BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER Ref. No. ORDER/NH/RJ/2023-24/29955]

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

In respect of
Maheshwari Datamatics Private Limited
Registration Number INR000000353
PAN AADCM6570H

In the matter of Inspection of Maheshwari Datamatics Private Limited.

FACTS OF THE CASE

1. Maheshwari Datamatics Private Limited (hereinafter referred to as '**Noticee**') has been registered with SEBI as Registrar to an issue and Share Transfer Agent. Securities and Exchange Board of India (hereinafter referred to as '**SEBI'**) conducted an inspection of the Noticee for the period from April 2021 to November 2022 (hereinafter referred to as '**inspection period'**).

2. Post the culmination of the aforesaid inspection, an inspection report was prepared. The findings of the said inspection were communicated to the Noticee vide letter dated March 10, 2023. In response to the findings in the inspection report, Noticee submitted a reply vide letter dated March 20, 2023.

3. Based on the findings of the inspection of the Noticee, SEBI initiated adjudication proceedings against the Noticee for alleged violation of the following provisions:
   - Regulations 7(1), 7(2), 39(2) and 40(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as '**LODR'**).

- Regulations 9A(1)(b), 9A(1)(e) and 13 of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 (hereinafter referred to as '**RTA Regulations'**).
- Regulations 4, 5, 6, 9(2) and 10 of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007.
- Clauses 2, 3, 5 and 16 of Schedule III (Code of Conduct) of RTA Regulations.
- Clause (a) and (b) of Point 1 "Specific Activities" of Schedule I of SEBI Circular "Instruction to Registrars to an Issue/Share Transfer Agents" dated October 11, 1994.
- Clause 15 of Part II (Provisions with regard to Transfer / Transmission / Correction of Errors etc.") of the Annexure to SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018.
- Clause 25(a) of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994.
- Clause 8 of Annexure B and point 1 of Schedule I of Model agreement between the share transfer agent and the company as specified in RRTI Circular dated October 11, 1994.
- RRTI Circular no.1 (2000-2001) dated May 09, 2001.
- Clause 1 (a) of Schedule I to the "Draft of Agreement between the STA and the Company" as specified in SEBI RRTI Circular No. 1 (94-95) dated October 11, 1994.
- Clauses 11, 12 and 17 of Draft Agreement in Annexure A of Schedule II in SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994.
- Paragraph 2(iii) of SEBI Circular no. CIR/MIRSD/10/2013 dated October 28, 2013
- SEBI Notification No. LAD-NRO/GN/2009-10/18/175577 dated September 04, 2009. (cumulatively referred to as '**alleged violations'**)

<u>APPOINTMENT OF ADJUDICATING OFFICER</u>

4. The undersigned was appointed as the Adjudicating Officer (hereinafter referred to as '**AO'**) vide communique dated November 21, 2023, under Section 19 read

with Section 15-I of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**) and under Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) to enquire into and adjudge under Section 15HB of the SEBI Act for the alleged violations committed by Noticee as mentioned above.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Show Cause Notice (hereinafter referred to as '**SCN**') bearing No. SEBI/HO/EAD2/NH/RJ//2023/46585 dated November 22, 2023, was issued to the Noticee under Rule 4 of Adjudication Rules to show cause as to why an inquiry should not be held and penalty be not imposed against the Noticee under Section 15HB of SEBI Act for the aforesaid alleged violations.

6. The SCN dated November 22, 2023, *inter alia*, alleged the following:

- ***Certification of Associate Persons***
    - *SEBI Notification No. LAD-NRO/GN/2009-10/18/175577 dated September 04, 2009 (hereinafter referred to as '**SEBI Notification dated September 04, 2009'**) inter alia provides that*

      "…an associated person engaged or employed or to be engaged or employed by a Registrar to an Issue or Share Transfer Agent for performing any of the activities as enumerated under clauses (a) to (g) above, shall obtain RTA- Corp Certification or Series-II-B: RTA-MF certification …"
    - *It was observed during the inspection that Mr. Radhey Shyam Jhanwar, director of the Noticee did not have the requisite NISM certification in consonance with the said Notification dated September 04, 2009 during the inspection period.*
    - *In this regard, it is stated in the PIA that the Noticee, vide email dated July 14, 2023**,** has, inter alia, submitted that Mr. Radhey Shyam Jhanwar has not completed the NISM certification exam as per the mandate of the said Notification dated September 04, 2009.*

- *In view of the above, it is alleged that the Noticee has not complied with the requirement of the said Notification dated September 04, 2009 and the extant Regulations during the inspection period and the post-inspection period.*
- *Therefore, Noticee is alleged to have violated the said SEBI Notification dated September 04, 2009 read with Regulations 4, 5, 6, 9(2) and 10 of SEBI Certification of Associated persons in the Securities Market Regulations, 2007 and Clauses 3 and 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.*

- ***Agreements / Tripartite agreement entered into by the RTA***
  - *During the inspection, the agreement entered into by the Noticee with two of its clients were checked. It was observed that Clauses 11, 12 and 17 of the Draft Agreement as provided in Annexure A of Schedule II in SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994 (hereinafter referred to '**Draft Agreement'**) were missing from the said agreements.*
  - *In this regard, the Noticee in its reply dated March 20, 2023 has inter alia stated as under:*

    "We are arranging to incorporate the same by suitable exchange of letters which will form integral part of the Agreement. …"
  - *In view of the above, it is alleged in the PIA report that agreements entered into by the Noticee with its clients did not align with the Draft Agreement.*
  - *Therefore, Noticee is alleged to have violated Regulation 9A(1)(b) of RTA Regulations read with Draft Agreement in Annexure A of Schedule II in SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994 and Clause 3 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.*
- ***Inward Processing***
  - *It was observed in the course of the inspection that Noticee did not have any process for identifying or tagging documents which investors submitted in continuation of their previous queries.*
  - *In this regard, the Noticee in its reply dated March 20, 2023 has, inter alia, stated that:*

"The Inspection team has suggested that in addition to the above control we should also follow the tagging of folio no. …"

- *In this context, it is alleged in the PIA that the system followed by the Noticee during inspection for inward processing was not in consonance with the extant Circulars and Regulations.*
- *Therefore, the Noticee is alleged to have violated Clause 25(a) of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994, Clause (a) and (b) of Point 1, "Specific Activities" of Schedule I of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994 and Clauses 2, 3 and 5 of Schedule III read with Regulation 13 of RTA Regulations.*

- ***Issuance of Duplicate Shares Certificates***
  - *During the inspection, it was observed that the time taken by the Noticee to process the request for issuance of duplicate shares had exceeded the prescribed time limit in 144 cases.*
  - *In this regard, Noticee, in its reply dated March 20, 2023 has, inter alia, stated the following:*
    - *98 cases were within the exemption period allowed by Circular No. SEBI/HO/MIRSD_RTAMB/P/CIR/2022/26 dated February 25, 2022 (hereinafter referred to as 'SEBI Circular dated February 25, 2022').*
    - *In 19 cases, the delay was due to the late receipt of communication/certificates from the clients.*
    - *In 6 cases, there have been inadvertent mistakes of putting the wrong date in the system and because of which delay had taken place.*
    - *In 21 cases, the delay was in the range of 2-12 days which can be condoned as the number is insignificant.*
  - *In the PIA report, Noticee's submissions with regard to 98 cases falling under the period where the timeline was extended vide SEBI Circular dated February 25, 2022 and 19 cases where the delay was due to delayed response from the client were accepted. However, it is alleged in the PIA that the submission of the Noticee for the remaining 27 cases cannot be accepted as the delay allegedly occurred due to the Noticee's negligence.*

- *In view of the above, it is alleged in the PIA that there was a delay in the issuance of duplicate share certificates in 27 (twenty seven) cases.*
- *Therefore, the Noticee is alleged to have violated Regulation 39(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Regulation 7 (1) and 7(2) of LODR Regulations, Clause 8 of Annexure B and point 1 of Schedule I of Model agreement between the share transfer agent and the company as specified in RRTI Circular dated October 11, 1994, RRTI Circular no.1 (2000-2001) dated May 09, 2001 and Clauses 2 and 5 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.*

- ***Transmission request***
  - *During the inspection, it was observed that the time taken by the Noticee to process the transmission request exceeded the stipulated time period in 176 cases.*
  - *In this regard, Noticee, in its reply March 20, 2023 has, inter alia, stated the following:*
    - *137 cases were within the exemption period allowed by the Circular dated February 25,2022.*
    - *Vide SEBI circular no. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/65 dated May 18,2022 (hereinafter referred to as 'SEBI Circular dated May 18, 2022') the timeline for effecting the transmission cases has been increased from 21 days to 30 days. In 33 cases, the requests for transmission were processed within the extended time allowed as per the SEBI Circular dated May 18, 2022.*
    - *There has been a delay ranging between 1 to 5 days in 6 cases which is insignificant.*
  - *In the PIA report, Noticee's submissions with regard to 170 (one seventy) cases which under the exemption period of SEBI Circular dated February 25, 2022 and SEBI Circular dated May 18, 2022 were accepted. However, it is alleged that for the remaining 6 cases delay has taken place due to Noticee's negligence.*

- *In view of the above, Noticee is alleged to have not processed the transmission request within the prescribed time limit for the aforementioned 6 (six) cases.*
- *Accordingly, Noticee is alleged to have violated Regulation 40(3) of LODR, Paragraph 2(iii) of SEBI Circular no. CIR/MIRSD/10/2013 dated October 28, 2013 and Clauses 2 and 5 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.*

- ***Change of Address (hereinafter referred to as 'COA') Request***
  - *During inspection, it was observed that the Noticee had processed COA requests with delay in 388 cases.*
  - *In this regard, the Noticee vide reply dated March 20, 2023 has, inter alia, stated as under:*
    - *241 cases were processed within the COVID extended timelines and hence, there is no delay in the said 241 cases.*
    - *41 cases were shown as delayed because of incorrect entries regarding the date of receipt of documents and incorrect entries regarding the date of approval.*
    - *In 11 cases, the shareholders had sent the required documents to effect the COA request along with their Demat Request subsequently. The system has calculated the days taken for processing from the date of the first letter received and thus it was showing a delay which was not correct.*
    - *In the remaining 95 cases, the requests were received in bulk which led to some delays. Further, there was a delay due to intermittent absenteeism of staff because of COVID.*
  - *In this background, the following observations have been made in the PIA:*

Period	***Timelines as per PIA***	***Allegations in PIA***
April 2021 to December 2021	*The timeline for redressal of investor complaints was 30 days in terms of Regulation 9A (e) of SEBI, RTA Regulations, 1993. Further, for processing various requests received from clients during the above period, the timeline was extended by 21 days due to the COVID-19 pandemic.*	*Noticee was found non-compliant for 42 cases.*

	Therefore, 51 days have been considered for requests received till December 2021.	
January 2022 to June 2022	*In terms of SEBI Circular, dated November 26, 2021 on Investor Charter, RTA is required to process COA requests in 15 days.* *Further, for processing various requests received from clients during the above period, the timeline was extended by 30 days due to the COVID-19 pandemic. Therefore, while determining the delay in processing the COA request, 45 days have been considered for requests received from January 2022 to June 30, 2022.*	*Noticee was found non-compliant for 203 cases.*
July 2022 to November 2022	*While determining the delay in processing the COA request, the timeline of 15 days has been taken for the request received from July 2022 to November 2022 in terms of SEBI Circular, dated November 26, 2021 on Investor Charter.*	*Noticee was found non-compliant for 9 cases.*

- *In view of the above, it is alleged in the PIA that Noticee has not processed 254 (two hundred fifty-four) COA requests within the prescribed time limit during the inspection period.*
- *Therefore, Noticee is alleged to have violated Regulation 9A(1)(e) of RTA Regulations, Clause I (a) of Schedule I to the draft agreement between the share transfer agent and the company as specified in SEBI RRTI Circular No. 1 (94-95) dated October 11, 1994 and Clause 2 of the Code of Conduct as specified under Regulation 13 of RTA Regulations*

- ***Change of Bank (hereinafter referred to as 'COB') Account Details Request***
  - *During the course of the inspection, it was observed that the Noticee had delayed the processing of COB account details requests in 740 cases.*
  - *In this regard, the observation, inter alia, made in PIA is tabulated below:*

Period	***Timelines as per PIA***	***Allegations in PIA***
April 2021 to December 2021	*The timeline for redressal of investor complaint i.e. 30 days in terms of Regulation 9A(1)(e) of RTA Regulations, 1993. Further, for processing various requests received from clients during the above period, the timeline was extended by 21 days due to the COVID-19 pandemic.*	*Noticee was found non-compliant in 59 cases.*

	Therefore, 51 days have been considered for requests received till December 2021.	
January 2022 to June 2022	*In terms of SEBI Circular dated November 26, 2021, RTA is required to process COA requests in 15 days.* *Further, for processing various requests received from clients during the above period, the timeline was extended by 30 days due to COVID-19 pandemic. Therefore, while determining the delay in processing the COB request, 45 days have been considered for requests received till June 30, 2022.*	*Noticee was found non-compliant in 363 cases.*
July 2022 to November 2022	*While determining the delay in processing the COB request, a timeline of 15 days has been taken for the request received from July 2022 to November 2022 in terms of SEBI Circular, dated November 26, 2021 on Investor Charter.*	*Noticee was found non-compliant in 91 COB request*

- *In view of the above, it is alleged that Noticee was non-compliant with the prescribed times for processing the COB account details requests in 513 (five hundred thirteen) cases during the inspection period.*
- *Therefore, Noticee is alleged to have violated Regulation 9A(1)(e) of RTA Regulations, Clause I (a) of Schedule I to the draft agreement between the share transfer agent and the company as specified in SEBI RRTI Circular No. 1 (94-95) dated October 11, 1994 and Clause 2 of the Code of Conduct as specified under Regulation 13 of RTA Regulations.*

● ***Maintenance of register for record of destruction of documents***

- *During the inspection, it was observed that though the Noticee was maintaining records of share certificates destroyed that were received from shareholders for dematerialization, it was not maintaining the records of other destroyed documents. Further, it was observed that the log of destroyed certificates that the Noticee shared with the inspection team did not have the following details as mandated in SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018 (hereinafter referred to as* ***'SEBI Circular dated April 20, 2018'****):*
    - *Name of authority authorizing the destruction,*
    - *Date of authorization of destruction and*
    - *Destroyed in whose presence (with signature)*
- *In this regard, it was observed in the PIA that the Noticee has not replied to the aforesaid allegations mentioned in the inspection report.*

- *In view of the above, Noticee is alleged to have violated Clause 15 of Part II (Provisions with regard to Transfer / Transmission / Correction of Errors etc.) of the Annexure to SEBI Circular dated April 20, 2018 and Clauses 2, 3 and 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.*

7. The SCN along with annexures was served upon the Noticee in the following manner as mentioned below:

Table 1

Sr. No.	Mode of Delivery of SCN	Addresses/ Email IDs*	Remarks
1.	Delivered through Speed Post with Acknowledgment Due	23, R N … 001.	Delivered on November 28, 2023 as per the consignment tracking on India Post.
2.	Digitally signed SCN delivered through Email	mdp....@yahoo.com	Digitally Signed SCN duly delivered on November 22, 2023

**Email id and address excised for confidentiality*

8. The Noticee was advised to submit its reply to SCN within 14 days from the date of receipt of the SCN. Vide email dated December 01, 2023, Noticee requested additional time to submit a reply to the SCN. In the interest of natural justice, the request of the Noticee was acceded to and the Noticee was advised to submit its reply by December 15, 2023.

9. Subsequently, the Noticee, vide letter dated December 13, 2023, *inter alia,* submitted the following reply to the SCN as under:

"…
Certification
It is respectfully submitted that Mr. Radhey Shyam Jhanwar could not complete NISM Certification Exam due to poor internet connection on that day and inadvertently pressed back/refresh button.

As we have other senior NISM certified persons in the senior capacity just one person not completing the exam should not be seen as a serious violation and keeping his age of 74 years this may please be condoned. We will arrange to get him take the certification as soon as possible and submit the compliance thereof. In view of the above Mr. Radhey Shyam Jhanwar has applied for giving the NISM Examination and we enclose the Admit Card of the examination scheduled for the 14th of December 2023 for your reference.
We request your goodself to be considerate and condone this.
Agreements/Tripartite Agreements entered by the RTA
We attach herewith amendments carried out in the said Agreements by way of exchange of letters.
We enclose the letter with regard to this from Century Ply Ltd. and Emami Ltd.
We request your goodself to be considerate and condone this.
Inward Processing
Our Inward Processing system is based on the Folio No. of the Shareholder, and each and every letter sent by that particular shareholder is given a new inward number which would be a higher number then the inward number given to earlier letter. Example : We have received a letter from a shareholder of Mcleod Russel India Ltd named ABC on 06/12/23 having Folio number S0101. Our inward processing system would generate a number say 1201 against that letter. As and when we reply to that letter we mark the reply date against that inward number 1201. If that shareholder again sends us a letter on 12.12.23 then the system would generate another inward number say 1350 against that Folio S0101. The reply to this letter would also be marked against the inward number 1350 in the system. Finally we get another letter from the same shareholder on 24.12.23 then the system would generate another inward number say 1552 against this letter in the folio number S0101. Now this letter is replied on 01.01.24 then this date shall be marked as reply date/dispatch date against the letter dated 24.12.23 bearing the number 1552 against Folio number S0101. Thus in the above mentioned example the Final letter from the shareholder was received on 24.12.2023 and was replied on 01.01.2024 and so the time involved was 8 days.
Inward Processing system- Working:

Date of Receiving	*Company & Folio Number*	*Inward Number*	*Reply Date*	*Reply Marking*
06.12.23	*M… & S0101*	*1201 (It's a computer generated number going serially and is different for each and every company)*	*09.12.23*	*System would mark 09.12.23 against letter number 1201 and folio number S0101*
12.12.23	*M… & S0101*	*1350 (This number is marked against the Folio S0101)*	*16.12.23*	*System would mark 16.12.23 against letter number 1350 and folio number S0101. The system can display the number and date of letters received and replied by us showing us a Trail.*
24.12.23	*M… & S0101*	*1552 (This number is marked against the Folio S0101). This letter is complete as per our requirements .*	*01.01.24*	*System would mark 01.01.24 against letter number 1552 and folio number S0101. The system can display the number and date of letters received and replied by us showing us a Complete Trail of correspondence against this Folio.*

The dispatch date/reply date of the last letter against that particular folio is subtracted from the date on which the shareholder had sent us all the required documents to our satisfaction and the result is the number of days taken for replying to the Investor Request which in this case was 8 days.

Through this system we very easily get and maintain the trail of all correspondence done against that particular Folio. We can through this system find out the total days consumed in the entire process as well as the days taken to finally complete the investor request after he has sent all the documents to our satisfaction to enable us to process his requests.

During the time of inspection, in some cases an earlier letter date was marked inadvertently as the last received letter date and thus the report displayed exaggerated number of days taken for reply whereas the hard copy of the letter when examined by the Inspection team clearly had different dates then what was marked in the system which led them to believe that the system was faulty. In fact, they had told us verbally that MDPL has replied on time but the system is showing different date of reply which made them conclude that the system was faulty.

We reiterate that the Inward Processing system is robust but sometimes the person involved mentions the earlier letter date against the dispatch date instead of the final letter received date which leads to incorrect outcome.

This is a clerical error and since then we are using utmost precaution and strengthened the system to enter the correct inward number thus, reducing the chances of incorrect calculation of number of days taken for resolution of the service request.

In view of the above submissions we state that there is no violation as alleged in Para 6.3.4 of the SCN.

Issuance of Duplicate Share Certificate

We submit that 27 no. of cases where delay has occurred which may please be condoned as the cases being 7.67% of the 353 Duplicate Cases handled during very difficult condition (COVID-19) and working with skeleton staff due to restrictions imposed by the State Government as also enhanced due diligence has to be exercised in case of handling duplicate issue of share certificate cases.

We do sincerely hope you will be considerate enough and condone the delay cases.

Transmission Request

Here delay of 1-5 days in 6 cases have been reported by the Inspection Team.

6 out of 292 cases works out to around 2% and considering the delay of 1-5 days could have taken place due to weekend/festival holiday/non availability of staff at our end/Co's end due to restriction imposed by State Government.

We request your goodself to be considerate to condone the delay of 1-5 days in 6 cases.

Change of Address

With reference to the allegation we would like to put forward the following for your kind consideration:

Period	Timelines as per PIA	Allegation in PIA	Reply
April 2021 to December 2021	*The timeline for redressal of investor complaints was 30 days in terms*	*Noticee was found non compliant*	*We have been adhering to the time line as prescribed by SEBI and we draw your kind attention to SEBI circular SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated 3rd November,2021 and clarification issued vide circular no.SEBI/HO/MIRSD_RTAMB/P/CIR/2021/687*

	of regulation 9 a (e) of SEBI, RTA Regulations, 1993. Further, for processing various requests received from clients during the above periods, the time line was extended by 21 days due to the Covid -19 Pandemic. Therefore, 51 days have been considered for requests received till December 2021	*for 42 cases.*	*dated December,14,2021 para 2.5.2 – " RTA's shall forthwith send intimation about request for change in address to the holder at both the old and new addresses by Speed Post, providing, timeline of 15 days for raising objection, if any". As such time line should commence after expiry of said 15 days which is a well settled principle that the timeline of service request will commence upon receipt of complete set of documents which in this case could be an objection and for that we have to wait for 15 days before commencing the work. In fact for sending out the intimation at old and new address we are getting only 11 effective working days as 2 days are for inward processing and marking and 2 days to be given for the service of intimation. We therefore humbly pray that we should be allowed 15 effective working days. Therefore timeline has to be accordingly considered by giving additional 19 days (15+4) thereof from the date of Service Request of COA. Thus, period of 51 days as mentioned in SCN + 19 days that is 70 days should be the timeline for completing the COA request during the said period. Based on the above calculation there was no delay in 19 cases. Furthermore, in 8 cases the date of entry was incorrect and thus they should not be counted as factually delayed. Therefore, the number of cases where delay has taken place is 15 and not 42.*
January 2022 to June 2022	*In terms of SEBI Circular, dated November 26, 2021 on Investor Charter, RTA is required to process COA requests in 15 days. Further, for processing various requests, received from clients during the above period, the timeline was extended by 30 days due to the Covid- 19 Pandemic. Therefore, while determining the delay in processing the COA requests, 45 days have been considered for requests received from January 2022 to June 30, 2022.*	*Noticee was found Non Complaint for 203 cases*	*We have been adhering to the time line as prescribed by SEBI and we draw your kind attention to SEBI circular SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated 3rd November,2021 and clarification issued vide circular no. SEBI/HO/MIRSD_RTAMB/P/CIR/2021/687 dated December,14,2021 para 2.5.2 – "RTA's shall forthwith send intimation about request for change in address to the holder at both the old and new addresses by Speed Post, providing, timeline of 15 days for raising objection, if any". As such time line should commence after expiry of said 15 days which is a well settled principle that the timeline of service request will commence upon receipt of complete set of documents which in this case could be an objection letter and for that we have to wait for 15 days before commencing the work. In fact for sending out the intimation at old and new address we are getting only 11 effective working days as 2 days are for inward processing and marking and 2 days to be given for the service of intimation. We therefore humbly pray that we should be allowed 15 effective working days. Therefore timeline has to be accordingly considered by giving additional 19 days (15+4) thereof from the date of Service Request of COA. Thus, 45 + 19 days that is 64 days should be the timeline for completing the COA request during the said period. Based on the above calculation there was no delay in 117 cases. Moreover, in 26 cases there was a delay of just 1 – 5 days thus, we request you to condone the same. Thus the delay has taken place in 86 cases.*

July 2022 to November 2022	*While determining the delay in processing the COA requests, the Timeline of 15 days has been taken for the requests received from July 2022 to November 2022 in terms of SEBI Circular, dated November 26, 2021 on Investor Charter.*	*Notice was found Non Compliant for 9 cases.*	*There was a delay in 9 cases although in 6 cases there was a delay of 1- 6 days only.*

In view of the above the delay is in 108 cases which is less then 4% of the total 2486 cases handled by us. Further for COA we have to exercise utmost caution to verify and confirm that no fraudulent case is approved and the delay in the remaining cases has not led to any financial loss to any shareholder.
Therefore we pray for condonation of the above delay.

Change of Bank (COB) requests

The delay cases have increased due to receipt of bulk KYC updation requests during that period and intermittent absentisem due to COVID-19 and State Govt's restrictions to work at 50% staff the delay has occurred.
As such this delay is due to the circumstances beyond our control.
Further this has not caused any financial loss to any shareholder neither there has been a single complaint of dividend being transferred to an account which the shareholder had applied for change.
Therefore, we pray for condonation of the above delay.

Maintenance of Register for record of destruction of documents

The Register has been duly maintained as per the observation of the Inspection Team. The Inspection report dated 10th march 2023 clearly mentions that records of all Share Certificates destroyed are being maintained by the RTA. However, certain information was missing and the said information has been duly incorporated. The said register can be inspected any time (enclosing a sample copy of the Register for your reference).
As regards revalidated dividend warrants the same are not destroyed on the other hand are kept in shareholders correspondence file of the client which has also been shown to the Inspection Team.
The observation of the Inspection Team has since been followed and adopted.
Therefore, we have not violated any provision as per Para 6.8.3. of SCN."

10. In consonance with the Adjudication Rules, an opportunity of hearing on December 20, 2023 was granted to the Noticee vide Hearing Notice dated December 13, 2023.

11. The Noticee citing its inability to attend the hearing on December 20, 2023, requested an adjournment vide email dated December 15, 2023. The said request was acceded to and the hearing was rescheduled to December 26, 2023.

12. The hearing was held on December 26, 2023, Mr. Radhey Shyam Jhanwar, Mr. Ravi Kumar Bahl, Mr. Shashikant Jhawar and Mr. S. K. Chaubey (Authorized Representatives of the Noticee) attended the hearing through videoconferencing and reiterated the submissions made by the Noticee in its letter dated December 13, 2023. During the hearing, Noticee was given additional time to make submissions till December 27, 2023.

13. Noticee, vide email dated December 27, 2023, *inter alia,* submitted the details of eight cases in which according to the Noticee, *"wrong calculation of no of days was taken"* with reference to its reply dated December 13, 2023 relating to delay in processing of requests for Change of Account.

14. It is noted that the SCN along with the annexures and the Hearing Notice were duly served on the Noticee. The Noticee was granted sufficient opportunities to make submissions in reply to the SCN and of personal hearing. Thus, the principles of natural justice were adhered to.

<u>CONSIDERATION OF ISSUES AND FINDINGS</u>

15. After careful perusal of the material on record, I note that the issues that arise for consideration in the present case are as follows:

    I. Whether the Noticee failed to comply with the provisions of the SEBI Act, Rules, Regulations and Circulars issued by SEBI during the inspection period?
    II. Does the violation, if any, on the part of Noticee attract a monetary penalty under section 15HB of the SEBI Act?
    III. If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act?

16. The relevant extracts of the provisions of law[1], allegedly violated by the Noticee, are mentioned as under:

*"**LODR***

7. (1) The listed entity shall appoint a share transfer agent or manage the share transfer facility in-house:

Provided that, in the case of in-house share transfer facility, as and when the total number of holders of securities of the listed entity exceeds one lakh, the listed entity shall either register with the Board as a Category II share transfer agent or appoint Registrar to an issue and share transfer agent registered with the Board.

7. (2) The listed entity shall ensure that all activities in relation to share transfer facility are maintained either in house or by Registrar to an issue and share transfer agent registered with the Board.

39. (2) The listed entity shall effect issuance of certificates or receipts or advices, as applicable, of subdivision, split, consolidation, renewal, exchanges, endorsements, issuance of duplicates thereof or issuance of new certificates or receipts or advices, as applicable, in cases of loss or old decrepit or worn out certificates or receipts or advices, as applicable, in dematerialised form within a period of thirty days from the date of such lodgement.

40. (3) On receipt of proper documentation, the listed entity shall register transfers of its securities in the name of the transferee(s) and issue certificates or receipts or advices, as applicable, of transfers; or issue any valid objection or intimation to the transferee or transferor, as the case may be, within a period of fifteen days from the date of such receipt of request for transfer:

Provided that the listed entity shall ensure that transmission requests are processed within seven days, after receipt of the specified documents:

Provided further that proper verifiable dated records of all correspondence with the investor shall be maintained by the listed entity.

[1] The 'text of SEBI Notification No. LAD-NRO/GN/2009-10/18/175577 dated September 04, 2009', the 'point 1 of Schedule 1 of Model agreement between the share transfer agent and the company as specified in RRTI Circular dated October 11, 1994' and 'RRTI Circular no.1 (2000-2001) dated May 09, 2001' are not reproduced for brevity.

RTA Regulations

9. (A) (1) (b) without prejudice to its obligations under any other law for the time being in force, it shall enter into a legally binding agreement with the body corporate or the person or group of persons for or on whose behalf it is acting as a registrar to an issue or a share transfer agent stating therein the allocation of duties and responsibilities between itself and such body corporate or person or group of persons, as the case may be

9. (A) (1) (e) it shall take adequate steps for redressal of grievances of the investors within twenty-one calendar days 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;

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.

SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007

4. (1) Subject to the provisions of this regulation, an associated person may obtain the certificate in any of the following manners, namely:-

(a) by passing a certification examination conducted by any organization or self-regulatory organization approved or engaged as may be specified by NISM from time to time; or

(b) by obtaining such number of classroom credits accumulated through attending classes on such subjects as may be specified by NISM from time to time; or

(c)by delivering such number of formal classroom sessions in all or specific programmes of continuing professional education as may be specified by NISM from time to time.

(2) An associated person being principal shall obtain the certificate in any of the manners specified in clause (a) or clause (b) or clause (c) of sub regulation (1).

(3) An associated person, other than a principal, who has attained the age of fifty years or who has atleast ten years experience in the securities markets in the activities mentioned in sub regulation (4) of regulation 3 on the date specified in the notification issued under sub regulation (1) of regulation 3, shall obtain the

certificate in the relevant category in the manner specified in clause (a) or clause (b) of sub regulation (1).

(4) An associated person other than those mentioned in sub regulation (2) or sub regulation (3) shall obtain the certificate in the manner specified in clause (a) of sub regulation (1).

5. (1) The certificate granted under regulation 3 shall be valid for a period of three years from the date of the grant of the certificate or revalidation thereof as the case may be.

(2)Upon expiry of the validity of certificate possessed by an associated person, the certificate shall be revalidated for a period of three years at a time, provided the associated person successfully completes a programme of continuing professional education specified by NISM in accordance with Chapter IV of these regulations.

6. No associated person engaged in any of the activities mentioned in clauses (a) to (f) of sub regulation (4) of regulation 3 shall continue to be so engaged after the date specified in sub regulation (1) or sub regulation (2) of regulation 3, as the case may be, unless such associated person holds a valid certificate.

9. (2) No intermediary shall permit any associated person to continue and no associated person shall continue to perform duties as an associated person unless such person has complied with the requirements specified by NISM under sub regulation (1) within 3 years from the date of obtaining the certificate or revalidation thereof.

10. (1) Each intermediary shall be responsible to ensure that its associated persons participate in a programme of continuing professional education approved by NISM under sub regulation (1) of regulation 9.

(2) Associated persons shall take all appropriate and reasonable steps to participate in a programme of continuing professional education as required by the intermediary.

Schedule III (Code of Conduct) of RTA Regulations.

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.

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.

Clause (a) and (b) of point 1 "Specific Activities" of Schedule I of SEBI Circular "Instruction to Registrars to an Issue/Share Transfer Agents" dated October 11, 1994.

1.SPECIFIC ACTIVITIES

a. STA will receive and attend promptly correspondence received from shareholders/ debenture holders / company / stock exchanges / SEBI / other bodies and will segregate the inward mail as transfer requests, request for endorsements as fully paid-up, receipt of call money, request for change of address, transmission, transposition, deletion of name, other letters from investors.

It will inward the mail pertaining to request for transfer/transmission/ transposition/other request/complaints by maintaining inward register on a day to day basis and also affix stamp containing inward number and date of receipt on all transfer deeds/letter pertaining to above requests/complaints.

b. The company shall also maintain inward register to record the date of receipt of transfer requests/request for endorsement as fully paid up/correspondence from investors, SEBI/Stock Exchanges and relevant statutes. Company shall hand over all transfer requests/request for endorsement as fully paid up/other correspondence well in time under a covering letter to Transfer Agent. The receipt of above documents should be acknowledged by Transfer Agents.

Part II (Provisions with regard to Transfer / Transmission / Correction of Errors etc.") of the Annexure to SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018.

15. RTAs shall maintain a register containing details of records and documents destroyed. The register shall inter alia contain the following particulars: description of the records and documents destroyed, name of authority authorising the destruction, date of authorization of destruction, destroyed in whose presence (with signature) and date of destruction. The authenticity of the register shall be verified during internal audit. The register shall be maintained till perpetuity.

Clause 25(a) of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994.

25. The company and Transfer Agent shall maintain following documents and records pertaining to Transfer activities by way of hard copies and if required may be stored by way of tape drives in computers:

a) Check-list, inward register, transfer register, buyer / sellers register with net effect as on date of approval of transfer proposals, transfer deeds, specimen signature cards / signature captured on signature scanner, despatch register/ postal journal, objection memos, mandates, Power of Attorney/ Board Resolution, RBI Approval in case of NRI Jumbo Transfer Deeds in case of FIIs, Register of Members, Annual Returns / Return of Allotment, Interest/ Dividend Register.

Clause 8 of Annexure B of Model agreement between the share transfer agent and the company as specified in RRTI Circular dated October 11, 1994.

8. The company and the Transfer Agent agree to their functions, duties and obligations in respect of each activity relevant to the Share Transfer as specified in the Schedule I hereto. However, the following activities shall form part of the Transfer agent's functions and responsibility during the currency of this agreement.

i. Receipt of request for transfer, transmission, endorsement as fully paid-up, allotment/ call money, split, consolidation, change of address, issue of duplicate certificates in lieu of misplaced/ lost certificates.

ii. *Processing of requests for transfer, endorsement as fully paid-up, receipt of allotment / call money and other correspondence received in connection with transfer activities.*

iii. *After verification of transfer deeds, preparation of transfer proposals for approval of the transfer committee of the company, endorsement on the certificates.*

Despatch of transferred certificates to the transferees within the mandatory period as laid down in the Companies Act/ Listing Agreement

Draft Agreement in Annexure A of Schedule II in SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994

(*11) The Registrar will extend all help to the public representative deputed by SEBI. The Employees Quota shall be allotted to the persons given in the list by the company duly signed by the Managing Director / Company Secretary certifying that they are bona fide employees of the company. In the case of oversubscription allotment will be done in the presence of a SEBI representative and the Registrar will extend all facilities to complete allotment process smoothly and speedily. The company shall also extend necessary help to the Registrar in such matter.*

(12) The company agrees to hand over to the Registrar impression of the common seal at the time of clearing the art works of pre-printed share certificates.

(17) The Registrar shall redress complaints of the investors within one month of receipt of the complaint during the currency of the agreement and continue to do so during the period it is required to maintain records under the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 and the company shall extend necessary co-operation to the Registrar for its complying with the said Regulations.

SEBI Circular no. CIR/MIRSD/10/2013 dated October 28, 2013

2. iii. The timeline for processing the transmission requests for securities held in dematerialized mode and physical mode shall be 7 days and 21 days respectively, after receipt of the prescribed documents."

I. Whether the Noticee failed to comply with the provisions of the SEBI Act, Rules, Regulations and Circulars issued by SEBI during the inspection period?

A. Certification of Associate Persons

17. It is alleged in the SCN that the associate person, Mr. Radhey Shyam Jhanwar, director of the Noticee did not have the requisite NISM certification during the inspection period and post-inspection period.

18. In response to the above allegations, the Noticee in its reply dated December 13, 2023 has, *inter alia,* stated:

    *"It is respectfully submitted that **Mr. Radhey Shyam Jhanwar could not complete NISM Certification Exam** due to poor internet connection on that day and inadvertently pressed back/refresh button.*

    As we have other senior NISM certified persons in the senior capacity just one person not completing the exam should not be seen as a serious violation and keeping his age of 74 years this may please be condoned. We will arrange to get him take the certification as soon as possible and submit the compliance thereof. In view of the above Mr. Radhey Shyam Jhanwar has applied for giving the NISM Examination and we enclose the Admit Card of the examination scheduled for the 14th of December 2023 for your reference"

    (Emphasis supplied)

19. In this regard, I note that the Noticee has admitted that Mr. Radhey Shyam Jhanwar has not completed the requisite NISM Certification Exam during the inspection period as well as the post-inspection period. As regards the submission of the Noticee that "*Mr. Radhey Shyam Jhanwar could not complete the NISM Certification Exam due to a poor internet connection on the date of examination and he inadvertently pressed the back/refresh button"*, I note that the Noticee has not backed its claim with any evidence which supports these submissions of the Noticee. In the absence of any evidence to substantiate the said claims, these submissions cannot be accepted.

20. Further, I note that the Noticee has contended that "*as we have other senior NISM certified persons in the senior capacity just one person not completing the exam should not be seen as a serious violation and keeping his age of 74 years this may*

please be condoned". In this regard, I find that when the extant Regulations and Circulars, etc. have laid down the specific procedural requirements regarding the certification of an associate person, the said requirement must be adhered to. As noted above, it is an undisputed fact that Mr. Radhey Shyam Jhanwar was an associate person during the inspection period and hence, was required to possess the said NISM certification. In this context, it is noted that this submission of the Noticee cannot be accepted. Further, I also note that Mr. Radhey Shyam Jhanwar is "*applying for giving the NISM Examination"*, as per the submission of the Noticee.

21. In view of the above, I find that Noticee failed to ensure that its associated person i.e. Mr. Radhey Shyam Jhanwar has completed the mandatory NISM certification as alleged in the SCN. Accordingly, I conclude that Noticee has violated the SEBI Notification No. LAD-NRO/GN/2009-10/18/175577 dated September 04, 2009 read with Regulations 4, 5, 6, 9(2) and 10 of SEBI Certification of Associated persons in the Securities Market Regulations, 2007 and Clauses 3 and 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

B. Agreements / Tripartite agreement entered into by the RTA

22. It is alleged in the SCN that Clauses 11, 12 and 17 of the Draft Agreement as provided in Annexure A of Schedule II in SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994 (hereinafter referred to 'Draft Agreement') were missing from the agreements entered into by the Noticee with some of its clients.

23. The Noticee, in its reply dated December 13, 2023, has, *inter alia,* submitted as under:

    "We attach herewith amendments carried out in the said Agreements by way of exchange of letters.

    …

    We request your goodself to be considerate and condone this."

24. I note that the Noticee has not disputed the finding of the inspection in this regard. From the reply of the Noticee, it is noted that the Noticee has taken corrective measures in this regard by carrying out necessary amendments in the aforesaid

agreements. However, it is a fact that the aforesaid clauses were missing from the agreements as mentioned above.

25. Thus, it can be concluded that the Noticee has violated Regulation 9A(1)(b) of RTA Regulations read with Draft Agreement in Annexure A of Schedule II in SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994 and Clause 3 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

C. Inward Processing

26. It is alleged in the SCN that Noticee did not have any process for identifying or tagging documents which investors submit in continuation of their earlier submissions. Further, it is alleged that the inward processing system of the Noticee captured only the date of receipt of the original request letter from the investor and the subsequent correspondence of the investor was not captured. Since the latest date of the correspondence from the investor was not captured in the system, it gave timelines which were misleading. In this context, it is alleged that the system followed by the Noticee during the inspection for inward processing did not align with the extant Circulars and Regulations.

27. Noticee, in its reply to the SCN, has submitted as under:

    "Our Inward Processing system is based on the Folio No. of the Shareholder, and each and every letter sent by that particular shareholder is given a new inward number which would be a higher number then the inward number given to earlier letter.

    …

    The dispatch date/reply date of the last letter against that particular folio is subtracted from the date on which the shareholder had sent us all the required documents to our satisfaction and the result is the number of days taken for replying to the Investor Request ….

    Through this system we very easily get and maintain the trail of all correspondence done against that particular Folio. We can through this system find out the total days consumed in the entire process as well as the days taken *to finally complete the investor request after he has sent all the documents to our satisfaction to enable us to process his requests.*

During the time of inspection, in some cases an earlier letter date was marked inadvertently as the last received letter date and thus the report displayed exaggerated number of days taken for reply whereas the hard copy of the letter when examined by the Inspection team clearly had different dates then what was marked in the system which led them to believe that the system was faulty. In fact, they had told us verbally that MDPL has replied on time but the system is showing different date of reply which made them conclude that the system was faulty.

We reiterate that the Inward Processing system is ***robust but sometimes the person involved mentions the earlier letter date against the despatch date instead of the final letter received date which leads to incorrect outcome.*** *This is a clerical error and since then we are using utmost precaution and strengthened the system to enter the correct inward number thus, reducing the chances of incorrect calculation of number of days taken for resolution of the service request."* (Emphasis supplied)

28. From the reply of the Noticee, it is noted that the Noticee did not have a foolproof process for identifying or tagging documents which investors submitted in continuation of their earlier submission. From Noticee's submission, it is noted that the process of inward documents used by Noticee was susceptible to errors as in some cases the earlier letter date was marked as the last received letter date. I note that said errors would not have arisen if the Noticee had followed the system of tagging documents which aligned with the extant Regulations. Accordingly, the submission of the Noticee cannot be accepted. Though the Noticee has submitted that "*they had told us verbally that MDPL has replied on time"*, there is nothing on record to substantiate this submission.

29. Thus, it is established that the Noticee has violated Clause 25(a) of "Draft of Agreement between the STA and the Company" of Annexure B of Schedule II of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents" dated October 11, 1994, Clause (a) and (b) of Point 1, "Specific Activities" of Schedule I of SEBI Circular "Instruction to Registrars to an Issue/ share Transfer Agents"

dated October 11, 1994 and Clauses 2, 3 and 5 of Schedule III read with Regulation 13 of RTA Regulations.

D. Issuance of Duplicate Share Certificate and Transmission Request

30. It is alleged in the SCN that there was a delay in the issuance of duplicate share certificates in 27 (twenty-seven) cases. Further, it is alleged that Noticee has not processed the transmission request within the prescribed time limit in 6 (six) cases.
31. In this regard, the Noticee has, *inter alia,* submitted as under:

    "Srl No.6.4 – Issuance of Duplicate Share Certificate

    We submit that 27 no. of cases where delay has occurred which may please be condoned as the cases being 7.67% of the 353 Duplicate Cases handled during very difficult condition (COVID-19) and working with skeleton staff due to restrictions imposed by the State Government as also enhanced due diligence has to be exercised in case of handling duplicate issue of share certificate cases.

    Srl No.6. 5 – Transmission Request

    Here delay of 1-5 days in 6 cases have been reported by the Inspection Team. 6 out of 292 cases works out to around 2% and considering the delay of 1-5 days could have taken place due to weekend/festival holiday/non availability of staff at our end/Co's end due to restriction imposed by State Government."
32. From the reply of the Noticee, I note that it is an undisputed fact that there has been delay in processing of the Duplicate Share Certificate and Transmission Request requests. With regard to the contention of the Noticee that the problems arose due to COVID-19, I note that SEBI had provided relaxation in adherence to prescribed timelines for processing Duplicate Share Certificate requests and Transmission requests on account of COVID–19. I find that despite the said relaxations, the Noticee was in breach of the prescribed timelines.
33. Therefore, I find that the Noticee has violated Regulation 39(2) of LODR Regulations read with Regulation 7 (1) and 7(2) of LODR Regulations, Clause 8 of Annexure B and point 1 of Schedule I of Model agreement between the share transfer agent and the company as specified in RRTI Circular dated October 11, 1994, RRTI Circular no.1 (2000-2001) dated May 09, 2001 and Clauses 2 and 5 of

Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations for delay in issuance of duplicate share certificate. Further, it is established that the Noticee has violated Regulation 40(3) of LODR Regulations, Paragraph 2(iii) of SEBI Circular no. CIR/MIRSD/10/2013 dated October 28, 2013 and Clauses 2 and 5 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations for its delay in processing transmission request.

E. Change of Address (hereinafter referred to as 'COA') Request

34. It is alleged in the SCN that the Noticee has not processed 254 (two hundred fifty-four) COA requests within the prescribed time limit during the inspection period.
35. In this regard, the Noticee has, *inter alia,* submitted as under:

Table 2

Period	***Timelines as per PIA***	***Allegation in PIA***	***Reply of Noticee***
April 2021 to December 2021	*The timeline for redressal of investor complaints was 30 days in terms of regulation 9 a (e) of SEBI, RTA Regulations, 1993. Further, for processing various requests received from clients during the above periods, the timeline was extended by 21 days due to the Covid -19 Pandemic. Therefore, 51 days have been considered for requests received till December 2021*	*Noticee was found non compliant for 42 cases.*	*We have been adhering to the time line as prescribed by SEBI and we draw your kind attention to SEBI circular SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated 3rd November,2021 and clarification issued vide circular no. SEBI/HO/MIRSD_RTAMB/P/CIR/2021/687 dated December,14,2021 para 2.5.2 – "RTA's shall forthwith send intimation about request for change in address to the holder at both the old and new addresses by Speed Post, providing, timeline of 15 days for raising objection, if any". As such time line should commence after expiry of said 15 days which is a well settled principle that the timeline of service request will commence upon receipt of complete set of documents which in this case could be an objection and for that we have to wait for 15 days before commencing the work. In fact for sending out the intimation at old and new address we are getting only 11 effective working days as 2 days are for inward processing and marking and 2 days to be given for the service of intimation. We therefore humbly pray that we should be allowed 15 effective working days. Therefore timeline has to be accordingly considered by giving additional 19 days (15+4) thereof from the date of Service Request of COA. Thus, period of 51 days as mentioned in SCN + 19 days that is 70 days should be the timeline for completing the COA request during the said period. Based on the above calculation there was no delay in 19 cases.*

			Furthermore, in 8 cases the date of entry was incorrect and thus they should not be counted as factually delayed. *Therefore, the number of cases where delay has taken place is 15 and not 42.*
January 2022 to June 2022	*In terms of SEBI Circular, dated November 26, 2021 on Investor Charter, RTA is required to process COA requests in 15 days. Further, for processing various requests, received from clients during the above period, the timeline was extended by 30 days due to the Covid- 19 Pandemic. Therefore, while determining the delay in processing the COA requests, 45 days have been considered for requests received from January 2022 to June 30, 2022.*	*Noticee was found Non Complaint for 203 cases*	*We have been adhering to the time line as prescribed by SEBI and we draw your kind attention to SEBI circular SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated 3rd November,2021 and clarification issued vide circular no. SEBI/HO/MIRSD_RTAMB/P/CIR/2021/687 dated December,14,2021 para 2.5.2 – " RTA's shall forthwith send intimation about request for change in address to the holder at both the old and new addresses by Speed Post, providing, timeline of 15 days for raising objection, if any". As such time line should commence after expiry of said 15 days which is a well settled principle that the timeline of service request will commence upon receipt of complete set of documents which in this case could be an objection letter and for that we have to wait for 15 days before commencing the work.* *In fact for sending out the intimation at old and new address we are getting only 11 effective working days as 2 days are for inward processing and marking and 2 days to be given for the service of intimation. We therefore humbly pray that we should be allowed 15 effective working days. Therefore timeline has to be accordingly considered by giving additional 19 days (15+4) thereof from the date of Service Request of COA. Thus, 45 + 19 days that is 64 days should be the timeline for completing the COA request during the said period.* *Based on the above calculation there was no delay in 117 cases.* *Moreover, in 26 cases there was a delay of just 1 – 5 days thus, we request you to condone the same.* *Thus the delay has taken place in 86 cases.*
July 2022 to November 2022	*While determining the delay in processing the COA requests, the Timeline of 15 days has been taken for the requests received from July 2022 to November 2022 in terms of SEBI Circular, dated November 26, 2021 on Investor Charter.*	*Notice was found Non Compliant for 9 cases.*	*There was a delay in 9 cases although in 6 cases there was a delay of 1- 6 days only.*

In view of the above the delay is in 108 cases which is less then 4% of the total 2486 cases handled by us."

36. In this regard, I note the following as under:

For the period from April 2021 to December 2021

36.1. For this period, 51 days have been considered in the SCN for computation of delay in processing of the COA request. It is alleged in the SCN that Noticee was non compliant for 42 cases.

36.2. In this regard, I note that the Noticee has placed reliance on the SEBI Circular no. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated November 03, 2021 (hereinafter referred to as '**Circular dated November 03, 2021'**) and clarification issued vide circular no. SEBI/HO/MIRSD_RTAMB/P/CIR/2021/687 dated December 14, 2021. hereinafter referred to as '**Circular dated December 14, 2021'**).

36.3. It is pertinent to mention that paragraph 8 of the said Circular dated November 03, 2021, *inter alia,* provides as under:

> *"8. **This circular shall come into effect from January 01, 2022** and its provisions shall supersede provisions of previous circulars of SEBI in this regard."* (Emphasis supplied)

36.4. Thus, the above Circular is applicable only from January 01, 2022. Hence, the submissions of the Noticee in this regard cannot be accepted. In this context, I note that 51 days have to be considered for determining the delay in processing the COA request in this period from April 2021 to December 2021.

36.5. Further, the Noticee has submitted that "in 8 cases the date of entry was incorrect and thus they should not be counted as factually delayed". In this regard, I note that the Noticee has submitted certain documents. From the perusal of the said documents, I note the following:

Table 3

Sl. No.	Company Name*	Date of Receipt	Approval Date	Folio No.	Time Allowed	Observation
1.	C…	10/02/2022	21/03/2022	2573	51 days	Noticee has processed the request within the stipulated period.
2.	T…	11/07/2022	08/08/2022	9500009	51 days	Noticee has processed the request within the stipulated period.

3.	M…	19/04/2022	13/06/2022	MT0690	51 days	Noticee has processed the request in 55 days. Hence, there was a delay on the part of Noticee.
4.	E…	30/06/2022	28/07/2022	J00735	51 days	Noticee has processed the request within the stipulated period.
5.	T…	07/02/2022	02/04/2022	23444	51 days	Noticee has processed the request in 54 days. Hence, there was a delay on the part of Noticee.
6.	K…	21/06/2021	23/08/2021	3083	51 days	Noticee has processed the request in 63 days. Hence, there was a delay on the part of Noticee.
7.	E…	27/08/2021	15/09/2021	M928971	51 days	Noticee has processed the request within the stipulated period.
8.	K…	26/08/2021	05/10/2021	11943	51 days	Noticee has processed the request within the stipulated period.

**Company Name excised for confidentiality.*

36.6. From the aforesaid table, I note that the Noticee has delayed the processing of the COA request in 3 out of the above 8 instances.

36.7. Therefore, for the period from April 2021 to December 2021, Noticee is found to be non-compliant with the prescribed timelines in 37 cases.

For the period from January 2022 to June 2022

36.8. For this period, a period of 45 days has been considered in the SCN for computation of delay in processing of the COA request. It is alleged in the SCN that Noticee was non compliant for 203 cases.

36.9. In this regard, I note that the Noticee has placed reliance on the SEBI Circular dated November 03, 2021 and Circular dated December 14, 2021. In this regard, the Noticee has, *inter alia,* submitted that:

"We have been adhering to the time line as prescribed by SEBI and we draw your kind attention to SEBI circular SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated 3rd November,2021 and clarification issued vide circular no.

SEBI/HO/MIRSD_RTAMB/P/CIR/2021/687 dated December,14,2021 para 2.5.2 – RTA's shall forthwith send intimation about request for change in address to the holder at both the old and new addresses by Speed Post, providing, timeline of 15 days for raising objection, if any". As such time line should commence after expiry of said 15 days which is a well settled principle that the timeline of service request will commence upon receipt of complete set of documents which in this case could be an objection letter and for that we have to wait for 15 days before commencing the work."

36.10. I note that paragraph 2.5.2. of the Circular dated November 03, 2021, *inter alia,* provides as under:

"2.5.2. ***RTAs shall forthwith send intimation about the request for change in address to the holder at both the old and new addresses by Speed post, providing, timeline of 15 days for raising objection, if any.***

a)In the absence of any objection, the request shall be processed.

b)If any one of the letter returns undelivered or if there is an objection, the RTA shall obtain any one of the documents mentioned above reflecting the old address as available in the folio or counterfoil of dividend warrant received from the company or bank statement showing credit of dividend."

(Emphasis supplied)

36.11. Accordingly, I note that the Noticee is eligible for further period of 15 days while processing the COA request in terms of the above SEBI Circular.

36.12. The Noticee has, further, submitted as under:

"In fact for sending out the intimation at old and new address we are getting only 11 effective working days as 2 days are for inward processing and marking and 2 days to be given for the service of intimation. We therefore humbly pray that we should be allowed 15 effective working days. Therefore, timeline has to be accordingly considered by giving additional 19 days (15+4) thereof from the date of Service Request of COA."

36.13. I note that such a contention on the part of the Noticee cannot be accepted, as it is clear from the said Circulars that the RTA has to provide a timeline of only 15 days for raising an objection, if any.

36.14. In this background, I note that 60 days (45 days + 15 days) can be considered for determining the delay in processing the COA request in the period from January 2022 to June 2022. In this background, I find that the Noticee has delayed the processing of COA requests in 110 cases in the period from January 2022 to June 2022.

For the period from July 2022 to November 2022

36.15. For this period, 15 days have been considered in the SCN for computation of delay in processing of the COA request. It is alleged in the SCN that Noticee was non compliant for 9 cases.

36.16. In this regard, Noticee has admitted that there was a delay in 9 cases while processing the COA Request.

36.17. Thus, for the period from July 2022 to November 2022, Noticee is found to be non-compliant with the prescribed timelines in 9 cases.

37. In light of the above, it is established that the Noticee has not processed the COA request within the prescribed timelines in 156 cases. Accordingly, I find that the Noticee has violated Regulation 9A(1)(e) of RTA Regulations, Clause I (a) of Schedule I to the draft agreement between the share transfer agent and the company as specified in SEBI RRTI Circular No. 1 (94-95) dated October 11, 1994 and Clause 2 of the Code of Conduct as specified under Regulation 13 of RTA Regulations.

F. Change of Bank (hereinafter referred to as 'COB') Account Details Request

38. It is alleged that Noticee breached the prescribed timelines for processing the COB account details requests in 513 (five hundred thirteen) cases during the inspection period.

39. The Noticee in its reply as stated as under**:**

"The delay cases have increased due to receipt of bulk KYC updation requests during that period and intermittent absentisem due to COVID-19 and State Govt's restrictions to work at 50% staff the delay has occurred.

As such this delay is due to the circumstances beyond our control."

40. It is noted from the material available on record that the delay has not been disputed and it has occurred in 513 cases which constitutes 28.5% of the total COB Account requests handled by the Noticee during the inspection period.

41. Therefore, I find that the Noticee has violated Regulation 9A(1)(e) of RTA Regulations, Clause I (a) of Schedule I to the draft agreement between the share transfer agent and the company as specified in SEBI RRTI Circular No. 1 (94-95) dated October 11, 1994 and Clause 2 of the Code of Conduct as specified under Regulation 13 of RTA Regulations.

G. Maintenance of register for record of destruction of documents

42. It is alleged that the log of destroyed certificates that the Noticee shared with the inspection team did not have the following details as mandated in SEBI Circular dated April 20, 2018:

    i. Name of authority authorizing the destruction,
    ii. Date of authorization of destruction and
    iii. Destroyed in whose presence (with signature)

43. Noticee in its reply has, *inter alia,* submitted as under:

    "… However, certain information was missing and the said information has been duly incorporated.

    The observation of the Inspection Team has since been followed and adopted. …"

44. In this context, I note that the Noticee has admitted that its register of the destruction of the documents did not include all the relevant details as mandated under extant Circulars and Regulations during the inspection period. Further, I note that the Noticee has not adduced any reason why the relevant information was missing. I note from the reply of the Noticee that it has taken corrective measures regarding its practices about maintenance of the register for record of the destruction of documents.

45. Thus, it is established that the Noticee has violated Clause 15 of Part II (Provisions with regard to Transfer / Transmission / Correction of Errors etc.) of the Annexure to SEBI Circular dated April 20, 2018 and Clauses 2, 3 and 16 of Schedule III (Code of Conduct) read with Regulation 13 of RTA Regulations.

II. Does the violation, if any, on the part of Noticee attract a monetary penalty under section 15HB of the SEBI Act?

46. As it has been established that the Noticee has violated the provisions of law as alleged in the SCN, the Noticee is liable for payment of a monetary penalty in terms of Section 15HB of the SEBI Act.

47. The text of the above said Section 15HB of the SEBI Act is reproduced below:

SEBI Act

"15HB. Penalty for contravention where no separate penalty has been provided.

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board 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."

III. If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act?

48. While determining the quantum of penalty under Section 15HB of the SEBI Act, the following factors stipulated in Section 15J of the SEBI Act have to be given due regard:

SEBI Act

"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 investors as a result of the default;

(c) the repetitive nature of the default."

Factors Considered While Imposing Penalty

49. I note that there is no finding on record that brings out that the activities of the Noticee have caused loss to any client or have impacted the securities market in any manner. However, there can be no dispute regarding the fact that delay in processing of requests by investors within the prescribed timelines can affect the genuine rights of investors. Further, no material has been brought on record to prove any undue gain to the Noticee.

50. I note that penalties have been imposed by SEBI on the Noticee earlier for similar violations. Such repetitive violations by the Noticee show that Noticee had not given sufficient attention to the deficiencies pointed out in the earlier inspections.

51. I note that the Regulations and Circulars, etc. have laid down the specific procedural requirements that must be adhered to, especially by a SEBI registered intermediary. In this regard, I note that the Hon'ble Securities Appellate Tribunal in the matter of **Premchand Shah and Others v. SEBI** decided on February 21, 2011, *inter-alia*, held as under: *"...When a law prescribes a manner in which a thing is to be done, it must be done only in that manner..."*

52. In this regard, I note that the above violations by the Noticee exhibits deviation from the applicable provisions. An RTA as a SEBI registered intermediary is expected to fulfil its obligations in a prompt, ethical and professional manner. The non-adherence on the part of the Noticee to the extant Regulations, Circulars, etc. as brought out in the preceding paragraphs clearly shows that it is found wanting in various investor-related activities.

53. I have taken note of the fact that the period of inspection also includes the period when the COVID–19 was at its peak. Further, it is noted that the Noticee, in its replies, has stated that it has taken corrective measures to address the deficiencies. However, it cannot be ignored that the SEBI had imposed monetary penalties for similar violations and some of the violations are repetitive in nature. It

is also noted that in the instant matter the violations have been under eight various categories.

54. The aforementioned factors have been taken into consideration while adjudging the penalty.

ORDER

55. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in preceding paragraphs and in the exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a monetary penalty on the Noticee as given in the table below:

Table 4

Noticee	Penalty under Section	Penalty Amount (Rs.)
Maheshwari Datamatics Private Limited	Section 15HB of the SEBI Act	Rs. 6,00,000/- (Rupees Six Lakhs only)

56. I am of the view that the said penalty is commensurate with the lapses/omissions on the part of Noticee.

57. Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order through the 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.

58. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to Noticee and also to the Securities and Exchange Board of India.

Date: December 29, 2023 **N HARIHARAN**

Place: Mumbai **ADJUDICATING OFFICER**