one Sujit Kumar Gupta and fraudulently transferred to Balram Mukherjee on the basis of a fake court order purportedly passed in 1985 by Ld. City Civil Court at Calcutta. Investigation pointed out many discrepancies in respect of the said fake order, like use of electronic typewriter which was not in use at the said court at that time, presence of fake signatures of employees of the court who were yet to be employed, presence of various blank columns on certain page, etc. After getting the shares transferred in his name, Noticee 4 dematerialized the shares and sold them in the market. Noticee 4 also received a dividend of Rs.16000 on the siphoned off shares. It is found that after selling the abovementioned shares of Britannia Industries Limited, he bought shares of certain other companies, including Asian Paints Limited. He is also found to have carried out off-market transfers of shares of Asian Paints Limited to various entities including those related to Noticee 3 (i.e. Anil Jathan and Bhavani Jathan) without any consideration. Later, these transactions were reversed to blur the audit trail. Noticee 4 is found to have received payments amounting to Rs.9.24 Crores by selling shares obtained out of sale proceeds of shares of Britannia Industries Ltd. He is also found to have withdrawn Rs.9.52 Crore in cash from his bank account. It is also noticed that out of the sale proceeds of shares misappropriated by him, he is found to have transferred Rs.16,00,000 to bank account of Suresh Unavane (an entity related to Noticee 3) who withdrew Rs.8,00,000 in cash and returned the remaining Rs.8,00,000 to Balram Mukherjee. From the findings of investigation, it is also noted that in respect of shares misappropriated by

Balram Mukherjee, there was not only a forged court order, even the address proof of Balram Mukherjee (in this case an electricity bill), as produced by Noticee 1, was forged. I note that the Noticee 4 has not submitted any reply to the SCN. Considering the overwhelming evidence against him, I find that the charges against him stand established. In view of the above, I find that the Noticee 4 was in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2 (1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003.

Role of Noticee 10

346. Coming to the role of Noticee 10, I note from the findings of investigation that he is alleged to have misappropriated 1500 shares of Navin Fluorine International Limited, which were fraudulently transferred to him (folio no. 26013730) from the folio (no. 31003243) belonging to UTI by transfer entry on 30/04/2012, without proper documentation. The same were siphoned off with the active connivance of Noticee 1 by reprinting the share certificates. Noticee 10 dematerialized the said shares and sold them. It is further noted that another 2450 shares of Navin Fluorine International Limited were fraudulently transferred to him (folio no. 26013748) from the folio (31003243) belonging to UTI, through transfer entry, which he had attempted to dematerialize but was rejected twice.

347. In this regard Noticee 10, has inter-alia contended that one matter on the same subject matter is pending with Mumbai Sessions Court being Spl. Case No. 274/2020 and thus the present Notice is against the Principals of Natural Justice and nothing but Double Jeopardy. In this regard, I note that Noticee has not provided any details in regard to the charges levied in the matter pending before the Sessions Court, further the instant proceedings are adjudication proceedings initiated under SEBI Act, which are separate proceedings, for the violation of different provisions of rules, regulations and Acts as compared to the matter pending before the Sessions Court. Hence, the contention of double jeopardy is not acceptable. Further, reasonable opportunity for reply and

personal hearing has been granted to the Noticee, hence the principles of natural justice has been complied with too.

348. Noticee 10 has contended that he does not know personally any of the Noticees and entities listed in the SCN, and 2450 shares of Navin Flourine International Ltd. (NFIL) were for exchange of 5000 physical shares of Mafatlal Industries Ltd. In year 2012. Further, the Noticee submitted to Noticee 1 the original documents like Purchase Bills, copy of transfer forms, payment received etc. of shares of Navin Flourine International Ltd. and did not retain any copies of the same. When 1500 shares of NFIL were sent for demat transaction it was refused for the reasons unknown and Noticee 1 verbally informed that it will take some time and will be done in due course. Total shares 2450 (1500+950) were dematerialized and then it was rejected by the Company in the year 2012 for the reasons best known to them and again in 2015. Noticee has contended that he was not aware of the fact that the said remateriallisation and consolidation of 2450 shares of NFIL and printing of new certificate. Noticee came to know from SEBI that any such kind of Certificate is ever re-printed. Noticee submits that, Noticee is a victim and due to inquiry on Noticee 1, his valuable shares has been stuck.

349. In regard to the aforesaid contentions I note that, there was re-printing of share certificates by consolidation of certificates (having nos. 139365, 139366, 139367, 139368, 139369, 139370, 139371, 139372, 139373, 139374, 139375, 139376, 139377, 139378, and 139379 of 100 each of NFIL) on April 30, 2012 and a new certificate no. - 168551 (Distinctive No. - 1126907 to 1128406) of 1500 shares was printed. The physical share certificate print reconciliation/control register (Annexure-OD72) shows that the certificate no 168551 was printed on April 30, 2012. NFIL has submitted that the consolidation register w.r.t. these 1500 share were never received by the company and the certificate also did not come to the company for signature.

350. It is noted from records that 1500 shares of NFIL (Certificate no. - 168551; Distinctive No. - 1126907 to 1128406) were received in the Folio No. - 26013730 (Chetan M. Shah) (Annexure-SP30) on 30/04/2012 from folio no. 31003243 (UTI) through "transfer" entry (inward no. - 28527). NFIL vide letter dated April 07, 2016 (Annexure-CRNF1) based on the documents recovered from the office of Noticee 1 has submitted that the "transfer register" (without any supporting documents as a general practice) was sent to the company and it has approved the same based on due diligence done by Noticee 1.

351. I note that it is very unusual that Noticee 10 will receive assets worth lakhs after due transfer which Noticee 1 takes back without any prior written consent and the entity does not lodge a complaint anywhere. Again the share certificates submitted for dematerialization for second time were retained by Noticee 1 and Noticee 10 did not make any complaint anywhere and did not even write any letter to even Noticee 1. It seems that this can happen only when the entities are hand in glove and are in fact coordinating for sharing the gains of illegal transactions.

352. Further, Noticee 10 has failed to provide the proof of consideration paid to buy the share and also the utilization details of the sale proceeds of 1500 shares. Noticee has also failed to provide his bank account statement in which such sale proceeds were received. He also failed to submit any documents for his above assertions. It is observed that there are inconsistencies in his reply. It is unconventional that he has even submitted the original proof of buying the share without retaining a copy to RTA, i.e. Noticee 1 which is not required.

353. Further, Noticee should have got 5000 shares of PRCL/Navin Fluorine as due to him, however, he only received 1500 shares of Navin Fluorine and later got 2450 shares as bonus shares. Even if the aforesaid is taken into account, then the total comes to less than 5000 shares, to which surprisingly he was satisfied

with. Further, the Noticee kept quiet on non-transfer for about a decade and on rejection for more than three years, which is unusual if one actually paid consideration for the shares. I find that explanations of Noticee 10 are inconsistent and lacks documentary evidences (proof for payment of consideration by Noticee 10 and Noticee 1 could not provide any document w.r.t. the transactions). In view of the above, I find the contention of the Noticee 10 untenable and find that Noticee 10 along with Noticee 1 have fraudulently siphoned off 1500 shares which they were not entitled to. In view of the same it is established that Noticee 10 has violated Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations.

Role of Noticee 11

354. In regard to Noticee 11, I note Noticee 11, Ratnakar Loku Poojary and Sunanda Jathan, all three are related to each other and have allegedly played a joint role in the fraud. Noticee 11 is an employee of Noticee 1 and Sunanda Jathan is his wife. Further, Ratnakar Loku Poojary is a cousin of Sunanda Jathan.

355. It is noted from the findings of the investigation that the name in the folio of one Pangal Anant Nayak holding 435 shares of Larsen and Toubro Limited (L&T) was fraudulently changed to Ratnakar Loku Poojary in 2006. Subsequently, Ratnakar Loku Poojary dematerialized those shares in his demat account (no. IN30023911671917) and transferred the shares inter alia to Noticee 2 (demat account no. IN30075710703472) and Sunanda Jathan (demat account no. IN30023912635786). Subsequently, Sunanda Jathan also transferred shares to Noticee 2. The extract of demat account transactions of Ratnakar Loku Poojary and Sunanda Jathan showing transfer of shares to Noticee 2, as observed from the SCN, is as follows:

Table 22

DPID/ CLIENT ID	FIRST HOLDER NAME	DATE (DD-MM-YYYY)	DESCRIPTION	OPENING BAL	DEBIT	CREDIT	CLOSING BAL
IN30023 9116719 17	Ratnakar Loku Poojary	16/08/2006	By Dematerialisation	0	0	435	435
IN30023 9116719 17	Ratnakar Loku Poojary	23/08/2006	To **Noticee** IN30075710703472	435	150	0	285
IN30023 9116719 17	Ratnakar Loku Poojary	10/10/2006	By L & T BONUS 1-1	285	0	285	570
IN30023 9116719 17	Ratnakar Loku Poojary	26/03/2008	To **Noticee 2** IN30075710703472	570	22	0	548
IN30023 9116719 17	Ratnakar Loku Poojary	02/05/2008	To P.S.JAYASHREE [AAFPJ3283P]1301740 000036772	548	100	0	448
IN30023 9116719 17	Ratnakar Loku Poojary	02/05/2008	To MARIA ELENA CASYAB [ACOPC7922M]120447 0000180035	448	50	0	398
IN30023 9116719 17	Ratnakar Loku Poojary	26/08/2008	To **Noticee 2** IN30075710703472	398	47	0	351
IN30023 9116719 17	Ratnakar Loku Poojary	01/10/2008	To SUNANDA DAYANAND JATHANIN3002391263 5786	351	351	0	0
IN30023 9126357 86	Sunanda Dayanand Jathan (ABSPJ961 7R)	01-Oct-2008	By RATNAKAR LOKU POOJARY IN30023911671917	0.0	0.0	351	351
IN30023 9126357 86	Sunanda Dayanand Jathan (ABSPJ961 7R)	14-Oct-2008	By LARSEN AND TOUBRO LTD BONUS	351	0.0	351	702
IN30023 9126357 86	Sunanda Dayanand Jathan (ABSPJ961 7R)	19-Nov-2008	To **NOTICEE 2** IN30075710703472	702	100	0.0	602
IN30023 9126357 86	Sunanda Dayanand Jathan (ABSPJ961 7R)	02-Feb-2009	To **NOTICEE 2** IN300757 10703472	602	80	0.0	522
IN30023 9126357 86	Sunanda Dayanand Jathan (ABSPJ961 7R)	25-Mar-2009	To **NOTICEE 2** IN300757 10703472	522	522	0.0	0.0

356. Ratnakar Loku Poojary had stated to SEBI during investigation vide letter dated May 19, 2016 (SCN's annexure LIR6) that the said shares were given to him in physical form by Noticee 2, who was his neighbor at his native place and had requested him to hold these shares. He had further claimed that the said shares were transferred back to Noticee 2's demat account as he was not able to handle this activity on his instructions. He further admitted that he has neither received nor paid any consideration to anyone. However, the investigation has revealed that he had submitted false information to SEBI since he had not only transferred shares to Noticee 2's demat account but to other entities as well, thereby acting as a front for Noticee 2. As per the findings of investigation, Ratnakar Loku Poojary has also benefitted from the dividend payouts of Rs.9570, Rs.6270, Rs.1140, Rs.1140 and Rs.5970 on shares of L&T held in his name, which he received in his bank account no. 033001000015641 with Indian Overseas Bank and withdrew in cash. The account statement reflecting the same is in SCN's annexure BRSTMT, Page no. 299, 303 & 305.

357. As mentioned above, Sunanda Jathan had also received shares of L&T from Ratnakar Loku Poojary which she had transferred to Noticee 2. During investigation, she vide letter dated June 30, 2016 (SCN's annexure LIR5) had submitted inter alia that to compensate for any kind of damage/mistake, in the business transactions of Noticee 1, few shares of Larson & Toubro Ltd were purchased by Noticee 2 and to keep the records of such shares separately, the same were kept in a pool account opened in the name of Ratnakar Poojary. Later when difficulties were felt in coordinating with Ratnakar Loku Poojary, a new account in her name was opened on the instruction of Noticee 2 and all shares were transferred by Ratnakar to her account. Sunanda Jathan had further stated that she had neither paid nor received any monetary benefit for the said transactions. She had also stated that to compensate the affected parties for mistakes while processing the transfer/demat requests, shares were transferred from Ratnakar / her account to the account of Noticee 2 who

ultimately compensated the affected parties. During investigation, Sunanda Jathan had also submitted a copy of Office Note dated October 31, 2008 (SCN's annexure OD93) approved by Noticee 2 whereby it was decided to transfer shares to one entity viz. Shobhana S. Kini. As per the findings of the investigation, it was apparent that it was Noticee10 - Noticee 11 who was carrying on such kind of illegal transactions in the account of his wife in co-ordination with Noticee 2, otherwise an office note of Noticee 1 could not come into the possession of wife of an employee. Moreover, the said office note indicated that Dayanand would be acting at the behest of Noticee 2 in the matter. The course of events showed that Dayanand carried out the instructions of Noticee 2 through his wife, Sunanda Jathan. The investigation found the submissions of Sunanda made in the course of investigation as misleading since it was observed that if the shares, kept in the account of Sunanda/Ratnakar were purchased by Noticee 2, he could have very well kept them in his account and there would not have been any need of help from Dayanand/Sunanda and Ratnakar Poojary to create a smokescreen for the fraudulent transactions of Noticee 2.

358. I note that in reply to the charges in the SCN, the Noticee has merely submitted that he was carrying out instructions of his seniors who perpetrated the fraud, and has not offered any further explanation in his defense.

359. I find that the abovementioned findings of investigation clearly establish that Noticee 11 acted at the behest of Noticee 2 as his front entity in the misappropriation of shares of others. Thus, the charges against him stand established. In view of the above, I find that the Noticee 11 was in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2 (1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003.

Role of Noticee 15

360. In regard to Noticee 15, I note from the findings of the investigation that a demand draft for debenture redemption payment of Britannia Industries Limited belonging to one genuine holder, Sujit Kumar Gupta, amounting to Rs.19,85,627.93, was fraudulently encashed on December 04, 2013 by Noticee 14 in his bank account with Bank of India (account no. 003910310001280) and thereafter Rs.19,00,000 was withdrawn in cash by him. The same is evident from the bank statement of the said account available as SCN's annexure BRBKOI, page no. 321. The said DD (no.360572) dated December 02, 2013 was issued in the name of Sujit Kumar Gupta against an old DD, upon the request of Noticee 1 vide letter dated November 25, 2013 signed by Noticee 3. The said letter is available on record as SCN's annexure OD33.

361. From the records obtained during investigation, it is observed that Noticee 14 (Sujitkumar Amarnath Gupta) and Sujit Kumar Gupta are different persons with similar names and the former has fraudulently encashed the debenture redemption payments belonging to the latter in connivance with Noticee 3 and Sharepro. Thus, Noticee 15 has directly benefitted from the fraudulent transaction. Noticee 15 has not replied to the SCN and has not offered any explanation in respect of the above. Hence, I conclude that the charges against him levelled in the SCN stand established.

Role of Noticee 16

362. Noticee has requested for cross examination of the investigative authority (IA), in this regard, I note that the observations made in the investigation report and charges levied are considered on the basis of the evidences on record, and not merely on the basis of the observations of the IA in the investigation. Hence, the request of the Noticee for cross examination of the IA was not accepted and hence the contention is not tenable.

363. Further, the Noticee has contended that the report was approved/influenced by

CIDC without authorization. In this regard I note that the CIDC did not approve the investigation report, but only made recommendations, a practice which was as per the extant SOP of the department. Hence, the aforesaid contention of the Noticee is not tenable.

364. As regards Noticee 16, I note from the findings of investigation that he has allegedly siphoned of 1000 shares of Navin Fluorine International Limited, 4152 shares of Aptech Limited, 23340 shares (i.e.13840 shares + 9500 shares) of Hexaware Technologies Limited belonging to genuine shareholders. These shares were siphoned off from the folios of genuine shareholders by manipulation of electronic records and reprint of share certificates. Either the shares were fraudulently transferred to folio of Notiee 16 by rectification entry or the original names in the folios were replaced with name of Notiee 16 through back end entry in the electronic records, without proper documentation and approval of the companies. As per the findings of investigation, Notiee 16 dematerialized these, sold them and shared the resultant ill-gotten gains with Noticee 3 and entities connected to her. Some of the money transactions between Notiee 16 and Noticee 3 & entities related to her are as follows:

Table 23

Date (DD-MM-YYYY)	Transferor Name	Transferor Bank a/c No	Chq.No	Amount	Transferee Name	Transferee Bank a/c No
06/05/2006	Pradeep Rathod	Union Bank of India	138117	3,78,300.00	Noticee 3	National Co-op Bank 4672
		3160020100 70270				
07/03/2006	Pradeep Rathod	Union Bank of India 3160020100 70270	138105	7,91,520.00	Raju Landge	Bharat Co-op Bank 0018101000752 47
12/04/2006	Pradeep Rathod	Union Bank of India 3160020100 70270	138115	5,00,000.00	Raju Landge	Bharat Co-op Bank 0018101000752 47
05/06/2006	Pradeep Rathod	Union Bank of India 3160020100 70270	155713	1,10,324.00	Raju Landge	Bharat Co-op Bank 0018101000752 47

23/02/2006	Pradeep Rathod	SBBJ 51010536110	638750	3,78,300.00	Raju Landge	Bharat Co-op Bank 001810100075247
08/08/2006	Pradeep Rathod	Union Bank of India 316002010070270	155717	3,00,000.00	Anil Jathan	Bharat Co-op Bank 001810100008368
21/11/2006	Pradeep Rathod	Union Bank of India 316002010070270	166009	1,00,000.00	Anil Jathan	Bharat Co-op Bank 001810100008368
30/11/2006	Pradeep Rathod	Union Bank of India 316002010070270	166010	2,00,000.00	Anil Jathan	Bharat Co-op Bank 001810100008368
23/10/2006	Pradeep Rathod	SBBJ 51010536110	950906	2,00,000.00	Anil Jathan	Bharat Co-op Bank 001810100008368
24/11/2006	Pradeep Rathod	SBBJ 51010536110	950908	7,00,000.00	Anil Jathan	Bharat Co-op Bank 001810100008368
28/11/2006	Pradeep Rathod	SBBJ 51010536110	950914	1,95,510.00	Anil Jathan	Bharat Co-op Bank 001810100008368

365. Noticee 16 has inter-alia submitted that:

(i) In response to Summons dated 12-04-2016, the Noticee's advocates i.e. 'Legal Juris' submitted reply vide letter dated 27-06-2016. Noticee contended that Noticee did not make false and misleading Statements before the Investigating Authority, and the actual documents were submitted which the Noticee had in his possession along with the reply. The details of payment provided by the Noticee is not false and misleading. The reliance is placed on the documents submitted along with the said letter.

(ii) Noticee has *inter alia* raised the following query:

"In the captioned matter, SEBI during the course of investigation has issued Summons to my client. My client has engaged law firm "Legal Juris" to reply the Summons issued by SEBI. The Law Firm "Legal Juris" on behalf of my client has submitted a detailed reply of 133 pages dated 27-06-2016. SEBI in the Investigation Report confirmed the receipt of the said Reply. Further in the Investigation Report it is alleged that the said Reply is false.

On perusal of the documents provided in the folder " Annexure to Sharepro 18 copies" it is revealed that only 60 pages of the reply dated 27-06-2016 filed by my client are annexed and relied and other 73 pages are missing. I request your goodself to please let us know whether SEBI during the course of investigation relied the complete reply of my client or not. This question is arises since only 60 pages of the reply filed by my client are annexed along with SCN and further it is clearly stated that this is the reply of my client? Since an allegation of non-compliance of summons has been made against my client, I require this information to draft reply."

366. In this regard, I note that along with the said letter dated June 27, 2016, Noticee 16 had also provided to SEBI copies of various documents in support of his claims, such as copies of DRF, certificates from Noticee 1 certifying the name of holder of securities, copies of various share certificates, Share Transfer Forms, contract notes from broker, copies of cheques issued to various entities, bank account statements, NOCs from purported sellers and Indemnity Bond from Noticee 3.

367. I have considered the submissions made by Notiee 16 with respect to the reply letter from 'Legal Juris' dated June 27, 2016, and raised queries with the concerned department. Based on the response received from the department I note that the complete copy of the reply of the Noticee dated June 27, 2016 was available on records, and hence the same were taken into consideration during the investigation. In view of the same, it is noted that the entire reply of the Noticee was considered and contention of the Noticee is not tenable.

368. The contention of the Noticee 16 that, he was not able to identify the fraud perpetrated upon him is does not hold ground, as Investigation report has already provided the contrary view which directs otherwise. In respect of purported purchase of 1000 shares of Navin Fluorine International Limited from Suresh Unavane, Notiee 16 had claimed that the share certificate which was

lodged by him for transfer was in the name of Suresh Unavane and he had later dematerialized the same certificate in his demat account. However, it was found that the share certificate number dematerialized by Notiee 16 was different from the share certificate number mentioned in the certificate issued by Sharepro/Noticee 3 which stated that Suresh Unavane was the holder of such shares. Thus, it is clear that Notiee 16's submissions were false and misleading. Further, the payment of consideration in respect of the said shares by Notiee 16 were done by cheque to Noticee 3, instead of Suresh Unavane. It was also found that the consideration amount for shares paid by him to Notiee 3 for physical shares was higher than the prevailing price of the shares in demat form available on the exchange, during the period from date of certificate issued by Sharepro certifying that the shares belonged to Suresh Unavane to the date of lodging of shares for transfer with Sharepro. It indicated that the consideration paid for physical shares was higher than the price of demat shares, which appeared illogical. Further, Notiee 16 did not submit the details of agreed sale price nor any copy of agreement for sale containing the terms and conditions.

369. In respect of purported purchase of 4152 shares of Aptech Limited from Raju Landge, the purported consideration was paid by Notiee 16 to Raju Landge after 10 months. Further, in respect of purported purchase of 13840 shares and 9500 shares of Hexaware Technologies Limited from Raju Landge and Anil Jathan respectively, the purported consideration was paid by Notiee 16 after few months.

370. Further, from the submissions of Notiee 16, the investigation has also observed discrepancies with respect to the date on which the share certificates were printed in his name and the date when he purportedly submitted the share certificates to Sharepro for transfer in his name. It was noted that share certificates were lodged for transfer even before the date of issue itself. Further, I note that Notiee 16 has claimed that while purchasing shares from other

entities, the shares received by him were sent for transfer in his name. Upon transfer, the same were dematerialized. In this regard, I note that the Noticee has provided various copies of share certificates in support of his claim. I note from the same that except one share certificate for 9500 shares of Hexaware Technologies Limited purportedly purchased from Anil Jathan, all other share certificates are in the name of Pradeep Rathod. I note that while the Noticee has meticulously preserved and furnished to SEBI copies of each and every document in respect of his purported purchases, he has not provided copies of share certificates showing the names of other entities (viz. Raju Landge and Suresh Unavane) which he had purportedly received on purchase from them. Thus, it is apparent that the share certificates which he claims to have purchased from various entities were already printed in his name and the submissions of Notiee 16 in this regard are false. I note that the discrepancies pointed out by the investigation in the submissions of Notiee 16 and the abovementioned observation clearly indicate that Notiee 16 was acting in connivance with Indira in the conspiracy of fraudulent transfer of shares.

371. As discussed above the Noticee 16 was well aware that, the share certificates were forged, and Noticee 16 has knowingly misled the department. It would be too naïve to hold that, the Noticee was unaware of the scheme of things and was a victim of fraud perpetrated on him. As the Noticee has failed to submit any evidence to show that, upon becoming aware of the fraud, the Noticee 16 approach any authorities to file any complaint with respect to the Fraud. Even the present submissions of the Noticee are nothing but a mere afterthought after he has the wisdom of findings of the member's order in the matter on the same facts. Thus, the charges against the Noticee are established.

372. The contention of the Noticee regarding following of the 'Three stage process', the contentions have been dealt at other place in the order while dealing with the common contentions of the Noticees.

373. Further, with respect to other contentions raised by the Noticee with respect to deviation from the procedure as prescribed. The same has been examined and it is noted that, the proceedings were investigated and proceeded while adhering to the extant law and procedures in place and does not merit any further consideration. In view of the above, I find that the Noticee 16 was in violation of Section 12A(a)(b)(c) of SEBI Act, Regulation 2 (1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003.

Role of Noticee 17

374. As regards Noticee 17 the allegation is that he acted as conduit entity of Noticee 3 in the misappropriation of dividends / shares belonging to others. As per the findings of investigation, the demat and bank accounts of these entities are found involved in numerous fraudulent transactions through which shares/dividends belonging to genuine shareholders had been misappropriated by Noticee 3 and related entities. Some of the instances pointed out are as follows:

(i) 1500 shares of Asian Paints Limited belonging to Chandubhai J Patel were misappropriated by Chandrakant Pawar by change of name in folio. These shares were dematerialized in the demat account no. 1201120000255684 belonging to Chandrakant Pawar and then transferred to the broker "Inventure" for on-market transactions or transferred in Off market to Noticee 17 or Ganesh Nimbalkar. Further 3300 shares bought from market were either transferred in Off market to Rajesh Bhagat (100 shares) or Nagesh Karkera (3200 shares).

(ii) 180 shares of Asian Paints Limited belonging to Rajesh Bhargava were misappropriated by Noticee 17 - Rajesh Bhagat by change of name in folio. These 180 shares of Asian Paints Limited were dematerialized in Demat account no-1201120000234881 belonging to Noticee 17. After demat, the 180 shares were transferred to Inventure Growth and Securities Limited in

On Mkt transaction on 23/05/2011.

(iii) 576 shares of Asian Paints Limited belonging to Kirtida B Desai were misappropriated by Ganesh Nimbalkar by change of name in folio. These shares were dematerialized in demat account number 1201120000235716 which belongs to Ganesh Bhaskar Nimbalkar. Out of the 576 shares which were misappropriated, 300 shares were transferred to Noticee 17 and the rest were sold in the market.

375. I note from the records and statements recorded during investigation that Rajesh Bhagat (Noticee 17), opened the accounts of Chandrakant H. Pawar, Ganesh B. Nimbalkar, Sukhadev Bhosale and Swapnil S. Sutar (four entities). The aforesaid four entities had signed the cheques and handed over the same to Rajesh Bhagat and they had never met Noticee 3. Rajesh Bhagat in his statement has admitted that the above submissions were true and submitted that he himself was working as a peon and was misused as a conduit entity by Noticee 3 for illegal activities without his knowledge.

376. I have considered the charges against Noticee 17 – Rajesh Bhagat, and submissions made by him. I note that the Noticee is related to aforesaid four entities. I further note from their submissions made in reply to the SCN that Noticee provided own details and details of few friends and family members for the same to Noticee 3. She opened the demat accounts transferred the share in account and sold it. The money received from the sale were paid to her office. Noticee 16 has not disputed that he carried out all the transactions done in the accounts of the said four entities, and the same were carried out on the instructions of Noticee 3. I note that Mr. Rajesh Bhagat in his statement recorded on September 15, 2016 (SCN's annexure SR5) has admitted that Noticee 3 used to give him an amount of Rs.5000 to Rs.10000 in cash for the transactions carried out on her instructions. Considering the same, I find that Noticee 17-Rajesh Bhagat has admitted to having acted as a front entity / conduit entity for

Noticee 3. Hence, he willingly executed the instructions of Noticee 3 for petty gains as per his own admission, I am find that that the charges against Noticee 17 stand established.

Role of Noticee 7, 12 and 18:

377. As regards **Noticee 7 and 18**, I note from the findings of investigation that **Noticee 18** had received 13290 shares of Asian Paints Limited in his demat account in July 2015 from **Noticee 4**, who had bought those shares from the sale proceeds of 33750 shares of Britannia Industries Limited, siphoned of by him. It was also found that Noticee 18 had returned those shares to Noticee 4 in August 2015. Noticee 18 had received the said shares without any consideration, as per the instructions of Noticee 3, as admitted by him.

378. As per the findings of investigation, **Noticee 18** and **Noticee 7** have allegedly siphoned of / misappropriated the following shares of Asian Paints Limited and Kansai Nerolac Paints Limited, rightfully belonging to genuine shareholders, by fraudulent transfer of shares / falsification of records of register of members of the companies through backend entry and reprinting of share certificates:

(a) 1000 shares of Asian Paints Limited belonging to the folio of L Ganeshan
(b) 733 shares of Asian Paints Limited belonging to Amarjit Kaur Arora
(c) 960 shares of Asian Paints Limited belonging to Profile Systems Limited
(d) 480 shares of Asian Paints Limited belonging to Jardine Fleming Int'l Mgt. Inc. (Jardine)
(e) 500 shares of Asian Paints Limited transferred to folio number 00902848 (original folio owner Jardine but illegally taken over by Shrikant Bhalakia) from folio number 00001493 (folio belonging to UTI but being controlled by Sharepro related entities)
(f) 432 shares of Asian Paints Limited belonging to Govt.of Singapore Investment Corp.

(g) 1325 shares (i.e. 365 shares + 500 shares + 460 shares) of Asian Paints Limited in the folio no. 00902855 (folio belonging to Govt.of Singapore Investment Corp. but illegally taken over by Shrikant Bhalakia)
(h) 450 shares of Asian Paints Limited transferred to folio no. 00001493 through folio no. 00902855 (folio belonging to Govt.of Singapore Investment Corp. but illegally taken over by Shrikant Bhalakia) without any corresponding debit in any of the demat account of Shrikant Bhalakia.
(i) 666 shares of Kansai Nerolac Paints Limited belonging to LIC, through Nagesh Karkera, and
(j) 533 shares of Kansai Nerolac Paint Limited belonging to SCHIL, through Nagesh Karkera

(* the above-mentioned shares do not include bonus shares / shares on splitting, accrued on these shares)

379. I note that Noticee 7 and Noticee 18 allegedly jointly carried out the fraudulent transactions. The re-printed share certificates received after purported transfer of shares were in their joint names. Further, the demat accounts which were used for dematerialization of siphoned of shares were in the joint names of Noticee 7 and Noticee 18. Further, the DRF used for dematerialization of siphoned off shares were signed both by Noticee 7 and Noticee 18. The sale proceeds of misappropriated shares were allegedly being deposited in the bank account no. 4710100018523 (Bank of India) of Noticee 7, who in turn was paying to entities connected to Noticee 3 (i.e. Narayan Devadiga, Raju Landge, Suresh Unavane and Nagesh Karkera).

380. Mr. Shrikant Bhalakia (Noticee 18) has inter alia contended the following:
(a) Noticee submits that, as far as role of his son Mr. Anand Bhalakia (Noticee 7) is concerned, Noticee 7 was a joint account holder due to eye problem of Noticee and Notice 7 does not have any role in this matter. WTM Mr. Mahalingam has in his final order given him the benefit of doubt.
(b) Noticee submits that, as far as role of his sister Jayashree B shah (Noticee 13) is concerned, physical shares few companies were held by Noticee 13

and his mother jointly, due to ill health of his mother, his mother told to delete her name and transfer all the shares to Noticee 13 and Noticee 13 gave Noticee 18 the duly signed transfer form. One of the transfer from of Noticee 13 went to Ms. Indira Karkera, and she misused the same. Noticee 13 is not well versed with the share market and hence she realized late that these share does not belong to Noticee 13, after upon realizing she returned these shares to Sharepro through a covering letter. Mr. Mahalingam in his final order has also said that Noticee 13 has no role in this fraud and she was discharged.

(c) Noticee submits that, as far as role of his wife Ms. Dina Bhalakia (Noticee 12) is concerned, Noticee 12 also has no role in this fraud as Noticee 12 was merely a joint holder in demat account and Bank account. In final order of WTM, he ruled that Noticee 12 has no role in the fraud and her demat account should be defreeze with immediate effect and she should be discharged from the case.

(d) Noticee submits that, he has not committed any fraud, nor is he a beneficiary of fraud and have not given any false or misleading statement. He is one of the victims of systematic fraud committed by Ms. Indira Karkera. None of the transactions were done for benefitting unduly or with an intent to defraud any person.

381. I note that in the abovementioned cases of misappropriation of shares belonging to others, the folios of genuine shareholders were fraudulently taken over by change of name. Subsequently, different share certificates were merged / consolidated and new share certificates were printed in the joint name of Noticee 18 and 7, which were later dematerialized by them. In this regard, Noticee 18 has submitted in his reply and statement that he was into assisting people in dematerializing their shares and earning something out of the same. If any person had no demat account, the Noticee was helping the said person by transferring the physical shares in his name and thereafter demating the shares and depositing the shares in his own demat account jointly held with

Noticee 7, then selling the shares and paying the sale amount to the said persons after deducting his charges therefrom. The charges were in the form of fund or part of the shares. Further, Noticee 18 has submitted that Noticee 3, who was known to her, asked the Noticee to help few ex-employees of Asian Paints and Kansai Nerolac in getting their shares transferred and dematted in the Noticee's account and selling the said shares and paying them sale proceeds after deducting charges. Noticee has contended that he has not committed any fraud, nor is he a beneficiary of fraud and have not given any false or misleading statement. He is one of the victims of systematic fraud committed by Ms. Indira Karkera. None of the transactions were done for benefitting unduly or with an intent to defraud any person.

382. I note that Noticee 18 claim to have purchased the abovementioned shares from purported ex-employees of Asian Paints Limited and Kansai Nerolac Paints Ltd viz. Raju Landge, Suresh Unavane, Narayan Devadiga and K. Nagesh. As per his submission, the mode of operation was (a) Noticee 3 gave shares to the Noticee, (b) the Noticee transferred the said shares in joint names, (c) the Noticee deposited the said shares for demat after receiving the same from transfer, (d) the Noticee sold the said shares as per her instructions, (e) issued the cheque in favour of transferor of the shares and handed over the said cheque to Noticee 3 without meeting the transferor, (f) withdrew cash amount from the bank and handed over the same to Noticee 3. In the abovementioned manner, 15 transactions of shares from 4 employees took place. The Noticee entered into 34 transactions of sale through his broker AFN Langrana and issued 34 cheques in favour of these 4 employees. Similarly, the Noticee 18 withdrew cash amount aggregating to Rs.22,65,000/- from his bank account on 23 occasions and paid the same to Noticee 3. The balance shares were retained by the Noticee towards his charges.

383. I note that in respect of the submissions made in respect of the alleged

transactions, Noticee 18 has not provided any supporting documents in support of his contentions, except demat, bank account statements and few contract notes for sale of shares (provided during investigation). Noticee also had failed to provide details regarding how many shares were bought from which entity and at what price. Further, I note that it is highly improbable that any ex-employee of reputed companies like Asian paints Limited and Kansai Nerolac would have trouble opening demat account, if they did not have one already, since opening a demat account merely requires identity proof and address proof. Further, that these ex-employees were readily willing to pay substantial commission for such conversion and sale involving huge amounts, without any formal agreement with Noticee 18 and Noticee 3 is unlikely.

384. I note from the records that Noticee 18 has admitted that the share certificates received by him after purported transfers were in the joint name of Noticee 18 and 7. In this regard, I agree with the observation of the investigation that had the Noticees received shares through genuine transfers, there would have been no need to re-print the share certificates in their name as old certificates would have come in their possession.

385. I further note from records that Noticee 18 has claimed that he acquired the abovementioned shares from Raju Landge, Suresh Unavane, Narayan Devadiga and K. Nagesh and had paid them money through cheques which were handed over to Noticee 3. He has submitted that he received Rs.14359204.76 from his broker after sale of shares by him and he transferred Rs.10372364 to the above four entities. It is noted that Shrikant Bhalakia has claimed to have made a payment of Rs.22,65,000/- in cash to Noticee 3, for which he has not submitted any proof. Thus, it is noted that disregarding the purported cash payment to Indira, he has retained Rs.3986840.76 out of the sale proceeds. He has also retained 647 shares of Asian Paints and 548 shares of Kansai Nerolac out of the shares received by him. It defies logic as to why genuine shareholders would sell physical shares at such discounted price,

merely for getting them dematted and sold through another entity and receiving the consideration afterwards.

386. Since Noticee admits that he made payment in cash to Noticee 3, the same in itself tantamount to admission that he had acquired the shares fraudulently in connivance with Noticee 3 and entities related to her, since he has not been able to explain why payments, that too in cash, were made to Noticee 3 (a third party) in respect of purported purchase of shares from the said four entities. I further note that the Noticee 18 has admitted to have acted out at the behest of Noticee 3 while receiving shares from Balram Mukherjee (Noticee 4) and later returning the same to him.

387. In view of all the above, I find that Noticee 18 has fraudulently acquired shares belonging to genuine shareholders by acting in connivance with Noticee 3 and other entities related to her. Accordingly, the charges against the Noticee stand established.

388. In this regards, Noticee 7 has contended that, he was a joint account holder with his father i.e. Noticee 18 and he has not committed any fraud and also is not a beneficiary of fraud directly or indirectly.

389. I note that Noticee 7 has mainly contended that the allegedly fraudulent transactions carried out in the joint bank and demat accounts of Noticee 18 and 7 were entirely carried out by Noticee 18 himself. Similarly, Noticee 18 has contended that all affairs of the demat accounts and bank accounts with Noticee 7 were being looked after by him and his son has no role to play in the same, In this regard, I note that, Noticee 7, being the joint owner of such accounts, cannot escape from the legal consequences of transactions carried in the joint accounts. Considering the same, Noticee 7 is also liable for the fraudulent transactions carried out by his father, Noticee 18, through such joint accounts. Accordingly, I conclude that the charges levelled against him in the SCN stand

established.

390. As regards Noticee 12, I note that the only charge against the Noticee is that Noticee 7 transferred Rs. 100000 from his Bank of India bank account number 004710100018523 to Bank of India bank account number 004710100017698 of Noticee 12 on May 18, 2010 indicating that Noticee 12 was also the recipient of the ill-gotten proceeds.

391. I have considered the charges against the Noticee and the submissions of her husband Noticee 18. I note that except the charge of receiving Rs.100000 from Anand Bhalakia, there are no other charges against her. The investigation has not brought out any role, direct or indirect, played by her in the entire fraud involving siphoning of shares. Further, I note from the WTM order that Noticee 18 explained the details of the said transfer of funds along with documentary proof, in support of claim that the said transaction was a separate loan between Noticee 7, 12 and 18. This explanation was accepted by the WTM, and given benefit of doubt to Noticee 12 dismissed the charges against Noticee 12. In view of the above, I find that the charges against Noticee 12 are not established.

Role of Noticee 13:

392. I note that the allegation against Noticee 13 is that she had received 3360 shares of Asian Paints Limited in fraudulent transfer by using forged transfer deed signed by a dead person and reprint of the share certificate. When joint holder cum heir of the actual shareholder appeared and demanded shares, the transfer was reversed and another share certificate was printed and delivered to him. Noticee 13 Shah is the sister of Noticee 18. The abovementioned fraudulent transfer of shares to Noticee 13 had taken place in January 2012. As per the findings of investigation, Noticee 1 had claimed that it had issued a notice dated January 16, 2012 to Noticee 13 for filing her objection to the transfer. Noticee 1 further claimed that Noticee 13 quickly reverted with objection based on which the above transfer was cancelled. Investigation had

also found that there was a rectification entry dated 25/01/2012 which reversed the 3360 shares back to the folio of actual shareholder. However, investigation had noted that while the notice issued by Noticee 1 to Noticee 13 for filing objection was dated 16/01/2012, the objection letter of Noticee 13 produced before investigation was dated April 11, 2013 (i.e. the reply was received after more than a year when shares were already transferred to her). Thus, investigation revealed that letter from Noticee 13 was taken post facto and the rectification appears to have been carried out through back dated falsification in software system in 2013 after the surviving shareholder demanded the shares in 2013.

393. Noticee 18 has contended that as far as role of his sister Noticee 13 is concerned, physical shares few companies were held by Noticee 13 and his mother jointly, due to ill health of his mother, his mother told to delete her name and transfer all the shares to Noticee 13 and Noticee 13 gave Noticee 18 the duly signed transfer form. One of the transfer from of Noticee 13 went to Noticee 3, and she misused the same. Noticee 13 is not well versed with the share market and hence she realized late that these share does not belong to Noticee 13, after upon realizing she returned these shares to Sharepro through a covering letter. Further Noticee 13 contended that she has not committed any fraud and also is not a beneficiary of fraud directly or indirectly.

394. I have examined the charges against the Noticee and the submissions made by her in this regard. In respect of the above transaction, while the shares were fraudulently transferred to Noticee 13 in January 2012 and were reversed only in April 2013, unlike in other cases, the shares transferred to Noticee 13 were not dematerialized and sold by her even after a year of transfer to her. Investigation has not revealed any bank account or demat account transaction between Noticee 13 and other entities connected to Noticee 1 or Noticee 3.

395. It seems odd that being involved in the fraudulent transfer, Noticee 13 submitted her objection letter for reversing the transaction in April 2013 when she could have easily dated her objection letter to show that it was sent just before 25/01/2012 (i.e. the purported date when the rectification entry was made by Noticee 1 to reverse the transaction). Dating the objection letter from Noticee 13 to a date before the purported date of rectification entry would have provided a cover to Noticee 1 to portray that the said reversal of shares had indeed happened on 25/01/2012.

396. I note from the SEBI WTM's order that as per Noticee 18's submission, Noticee 13 after the demise of her mother in October 2011, on or about early 2012 for the purpose of transferring her shares to the Noticee's name, her brother Shrikant Noticee 18 gave Noticee 3 copies of Noticee 13 financial documents like copies of PAN Card, passport etc. attested by her with original copies of pre-signed Blank Share Transfer Forms which she complied with and which seemed to have been misused. Considering the role played by Noticee 3 and Noticee 18 in the fraud in other instances as established above, the role of Noticee 3 and 18 in misuse of documents of Noticee 13 cannot be ruled out.

397. Considering the above points and the preponderance of probability, I am inclined to believe the submissions made by Noticee 13 that she was not complicit in the abovementioned fraudulent transaction. Thus, I am inclined to give her benefit of doubt. Accordingly, the charges against her do not stand established.

Allegations in respect of noncompliance of summons by Noticees

398. Numerous Summons as per details given in **Summons Table** above were issued to these Noticees, by SEBI. In this regard few instances of Non-compliance of summons are being detailed herein below:

<u>Sharepro (Notice 1) & Govind Raj Rao (Noticee 2) as Managing Director ('**MD**') of Noticee 1</u>

399. Certain information and documents w.r.t. the dividend belonging to Radha and Rajiv Manucha misappropriated by Raju Landge and dividend of Tata Communication misappropriated by Satyam Brush were sought from Noticee 2, MD of the Noticee 1 vide SEBI summons dated 04/12/2015 which was hand delivered to him. The Noticee 2 vide reply dated December 07, 2015 stated that he is MD and doesn't have the operational details of the matter. During his statement recording dated January 07, 2016 (Annexure-SR14) he was informed that the questions asked were as Managing Director of the Noticee 1. It is noted that, the Noticee 2 failed to cooperate with investigation and did not comply with the summons.

400. It was alleged that the folio name has been changed from Ms. Amarjit Kaur Arora to the Noticee 18 without any record of transactions. However, SEBI observed from statement dated January 28, 2016 of the Noticee 2 (Annexure-SR15), that the transferor's folio is never assigned to the transferee as folio was unique to an individual. In this context, vide summons dated February 12, 2016 and Summons No. MIRSD2/DB/SD /SSIL/6940/2016 dated March 08, 2016 the Noticee 1 was asked to explain how same folio was at one time in the name of Amarjit Kaur Arora and at another time in the name of The Noticee 18, a different person. The Noticee 1 was also asked with respect to 733 shares lying in the account of Amarjit Kaur Arora (later apparently transferred in the name of the Noticee 18), to provide authenticated copy of various documents. It is noted that the Noticee 1 and Noticee 2 failed to reply to the said summons.

401. Certain details in the matter of Profile Systems Limited in the Folio Number-00094738 were sought from Noticee 1 and Noticee 2.vide Summons Dated February 12, 2016 (Hand delivered to The Noticee 2 on February 15, 2016) and followed up with many reminder summons. It is noted that the Noticee 1 and

Noticee 2 failed to provide the same and failed to comply with the summons.

402. In the matter of Jardine Fleming Int'l Mgt Inc, vide Summons dated February 12, 2016, Noticee 1 and Noticee 2, was asked to explain how same folio was at one time in the name of Jardine Fleming Int'l Mgt Inc and at another time in the name of the Noticee 18, a different person. Noticee 1 and Noticee 2 was also asked to provide the authenticated copy of various documents to prove the genuineness of the transactions and internal approvals at the Noticee 1. It is noted that the Noticee 1 and Noticee 2 failed to submit any reply.

403. With respect to summons issued w.r.t., Fraudulent transactions in the matter of UTI (Folio Number- 00001493) It is noted that the Noticee 1 and Noticee 2 failed to reply to the summons w.r.t. various information/documents to prove the genuineness of the transaction.

404. With respect to summons issued w.r.t., Fraudulent transactions in the matter of Malpine Limited (Folio Number- 00901494) It is noted that, the Noticee 1 and Noticee 2 failed to respond to the SEBI summons w.r.t. queries to prove the genuineness of the transactions.

405. With respect to summons issued w.r.t., fraudulent transactions in the matter of Canara Bank (Folio Number- 00053317). It is noted that the, the Noticee 1 and Noticee 2 failed to comply with the SEBI summons to provide various documents to prove the genuineness of the transaction.

406. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Asian Paints letter dated March 28, 2016 stating that, the transfer of 743 shares Certificate Nos. 833684 in Folio No. 00053317 to Folio no. 00114526 (Ashok Vithaldas Marthak) vide authenticated transfer register dated 27th November, 2009 were sent to Asian Paints by the Noticee 1, and were placed before and approved by

the Share Transfer Committee at its meeting held on 27th November, 2009. It is noted that the Noticee 1 and Noticee 2 failed to reply to SEBI summons in this regard.

407. SEBI observed that on 31/10/2012 there was transfer (Transaction No. 170453; Receipt No. 4900; Inward No. 6273) of 334 shares of Asian Paints Limited from folio no.-00060509 to folio no. -00115745. The 334 shares on Certificate no 835294 dematerialized by folio 00115745 (Harsh P. Zaveri) on 21/11/2012 (Transaction no.: 604203; inward no.: 6192043) in the demat account no. -1203290000000371. In this regard summons were issued to Noticee 1 and Noticee 2. It is noted that the Noticee 1 and Noticee 2 has failed to reply to the summons.

408. With respect to summons issued to Noticee 1 and Noticee 2 in the matter of Fraudulent transactions in the matter of LIC of India (Folio Number- L0000042). It was noted that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to explain the transactions and provide documents to prove the genuineness of the transaction.

409. With respect to summons issued to Noticee 1 and Noticee 2 in the matter of Fraudulent transactions in the matter of Stock Holding Corporation of India Limited (Folio Number- S0001970) It is noted that not only the Noticee 1 has failed to comply with SEBI summons for co-operation in the investigation, also the Noticee 2 tried to justify the fraudulent transactions to the company by submitting forged documents and misleading claims, thereby not honuring the summons issued.

410. With respect to summons issued w.r.t., Fraudulent transactions in the matter of Ganesh Prabhakar Bhalerao (Folio Number- G0000514) issued to Noticee 1 and Noticee 2. It is noted that, The Noticee 1 and Noticee 2 has failed to provide

reply along with supporting documents in this regards to SEBI.

411. With respect to summons issued w.r.t., Fraudulent transactions in the matter of Indian Bank Limited (Folio Number- PG000078, PHPH - Philips India Limited). It is noted that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how same folio was at one time in the name of Indian Bank Limited and at another time in the name of Suresh Unavane, a different entity.

412. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t.,Fraudulent transactions in the matter of Union Bank of India (Folio Number- PG030890; PHPH - Philips India Limited). It is noted that the Noticee 1 and Noticee 2 did not reply to the Summons.

413. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of AGF Fund Inc. (Folio Number- PL046802, PHPH - Philips India Limited) . It is noted the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how same folio was at one time in the name of AGF Fund Inc and at another time in the name of The Noticee 8, a different entity.

414. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of Ravinder Patel (Folio Number- PL900244, PHPH- Phillips India Limited) The Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how same folio was at one time in the name of Ravinder Patel and at another time in the name of Raju S, a different entity.

415. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of Jyoti Patel (Folio Number- PL900245, PHPH-

Phillips India Limited) It is noted that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how same folio was at one time in the name of Jyoti Patel and at another time in the name of Raju S, a different entity.

416. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t.,Fraudulent transactions in the matter of ILF Mauritius (Folio Number- PG000080; PHPH - Philips India Limited) It is noted that the Noticee 1 and Noticee 2 has failed to comply with the summons.

417. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of Dev Chaudhari (Folio Number- PL900291, PHPH- Phillips India Limited) It is alleged that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how same folio was at one time in the name of Dev Chaudhari and at another time in the name of Narayan D, a different entity.

418. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t.,. Fraudulent transactions in the matter of Apple Holding Development Limited (herein after referred to as 'AHDL') (Folio Number- 054193, J1J1- JMFL). It is noted that Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how the same folio was at one time in the name of AHDL and at another time in the name of Anil CJ, who is a different entity altogether.

419. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of Crystal Securities Pvt. Ltd. (herein after referred to as 'CSPL') (Folio Number- 054748, J1J1- JMFL). It is noted that Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how same folio was at one

time in the name of CSPL and at another time it was in the name of Suresh Unavane, who is altogether a different entity.

420. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t.,Fraudulent transactions in the matter of Lalit Chandra Doshi (Folio Number- 26012322; Code NFNF- NFIL). Noticee 2 was summoned to explain the above mentioned transactions vide summons no. - MIRSD2/LS/2016/10903 dated 12/04/2016 but it was observed that he failed to cooperate. It is noted that Noticee 1 and Noticee 2 failed to cooperate with investigation or reply to SEBI summons w.r.t. the above transactions.

421. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of Raju L. Khanchandani (Folio Number- R14439, AFAF - Apple Finance Ltd). It was alleged that Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how and when the said shares were acquired by Raju Landge.

422. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t.,Fraudulent transactions in the matter of R.S.Sawant (Folio Number- R18516, AFAF - AFL) It is noted that, the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how and when the said shares were acquired by Raju Landge.

423. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of Rajesh Jhaveri (Folio Number- R19545, AFAF - AFL) It is noted that Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how and when the said shares were acquired by Raju Landge.

424. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of Raju Khanchandani (Folio Number- 02163187, APAP - Aptech Ltd.) It is noted that Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide explanation how same folio was at one time in the name of Raju Khanchandani and at another time in the name of Raju Landge, a different entity and also failed to submit any documents to verify the authenticity of the transactions including sale of 14 shares (5*2+1*4: certificate no. - 240242, certificate no 501423, certificate no 501424, certificate no 501425, certificate no. - 240243, certificate no. - 240244).

425. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of R.S. Sawant (Folio Number- 01788892, APAP - Aptech Ltd.) It is noted that Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide explanation how same folio was at one time in the name of R. S. Sawant and at another time in the name of Raju Landge, a different entity as well as documents to verify the authenticity of the transactions including sale of 40 shares.

426. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of Raju Landge (Folio Number- 01788892, ATAT - Aptech Ltd.) It is noted that Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide explanations and documents to verify the authenticity of the transactions.

427. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of UTI “India Fund Unit Scheme 1986” (Folio Number-02752000, ATAT - Aptech Ltd). It is noted that Noticee 1 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how same folio was at one time in the name of UTI “India Fund Unit Scheme 1986”, at another time in the name of Satyam Brush

Industries and yet at another time in the name of Suresh Unavane, all being different entities. Furthermore, Noticee 2 was asked to explain the deposit of Rs. 3,00,000/- in his bank account by cheque no. - 807055 vide SEBI summons no. - MIRSD2/LS/2016/10903 dated April 12, 2016 which was delivered to him through Arthur Road Jail authorities on November 06, 2016. It is noted that, Noticee 2 failed to reply to the same. Further, SEBI also observed that as per his statement dated March 23, 2016 (Annexure-SR12), Noticee 2 submitted that he or any of his family members has no business relationship with Noticee 3 or any of her family members, however, it is noted that it is clearly a false statement as seen from the sequence of events in the instant matter.

428. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of The Oriental Insurance Co. (Folio Number-02749980, ATAT - Aptech Ltd) It is noted Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how the same folio was at one time in the name of The Oriental Insurance Co. and at another time in the name of Pradeep Rathod, a different entity.

429. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t.,Fraudulent transactions in the matter of "The Oriental Insurance Co."(Folio Number-02749980, HXHX- Hexaware Technologies Limited) It is noted that Noticee 1 and Noticee 2 failed to comply with SEBI summons to explain the transactions and to provide any documents to verify the authenticity of the transactions.

430. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of Mr. R.S. Sawant (Folio Number- 01788892, HXHX-Hexaware Technologies Limited) It is noted that Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain the transactions.

431. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t.,Fraudulent transactions in the matter of Mr. Rajesh Jhaveri (Folio Number- 01788922, HXHX- Hexaware Technologies Limited) It is noted that Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain the transactions in this regard.

432. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t.,Fraudulent transactions in the matter of UTI "India Fund Unit Scheme 1986" (Folio Number- 02752000, HXHX- Hexaware Technologies Limited) It is noted that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how same folio was at one time in the name of UTI "India Fund Unit Scheme 1986", at another time in the name of Satyam Brush Industries and at another time in the name of Suresh Unavane and Pradeep M. Rathod, all the aforesaid being different entities.

433. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of Pangal Anant Nayak (Folio Number- P37593, LNLN- Larsen and Toubro Limited) It is noted that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how same folio was at one time in the name of Pangal Anant Nayak and at another time in the name of Ratnakar Loku Poojary, a different entity

434. With respect to summons issued to Noticee 2 w.r.t.,Fraudulent transactions in the matter of Pangal Anant Nayak (Folio Number- P37593, LNLN- Larsen and Toubro Limited) Information/explanation regarding the above mentioned transactions were sought from The Noticee 2, it is noted that, Noticee 2 failed to submit any information.

435. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t.,Fraudulent transactions in the matter of LIC Mutual Fund (Folio Number- S0006835, MUMU – Mather and Platt Pumps Ltd.) (hereinafter referred t as ‘MPPL’) It is noted that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how and when the said shares were acquired by Satyam Brush Industries and also how is it possible that Satyam Brush Industries and LIC Mutual Fund are joint holders.

436. With respect to summons issued to Noticee 1 and Noticee 2 w.r.t., Fraudulent transactions in the matter of (Folio Number- 00390534, ASAS - Artson Engineering Limited) It is noted that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain the transactions.

437. SEBI observed from the Annual Return data submitted by The Noticee 2 vide statement dated March 23, 2016 (Annexure-SR12) that in 2009 and 2010 the folio no S0006835 with 720 shares was in the name of SHCIL. With respect to summons issued to Noticee 1 w.r.t., Transactions in the matter of Anil C Jathan (Folio Number- 0003633, QAQA – Search Chem Industries Ltd.) SEBI observed from back office system of the Noticee 1 that the Folio No. 0003633 (Screen Shot placed at Annexure-SP56) is currently shown in name of Anil C Jathan jointly with The Noticee 9 and having nil holding. There are no entries in other fields except dividend on 200 shares of SCIL in 1997. No details are there to indicate how 200 shares sold or dematerialized. It is noted that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain the transactions in this regard. In this regard, it is also noted that the Noticee 1 and Noticee 2 has failed to maintain proper records for the transactions in the folio in the systems records and also failed to reply to the SEBI summons in this regard.

438. SEBI had observed that as per the back office system of the Noticee 1 the Folio Number: 31365473 (Screen Shot placed at Annexure-SP57), the Folio Name is shown as Sadashiv Poojary but there is no other entry in the Back Office Software Module of the Noticee 1 except that transfer tab/window of the module shows that 11 shares (certificate no 60796; Distinctive Nos. 35854557 to 35854567) were transferred to 31787777 (Suresh Kotian) on 06/01/2004. With respect to summons issued to Noticee 1 w.r.t., Transactions in the matter of Sadashiv Poojary (Folio Number- 31365473, G1G1The Great Eastern Shipping Limited). It is noted that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain the transactions.

439. SEBI observed that in the Folio Number-40481303 (Screen Shot placed at AnnexureSP59) of MLDL (Code-G2G2), the Folio Name is shown as Sadashiv Poojary but there is no other entry in the Back Office Software Module of the Noticee 1 except that transfer tab/window of the module shows that 1 share (certificate no 149521; Distinctive Nos. 3980908 to 3980908) was transferred to 41272953 (Suresh Kotian) on 16/03/2004. With respect to summons issued to Noticee 1 w.r.t., Transactions in the matter of Sadashiv Poojary (Folio Number- 40481303, G2G2Mahindra Lifespace Developers Limited). It is noted that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain the transactions.

440. SEBI observed that Folio No. - 797018 (Screen Shot placed at Annexure–SP60) (IHIH - ISMT Limited) dividend record for issue dates 28/11/2007, 22/09/2008, 10/04/2009, and 21/09/2009 is shown in name of P D Pillai but currently the folio is in name of Munawer Hussain Salodawala with “nil” holding. Further, SEBI also observed that from this folio 400 shares were dematerialized in the demat

account no. - IN301313-20831073. With respect to summons issued to Noticee 1 w.r.t., Transactions in the matter of P.D.Pillai (Folio Number- 797018, IHIH-ISMT Limited). It is noted that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how same folio was at one time in the name of P D Pillai and at another time in the name of Munawer Hussain Salodawala, a different entity.

441. SEBI observed that as per back office system of the Noticee 1, in the Folio No. - D02204 (Zensar Technologies Limited, Code- ICIE) {Screenshot placed at Annexure-SP61} dividend records are shown in the name of Dahyabhai Patel till Sep 2002 (Issue date 30/09/2002). Then dividend records are shown in name of Dipak Kumar Mitra from July 2003 onwards. Currently the folio with 164 shares (Certificate no. - 20887; distinctive no 2002176 to 2002200, Certificate no. - 20888; distinctive no 2002201 to 2002225, Certificate no. - 46846; distinctive no 2722413 to 2722444, Certificate no. - 147216; distinctive no 24106189 to 24106270) is in the name of Dipak Kumar Mitra.the demat account no. - IN301313-20831073. With respect to summons issued to Noticee 1 w.r.t., Transactions in the matter of Dipak Kumar Mitra (Folio Number- D02204, ICIE - Zensar Technologies Limited). It is noted that the Noticee 1 and Noticee 2 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain how same folio was at one time in the name of Dahyabhai Patel and at another time in the name of Dipak Kumar Mitra, a different entity.

442. Lack of record maintenance at Warehouse of the Noticee 1: As the Noticee 1 was not providing any supporting documents for the transactions reflected in the Noticee 1 Systems, Investigation Team visited the warehouse of the Noticee 1 and to ascertain the state of affairs, documents w.r.t. sample of certain transaction under investigation were sought. In view of the above later various

summons were issued to the Noticee 1 and Noticee 2 asking for detailed information/explanation, documents w.r.t. each transaction. It is noted that the Noticee 1 and Noticee 2 failed to comply with the said summons.

443. Fraudulent transactions in the matter of Rajesh Bhargava (Folio Number-00115157) -SEBI observed from the back office records of the Noticee 1, the Folio name of the Folio No. - 00115157 (Screen Shot placed at AnnexureSP13) for dividend issue date 10/6/2011 on 506 shares of Asian Paints Limited is showing in the name of Rajesh Bhagat while the currently the folio showing in the name of Rajesh Bhargava with “nil” shares. SEBI observed that there is no record in the Noticee 1 back office software system how and when the name of the folio changed from Rajesh Bhargava to Rajesh Bhagat (for dividend issue date 10/06/2011) and back to Rajesh Bhargava. There is no record for any other dividends though there are many dividends issued by the company.

444. The Noticee 1 and Noticee 2 were summoned to provide explanation for the transaction and also to provide documents to prove the genuineness of the transaction including the history of ownership (Name, Address and Folio number) of said share distinction numbers (of Asian Paints Limited) for last three transfers/change of hands/possessions (before 23/05/2011 for 180 shares and before 21/062011 for 329 shares). However it is noted that the Noticee 1 and Noticee 2 failed to comply with the same.

445. It is noted that, various Summons as per details given in **Summons Table** above were issued to Noticee 1 and Noticee 2, by SEBI. However, with above instances which are not exhaustive it is established that, at multiple counts Noticee 1 and Notice 2 (in person as well as MD of Noticee 1), failed to comply with summons or failed to give satisfactory response. At certain instances it was also observed that, incorrect/incomplete or misleading statements were given in response to the summons. It is noted from the response of Noticee 2 that, in one of the instances dealt above Noticee 2 has submitted that, he is the MD and

doesn't have the operational details of the matter, I note that, as an MD the Noticee cannot simply brush aside the summons on account of lack of information on operational details, as an MD he is liable and accountable for the summons issued to Noticee 1.

<u>Indira Karkera (Noticee 3)</u>

446. In the matter of Asian Paints dividend belonging to Radha and Rajiv Manucha misappropriated by Raju Landge, since the dividends were issued to her driver and the matter was under her knowledge (instructions issued by her staff with she being on CC) and also she was client manager w.r.t. the said company, the summons mentioned at **Summons Table** were issued to Indira. However it is noted that the Noticee 3 failed to comply with the same.

<u>Anil Jathan (Noticee 8) /Bhavani Jathan(Noticee 9)</u>

447. Fraudulent transactions in the matter of AGF Fund Inc. (Folio Number-PL046802, PHPH - Philips India Limited) Various documents and explanations w.r.t. the above transactions were sought from The Noticee 8 vide various summons, however it is alleged that Anil failed to comply with the summons.

448. Company Name: JM Financial Limited (Sharepro back office Code -J1J1) (herein after referred to as 'JMFL'). Fraudulent transactions in the matter of Apple Holding Development Limited (herein after referred to as 'AHDL') (Folio Number- 054193, J1J1- JMFL). Noticee 8 was issued various summons to explain the transactions and submit various supporting documents. However, it was observed that he had failed to comply with the aforesaid requirement. The Noticee 8 and The Noticee 9 did not reply to summons.

449. Fraudulent Transfer of shares, dividend of a deceased shareholder (viz. Sujit Kumar Gupta) of Britannia Industries Limited, to one Balaram Mukherjee. It is noted that, The Noticee 8 and The Noticee 9 did not reply to summons.

450. Fraudulent transactions in the Noticee 8(Folio Number- 00390534, ASAS - Artson Engineering Limited)- It was noted that the Noticee 1 failed to comply with SEBI summons to provide documents to verify the authenticity of the transactions and to explain the transactions. It is also noted that in this matter the Noticee 1 as well as The Noticee 8 has failed to comply with SEBI summons.

Shrikant Bhalakia (Noticee 18)

451. Summons no. MIRSD2/LS/2016/10938 dated 12/04/2016(Annexure-SSB) were issued to The Noticee 18 to inter-alia explain the details of his relationship/dealings/ transactions including the nature, purpose, and considerations etc. of the dealings/transactions with Amarjit Kaur Arora, Profile System Ltd, Jardine Fleming Int'l Mgt Inc., Govt. of Singapore Investment Corp etc. It is noted that, Noticee 18, vide his letter dated May 13, 2016 (Annexure-LIR7) has denied knowing the above entities.

452. Further, he was asked point wise detailed questions regarding above mentioned various transactions viz. transfer of shares (to and from his folio), change of folio from other investor to in his name, re-print of shares of other investors in his, dematerialization of shares etc. Question were related to audit trails, correspondence exchanged with entities/ the Noticee 1, identity of counterparties, consideration paid/received, rationale for the transactions such as reckless re-printing of share certificates, copy of documentations required for such transactions viz. FIR/Affidavit/Newspaper Adv./copy of old shares, nature & details of correspondence with the Noticee 1 etc. In this regard it is noted that the Noticee 18 replied to the summons dated 12/04/2016 but only partially complied as he provided only generalized answers, not transaction specific replies.

Akhil Dalal (Noticee 6)

453. Fraudulent transactions in the matter of SHCIL(Folio Number- 00060509),

investigation team also observed from back office software module of the Noticee 1 that, the Folio name of the Folio 00060509 (Screen Shot placed at Annexure-SP15) for dividend records of issue date till 18/6/2009 (first on various no. of shares of Asian Paints Limited and this one for 480 shares) showing in the name of SHCIL. Folio Name for dividend records of issue date 30/10/2009 on 480 shares are showing in name of Akhil K Dalal. Folio name has again changed for later dividends in name of SHCIL on 960 shares (1:10 split in 2013). The folio was shown with 960 shares which were split from balance 96 shares. Therefore, it was alleged that the folio name has been transferred from the name of SHCIL to Akhil Dalal between 18/06/2009 to 30/10/2009 then folio was changed from the name of Akhil Dalal to SHCIL after 30/10/2009. SEBI observed that the reason and exact date when folio name changed from SHCIL to Akhil Dalal again back to SHCIL not recorded in the back office system.

454. Various information/documents/explanations were sought from Akhil Dalal w.r.t. the above transactions vide summons MIRSD2/LS/10941dated April 12, 2016 and Summon no MIRSD2/DB/LS/SSIL/13528 dated May 09, 2016. Neepa Dalal daughter of Akhil Dalal vide unsigned letter April 23, 2016, May 31, 2016 and June 21, 2016 stated that her father is suffering from multiple illness hence, he is not able to reply to the queries of investigation. He has submitted certain bank account statements, demat statements and ledger statements with the broker but failed to submit parawise details of the transactions in physical shares and such other details. In view of the same it is noted that Akhil Dalal has failed to comply with the summons.

<u>Pradeep Rathod (Noticee 16)</u>

455. Fraudulent transactions in the matter of Pradeep Rathod (Folio Number-26007865; Code NFNF- NFIL) Various information/documents were sought by SEBI from Pradeep Rathod vide summons MIRSD2/LS/2016/10977 dated April 12, 2016, but it noted that Pradeep Rathod failed to provide any specific

information, though he replied through one Advocate “SSP Legal”. In view of the same it is noted that Pradeep Rathod has failed to comply with the summons.

456. Fraudulent transactions in the matter of The Oriental Insurance Co. (Folio Number- 02749980, ATAT - Aptech Ltd) - In reply to the SEBI summons issued to Pradeep Rathod, he submitted a reply through his advocates Legal Juris vide letter dated June 27, 2016 (Annexure-LIR8). SEBI observed that he submitted that he bought the shares from certain individuals on the written assurance of Noticee 3, subject to the condition that the sum of the shares will be paid to the respective shareholders after transfer of shares in his name, getting it dematerialized and selling the same in open market after deducting certain sum from the sale proceeds. It was observed that the share certificate was lodged for transfer with Noticee 1 even before the date of issue itself which is clearly brings out the intentional contravention, therefore, it is noted that Pradeep Rathod‘s reply is false. In view of the same it is noted that Pradeep Rathod has failed to comply with the summons.

457. Fraudulent transactions in the matter of UTI “India Fund Unit Scheme 1986” (Folio Number- 02752000, HXHX- Hexaware Technologies Limited) -In reply to SEBI summons, Pradeep Rathod submitted a reply through his advocates Legal Juris vide letter dated June 27, 2016. It is observed that, terms and conditions agreed for such sale were without any logic and reason and sans any agreement recording such terms and conditions, it is directed only for the purpose of sharing money obtained from corrupt means. Thus, it is noted that the Pradeep Rathod’s submissions qualify as false and misleading. Therefore, it is noted that Pradeep Rathod’s inconsistent explanations are just “afterthoughts” and attempts to hide the truth. In view of the same it is noted that Pradeep Rathod has failed to comply with the summons.

<u>Chetan Shah (Noticee 10)</u>

458. Fraudulent transactions in the matter of Chetan M. Shah (Folio Number-26013730&26013748; Code NFNF- NFIL) Information/documents w.r.t. the above transactions were sought from Chetan Shah vide summons no. MIRSD2/DB/LS/2016/10978 dated April 12, 2016 and summons no. - MIRSD2/DB/SD/SSIL/13568/2016 dated May 06, 2016 (also delivered to Advocate Preeti Thobhani vide letter no MIRSD2/DB/SD/SSIL/13566/2016 dated May 06, 2016). He also failed to submit any documents for his above assertions. Thus, it is noted that he has only partially complied with the various summons issued to him.

<u>Balram Mukherjee (Noticee 4)</u>

459. Balaram Mukherjee (Noticee 4) who was in touch with The Noticee 2 till start of the investigation and has become untraceable later. Summons sent on the available addresses could not be delivered to him except one summons which remained non-complied.

460. Based on the observations in the **Summons Table**, the above sample instances, and the references dealt with elsewhere in this order, it is noted that, various summons were issued to the respective Noticees as per **Summons Table** and the same where duly served to the respective Noticees, and sufficient opportunity was granted to the Noticee(s) for responding and submitting the desired information, either in writing or personally as directed in the respective summons.

461. 11(C) (2) of the SEBI Act enjoins upon every person to whom the summons has been issued to produce the documents as sought by the Investigating Authority. It is pertinent to mention that the provisions under Section 11C(3) of the SEBI Act, grant powers to Investigation authority to seek such information or record evidences/ statement which are relevant or necessary for the purpose of investigations, from any person associated with securities market in any

manner.

462. Further, 11C(5) of the SEBI act provides that, any person, directed to make an investigation, may examine on oath, any manager, managing director, officer and other employee of any intermediary or any person associated with securities market in any manner, in relation to the affairs of his business and may administer an oath accordingly and for that purpose may require any of those persons to appear before it personally.

463. In this context, it is also important to refer to the judgment of the Hon'ble SAT in the matter of Mr. Jalaj Batra vs. SEBI (Appeal no. 184 of 2010, date of decision dated December 06, 2010) wherein it observed: *“......We have observed time and again that it is of utmost importance that market players like the appellant should fully cooperate with the investigations that are carried out by the Board, the watchdog of the securities market. If market players and intermediaries avoid appearing before the investigating officer or furnish the necessary information sought from them, the Board as a market regulator will not be able to carry out its statutory functions and duties of protecting the integrity of the securities market and the investigations would be grossly hampered. Non co-operation with the market regulator has to be viewed seriously. We do not know what else would have come to light if the appellant had appeared before the investigating officer or if he had furnished the requisite information that was sought from him.”*

464. Further, the Hon’ble SAT in Appeal No.95/04 in Mayfair Paper & Board Pvt. Ltd. Vs SEBI dated August 09, 2004, observed that failure to furnish information to the Investigating Authority of SEBI shall attract the penalty prescribed under section 15A of the SEBI Act 1992.

465. I also note that, Hon’ble Supreme Court in SEBI vs. Bhavesh Pabari(Civil Appeal No(S).11311 Of 2013) dated February 28, 2019, held

that*:“......Adjudicating Officer had, therefore, rightly recorded that non-compliance of summons had hampered the further course of investigation. The failure was without any justification. Agreeing with the said findings, the Appellate Tribunal has observed that details were withheld with a view to delay the investigation being conducted by SEBI to the detriment of investors from whom funds were collected by the appellants in contravention of CIS Regulations. We do not find any fault with the reasoning given. We are of the opinion that the fault squarely lied with the appellants and, thus, penalty of Rs.1,00,00,000/-(Rupees one crore only) for violation of Section 11C(3) under Section 15A(a) of the SEBI Act does not call for any interference”*

466. In this regard, it is noted that, it is the responsibility of every person from whom information is sought vide summons to fully co-operate with investigating authority and promptly produce all documents, records, information, etc., to the Investigating authority. The Noticee(s) to whom summons were issued were required to respond to summons and provide complete and correct information. If Noticee(s) are allowed to flout the summons issued to them during the course of the investigation, SEBI, as the watchdog of the securities market, will not be able to discharge its statutory obligations in protecting the interests of the investors and safeguarding the integrity of the securities market. The information as per **Summons Table** was sought from the Noticees against the background of serious irregularities. From the above discussions regarding instances of Non Compliance with summons, I note that, I have no hesitation to hold that the Noticees have violated the respective provisions of 11C (2), (3) of the SEBI Act as specified at **Summons Table** by not complying with the summons issued.

467. I also note that, Noticee 2, Noticee 3 and Noticee 10 were also alleged to have violated provisions of 11 C (5) of SEBI act, however, based on the respective replies received and records available, I note that, the allegations are not established.

SUMMARY OF THE FINDINGS:

468. It has clearly been established above that Noticee 1, 2 and 3 were the main players behind the fraud involving illegal siphoning off of dividends and misappropriation of shares which was facilitated through compromise of internal checks and balances in RTA's systems, non-adherence to due procedures and falsification / destruction of records of records etc. I note that, as discussed above at Para 242-243, in view of High Court of Bombay's order dated January 04, 2018 in respect of the liquidation proceedings of Noticee 1(Sharepro), at present imposing a penalty on Noticee 1 may not be viable. Further, Noticee 4 has also played key role in misappropriation of funds and securities. Since Noticee 5 and 6 has expired during the pendency of the instant proceedings, no inferences have been drawn against him. Noticee 8, Noticee 9 and Noticee 14 are the family members of Noticee 3 who have acted as the conduit entities by receiving misappropriated shares / dividends in their accounts. Noticee 10, Noticee 16 and Noticee 18 are found to have been involved in misappropriation of shares of others and have directly benefitted from the fraud. Noticee 15 is found to have received the ill-gotten gains made in the fraud. Noticee 11, Noticee17, have played the role of conduit / front entities for Noticee 3 / Noticee 2 and some of them have made petty gains in the process. Noticee 7 has been guilty of indirect involvement in the fraud, since he was a joint holder of accounts through which fraudulent transactions were executed by his father, Shrikant Bhalakia (Noticee 18). Noticee 12 (Dina Bhalakia) and Noticee 13 (Jayshree Shah) have been given benefit of doubt and the charges against them have not been established.

469. Having considered the role of each entity and decided as above, I note that the fraud committed by aforesaid Noticees is massive in proportion and has very wide ramifications in the securities market.

III.If so, what would be the monetary penalty that can be imposed on the Noticees after taking into consideration the factors mentioned in section 15 J of the SEBI Act?

470. For the purpose of adjudication of penalty it is relevant to mention that under section 15I of the SEBI Act imposition of penalty is linked to the subjective satisfaction of the Adjudicating Officer. The words in the section that "*he may impose such penalty"* are of considerable significance, especially in view of the guidelines provided by the legislature in section 15J of the SEBI Act. Further, while adjudging the quantum of penalty the adjudicating officer has discretion and such discretion should be exercised having due regard to the factors specified in section 15J. The factors stipulated in Section 15J, which reads as follows:

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

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 investor/+s as a result of the default;

(c) the repetitive nature of the default.

Explanation-

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

471. Having regard to the factors listed in section 15J, it is noted that from the material available on record, any quantifiable gain or unfair advantage accrued to the Noticees or the extent of loss suffered by the investors as a result of the default in this case cannot be computed.

472. It is difficult, in cases of such nature, to quantify with mathematical precision the disproportionate gains or unfair advantage enjoyed by an entity and the consequent loss suffered by the investors. Therefore, I am of the view that people who indulge in manipulative, fraudulent and deceptive schemes, or abet in carrying out such schemes which are fraudulent and deceptive in nature, should be suitably penalized for such acts of omissions and commissions.

ORDER

473. Regarding applicability of Section 15 HB for the violations discussed above, I note that, when one section of a statute grants general powers, as opposed to another section of the same statute which grants specific powers, the general provisions cannot be utilised where a specific provision has been enacted with a specific purpose in mind. The rule that general provisions should yield to specific provisions is not an arbitrary principle made by lawyers and Judges but springs from the common understanding of men and women that when the same person gives two directions one covering a large number of matters in general and another to only some of them his intention is that these latter directions should prevail as regards these while as regards all the rest the earlier direction should have effect. The rule is, that whenever there is a particular enactment and a general enactment in the same statute and the latter, taken in its most comprehensive sense, would overrule the former, the particular enactment must be operative, and the general enactment must be taken to affect only the other parts of the statute to which it may properly apply. In the instant matter, 15A(a) and 15HA provides for specific provisions covering the violations discussed in the foregoing paragraphs, in view of the same, I shall not be applying the generic provision of 15 HB in the instant matter.

474. From the documents available on records it is observed that at least securities worth Rs.60.45 Crores (on the basis of value of respective scrip in October 10, 2016) and dividends worth Rs. 1.41 Crores of genuine shareholders were

misappropriated in the fraud. Further, certain unlisted securities of genuine shareholders were also misappropriated in the fraud. I also note that non maintenance and non-submission of records by Noticees as detailed above in order, limited the instances of misappropriation that could be investigated by SEBI and only misappropriation of assets of Rs. 61.86 Crores of genuine shareholders could be identified. I have also considered the directions issued with respect to the Noticees vide member order dated July 08, 2020 and restraints already undergone by the respective Noticees. Here it is pertinent to note that Rs.61.86 Crores worth securities and dividend were identified as misappropriated, but the records and analysis is limited in terms of fund trails and records, identifying how much each of the Noticee misappropriated the genuine investors' assets as ill-gained profit. I am constrained by the facts that, proceedings in respect of some of the Noticees have been abated, lots of the funds (from sale of misappropriated securities and dividend) were withdrawn in cash, and the established fund and securities trail to the remaining Noticees found guilty of the fraud, doesn't add up to the entire value of the assets misappropriated; and hence not able to compute the exact ill gained profit made by each of the Noticee found guilty of fraud.

475. In view of the above, given the roles of Noticees, in the fraud and the amount of securities and money misappropriate by them or through them, and having considered all the facts and circumstances of the case, the material available on record and the factors mentioned in the preceding paragraphs, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with rule 5 of the Adjudication Rules, hereby impose the penalty under Sections 15A(a), 15HA of the SEBI Act, 1992 as given in the following table:

Details of Penalty Imposed

Name of the Noticee	Violations	Penalty (in Rs.)
Shri Govind Raj Rao	Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d), 4(1) & (2)(h) of PFUTP Regulations	Rs.5 Crores under Section 15HA of SEBI Act; and Rs16 lakhs

	2003; Section 11C(2), 11C (3) of SEBI Act	under Section 15 A(a) of SEBI Act
Ms. Indira Karkera	Section 12 A(c) of SEBI Act, Regulation 3, 4(1) & (2)(h) of PFUTP Regulations 2003; Section 11C(2), 11C (3) of SEBI Act	Rs.15 Crores under Section 15HA of SEBI Act; and Rs.8 lakhs under Section 15 A(a) of SEBI Act
Shri Balram Mukherjee	Section 12A(a)(b)(c) of SEBI Act, Regulation 2 (1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003; Section 11C(2) and 11C (3) of SEBI Act	Rs.10 Crores under Section 15HA of SEBI Act; Rs.1 lakh under Section 15 A(a) of SEBI Act
Shri Anand S. Bhalakia	Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003	Rs.5 Lakhs under Section 15HA of SEBI Act;
Shri Anil Jathan	Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations 2003; Section 11C(2) and 11C (3)	Rs. 34 Lakhs under Section 15HA of SEBI Act; Rs.6 lakhs under Section 15 A(a) of SEBI Act
Ms. Bhavani Jathan	Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations; Section 11C(2) and 11C (3) of SEBI Act	Rs. 5 lakhs under Section 15HA of SEBI Act; Rs.5 lakhs under Section 15 A(a) of SEBI Act
Mr. Chetan Shah	Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations; Section 11C(2), 11C(3) of SEBI Act	Rs. 36 Lakhs under Section 15HA of SEBI Act; Rs.1 lakh under Section 15 A(a) of SEBI Act
Mr. Dayanand Jathan	Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations	Rs.5 Lakhs under Section 15HA of SEBI Act
Mr. Mohit Karkera	Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations	Rs.5 Lakhs under Section 15HA of SEBI Act
Mr. Sujitkumar Amarnath Gupta	Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations	Rs.20 Lakhs under Section 15HA of SEBI Act
Mr. Pradeep Rathod	Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations ; Section 11C(2) and 11C(3) of SEBI Act	Rs.1.06 Crores under Section 15HA of SEBI Act; Rs.1 lakh under Section 15 A(a) of SEBI Act
Mr. Rajesh Bhagat	Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations	Rs.5 Lakhs under Section 15HA of SEBI Act

Mr. Shrikant Bhalakia	Section 12A(a)(b)(c) of SEBI Act, Regulation 2(1)(c), 3(b)(c)(d) & 4(1) of PFUTP Regulations; Section 11C(2) and 11C (3) of SEBI Act	Rs.40 Lakhs under Section 15HA of SEBI Act; Rs.1 lakh under Section 15 A(a) of SEBI Act

I am of the view that the said penalty is commensurate with the default committed by the Noticees.

476. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

477. 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.

478. In terms of rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticees and also to Securities and Exchange Board of India.

Place: Mumbai **ASHA SHETTY**

Date: October 27, 2023 **ADJUDICATING OFFICER**