BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/AK/VP/2022-23/21949

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

MAHESHWARI DATAMATICS PVT. LTD

PAN: AADCM6570H

RTA REGISTRATION NUMBER: INR000000353

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1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) had conducted an inspection of the books of accounts and other records of Maheshwari Datamatics Private Limited (hereinafter referred to as **'Noticee'**), which is registered with SEBI as a Registrar to an Issue and Share Transfer Agent (**RTA**), from December 16-20, 2019 and examined the Noticee's compliance with various regulatory norms prescribed by SEBI. The period of inspection was from April 01, 2018 to November 30, 2019. On the basis of said inspection and the findings thereof, it was alleged that the Noticee has violated the following provisions:

   i. Section 14(3) of The Depository Act, 1996,
   ii. Provisions of Regulation 53A of SEBI (Depositories and Participants) Regulations, 1996 (hereinafter referred to as "**DP Regulations, 1996**") r/w Regulation 71 of SEBI (Depositories and Participants) Regulations, 2018 (hereinafter referred to as "**DP Regulations, 2018**"),
   iii. Regulation 54(5) of DP Regulations, 1996 r/w Regulation 74(5) of DP Regulations, 2018,

iv. Regulation 40 (3) and Regulation 39 (2) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations**"),
v. Regulation 14(3) of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations 1993 (hereinafter referred to as "**RTA Regulations**"),
vi. Clause 2 (vii) with respect to the Records and documents to be maintained by STA prescribed under RRTI Circular No. 1 (94-95) dated 11/10/1994,
vii. Clause 1, 2, 3 & 5 of the Code of Conduct as specified under Regulation 13 of RTA Regulations,
viii. SEBI RRTI Circular no. 1 (2000-2001) dated May 09, 2001,
ix. SEBI circular no. CIR/MIRSD/8/2012 dated July 05, 2012,
x. SEBI Circular no. CIR/MIRSD/10/2013 dated October 28, 2013,
xi. SEBI RRTI Circular No.1 (99-2000) dated May 20, 1999.

APPOINTMENT OF ADJUDICATING OFFICER

2. Upon being satisfied that there were sufficient grounds to inquire and adjudicate upon the violation of provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act"**) Rules and Regulations made thereunder by the Noticee, SEBI, in exercise of powers u/s 15-I of the SEBI Act and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**Adjudication Rules**"), appointed Ms. Geetha G, as the Adjudicating Officer (**AO**), vide order dated April 07, 2022, to inquire into and adjudge u/s 15-I r/w section 15HB of the SEBI Act, the alleged violations by the Noticee. Pursuant to the transfer of Ms. Geetha G, SEBI appointed me as Adjudicating Officer, vide order dated August 29, 2022, to inquire into and adjudge u/s 15-I r/w section 15HB of the SEBI Act, the alleged violations by the Noticee.

SHOW CAUSE NOTICE REPLY AND HEARING

3. Show Cause Notice (hereinafter referred to as "**SCN**"), dated September 09, 2022, was issued to the Noticee, under rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be initiated against it and why penalty should not be imposed against it u/s 15HB of the SEBI Act, for the violations brought out against the Noticee as alleged in the SCN.

4. The Noticee replied to the SCN, vide letter dated 19.10.2022. In the interest of natural justice, an opportunity of hearing was granted to Noticee on 20.10.2022, vide Hearing Notice dated 06.10.2022. The Noticee, vide email dated 18.10.2022, citing medical issues, requested three weeks' time for the hearing. The request of the Noticee was accepted and the hearing was rescheduled for 11.11.2022. Shri. R.S. Jhawar, Director of the Noticee and Shri Shashikant Jhawar appeared before me on behalf of the Noticee, reiterated the submissions made vide letter dated 19.10.2022 and submitted that further written submissions would be made within 15 days along with supporting documents. Subsequently, the Noticee, vide letter dated 26.11.2022, gave further submissions.

FINDINGS OF INSPECTION

5. The main findings against the Noticee, during the inspection, were with respect to the following;

   5.1. Non-Compliance with Common Agency Requirements
   5.2. Delay in Physical Transfer of Shares
   5.3. Issue of Duplicate Shares
   5.4. Transmission Shares
   5.5. Dematerialization of Shares
   5.6. Rematerialization of Shares

CONSIDERATION OF ISSUES AND FINDINGS

6. I have perused the submissions put forth by the Noticee regarding alleged violations stated in the SCN. The issues that arise for consideration is are under:

   i. Whether the Noticee has committed the violations as brought out in the SCN?

   ii. If yes, whether the violations, if any, attract monetary penalty u/s 15HB of the SEBI Act?

   iii. If so, what quantum of monetary penalty should be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?

Issue I. Whether the Noticee has committed the violations brought out in the SCN?

7. The relevant provisions allegedly violated by the Noticee are as under: -

<u>Depository Act, 1996</u>

Option to opt out in respect of any security.

14. *(3) Every issuer shall, within thirty days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee, as the case may be.*

<u>DP Regulations, 1996 & DP Regulations, 2018</u>

Manner of handling share registry work

53A r/w 71. All matters relating to transfer of securities, maintenance of records of holders of securities, handling of physical securities and establishing connectivity with the depositories shall be handled and maintained at a single point i.e. either in-house by the issuer or by a Share Transfer Agent registered with the Board.

Manner of surrender of certificate of security

54 (5) r/w/ 74. (5) Within fifteen days of receipt of the certificate of security from the participant the issuer shall confirm to the depository that securities comprised in the said certificate have been listed on the stock exchange or exchanges where the earlier issued securities are listed and shall also after due verification immediately mutilate and cancel the certificate of security and substitute in its record the name of the depository as the registered owner and shall send a certificate to this effect to the depository and to every stock exchange where the security is listed: Provided that in case of unlisted companies the condition of listing on all the stock exchanges where earlier issued shares are listed, shall not be applicable.

LODR Regulations

Issuance of Certificates or Receipts/Letters/Advices for securities and dealing with unclaimed securities.

***39.** (2) The listed entity shall issue 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 within a period of thirty days from the date of such lodgement.*

Transfer or transmission or transposition of securities.

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 for securities held in dematerialized mode and physical mode within seven days and twenty one days respectively , 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.*

<u>RTA Regulations</u>

14. To maintain proper books of accounts and records, etc. *—*

(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:-

(a) list of holders of securities of such body corporate;

(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.

<u>CODE OF CONDUCT</u> *<u>(Regulation 13)</u>*

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.

RRTI Circular No. 1 (94-95) dated 11/10/1994

Records to be maintained by registrar to an issue / share transfer agent

2(vii). In pursuance of the powers conferred upon SEBI by regulation 14(2)(h) and regulation 14(3)(C) of the Regulations, it is hereby stipulated that in addition to the books, records and documents stipulated in regulation 14(1), 14(2) and 14(3) the following records and documents shall also be maintained by the RTA/STA in hard copy / magnetic media. Specimen signature cards and transfer deeds.

8. I shall now proceed to deal with the allegations made in the SCN, as under;

8.1 Non-Compliance with Common Agency Requirements

8.1.1 I note from the SCN that, Noticee was non-compliant in 224 out of 236 clients' companies it was servicing. Out of these 224 client companies for which Noticee was non-compliant in signature holding, Noticee did not have specimen signatures of at least a single shareholder w.r.t. 56 client companies. In the rest 168 companies out of these 224 companies Noticee did not maintain 100% signatures. Out of the cited 168 client companies where Noticee had a partial signature available, as under:

Particulars	No of clients companies
Signatures available for more than 90%<100% of the folios	67
Signatures available for more than 80%<90% of the folios	19
Signatures available for more than 70%<80% of the folios	8
Signatures available for more than 60%<70% of the folios	13
Signatures available for more than 50%<60% of the folios	6

Signatures available for more than 40%<50% of the folios	9
Signatures available for more than 30%<40% of the folios	6
Signatures available for more than 20%<30% of the folios	13
Signatures available for more than 10%<20% of the folios	13
Signatures available for more than 1%<10% of the folios	13
Signatures available for < 1% of the folios	1

8.1.2 It was found that without signature cards, the Noticee was processing shareholder requests with respect to transfer, demat, remat, duplicate, etc. Noticee had allegedly not taken sufficient steps with respect to the restoration of signature cards of the shareholders of the 56 client companies which can lead to the fraudulent transfer of shares without knowledge of the Noticee.

8.1.3 Since Noticee had been carrying out share transfer activities received from the shareholders without having specimen signature of the shareholders, it was alleged that Noticee has violated Regulation 53A of SEBI DP Regulations, 1996 r/w Regulation 71 of DP Regulations, 2018, Regulation 14(3) of RTA Regulations, Clause 2(vii) with respect to the Records and documents to be maintained by STA prescribed under RRTI Circular No.1 (94-95) dated 11/10/1994 and Clause 1, 2 & 3 of the Code of Conduct as specified under Regulation 13 of SEBI RTA Regulations.

8.1.4 I note that the Noticee has submitted the following with respect to the above;

- that out of 56 companies, it did not transfer even a single physical transfer in the said companies during the period of inspection;

- that 45 out of the above 56 companies were listed on Calcutta stock exchange only where there is no trading activity for approximately last 10 years;

- that despite various requests by the companies through their AGM Notice the shareholders did not respond or were not inclined to update their signatures and other details with the Company.

- that a few companies were incorporated more than 50 years back and were not having signatures and wherever signatures were available, the papers have decayed and in such a state that it cannot be parted with by the companies.

- that only 86 demat request have been effected and those have been done after verification of signatures by the bankers of the investors and/or by the Company and there was not a single case with regard to fraud and/or wrong transfer and/or wrong demat in the Companies till date.

- that the transfers have been effected on the basis of signatures available or after signature were verified by the Companies concerned or after signature verification done by the transferor's bank and consequent to the above precautionary measures have been taken by the Noticee.

- that they had preserved and taken use of all signature cards given by the clients by scanning the same. Companies have been formed well before the SEBI Regulation came into force and as such the signature cards were either in a very dilapidated condition or were not available with the client Companies although it was the duty of the client Companies to hand over all the signature cards to the Noticee.

- that pursuant to the enforcement of SEBI Circular dated 03.11.2021, the chances of any fraudulent activity was impossible as any service request from the physical shareholders shall be entertained only after the full KYC norms were compiled.

8.1.5 I note that as per provisions of Regulation 53A of SEBI DP Regulations, 1996, all matters relating to transfer of securities, maintenance of records of holders of securities, handling of physical securities and establishing connectivity with the depositories shall be handled and maintained at a single point i.e. either in-house by the issuer or by a Share Transfer Agent registered with the Board. Regulation 71 of DP Regulations, 2018 deals with the manner of handling shares registry work which is similar to the provisions of Regulation 53A SEBI DP Regulations, 1996. Regulation 14(3) of RTA Regulations states that, RTA agent shall maintain the following records in respect of a body corporate on whose behalf they were carrying on the activities as share transfer agent namely:-(a) list of holders of securities of such body corporate; (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. Further, I note from Clause 2 (vii) of RRTI Circular No.1 (94-95) dated 11/10/1994 that additional responsibility has been put on RTA that they are required to maintain hard copy/ magnetic media records of with respect to copies of basis of allotment approved by Stock Exchange. Further, Clause 1, 2 & 3 of the Code of Conduct as specified under Regulation 13 of RTA Regulations that, an RTA shall maintain high standards of integrity in the conduct of its business. Further, RTA shall fulfill its obligations in a prompt, ethical and professional manner and thirdly an RTA shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.

8.1.6 I note the Noticee has submitted that out of 236 companies which are clients of the Noticee, there were 68 more companies over and above 45 which are part of sample of 56 companies i.e., 45+68 (total of 113 companies), which were listed at Calcutta Stock Exchange where there was no trading activity for approximately last 10 years at CSE. I note that although Noticee has submitted that the transfers have been effected on the basis of signatures available or after signature were verified by the Companies concerned or after signature verification done by the transferor's bank demat and demat request have been effected after verification of signatures by the bankers of the investors and/or by the Company, the Noticee has not provided any proof of the same. I note that even if there has not been a single case of either wrong transfer or fraud, it does not absolve the Noticee to comply with the applicable provisions.

8.1.7 In view of the above, the violation of Regulation 53A of SEBI DP Regulations, 1996 r/w Regulation 71 of DP Regulations, 2018, Regulation 14(3) of RTA Regulations, Clause 2(vii) with respect to the Records and documents to be maintained by STA prescribed under RRTI Circular No.1 (94-95) dated 11/10/1994 and Clause 1, 2 & 3 of the Code of Conduct as specified under Regulation 13 of SEBI RTA Regulations by the Noticee stands established.

8.2 Delay in Physical Transfer Of Shares

8.2.1 I note from the SCN that, Noticee had received 13,027 requests across 131 companies for physical transfer of shares. Out of this 13,027 requests, 642 requests were processed beyond the specified timeline. From a random sample of 333 requests with respect to 10 companies, the following was observed:

Sr No.	Company Name	Number of requests received during inspection period as submitted by Noticee vide questionnaire	Number of requests produced before the inspecting team	Delay observed in how many cases	Range of delay
1	KRYPTON INDUSTRIES LTD	154	70	64	13-32 days
2	EVEREADY INDUSTRIES INDIA LTD	594	65	50	1-40 days
3	MCLEOD RUSSEL INDIA LIMITED	870	60	39	1-45 days
4	UNIVERSAL PRIME ALUMINIUM LIMITED	119	50	50	14-15 days
5	HALDER VENTURE LTD.	51	29	29	14 days
6	LONGVIEW TEA COMPANY LIMITED	73	18	18	1-13 days
7	OVOBEL FOODS LTD.	50	12	12	6-15 days
8	DHUNSERI VENTURES LIMITED	79	11	11	3-12 days
9	SHALIMAR WIRES INDUSTRIES LTD.	73	10	10	3-5 days
10	DHUNSERI INVESTMENTS LTD	3996	8	8	3-14 days
	Total	6059	333	291	

8.2.2 I note that during the inspection, Noticee had claimed that the delay was on part of client companies for approval of transfers or delay return of signed share certificates after approval, however, Noticee in its reply to inspection team did not enclose any communication with their clients to prove that it had actually followed up the cases with the companies. Hence, it was alleged that, the Noticee had not complied with Regulation 40(3) of LODR Regulations, RRTI Circular no.1 (2000-2001) dated May 09, 2001, SEBI circular no. CIR/MIRSD/8/2012 dated July 05, 2012 and Clause 2 & 5 of Code of Conduct prescribed under Regulation 13 of RTA Regulations.

8.2.3 I note from Regulation 40(3) of LODR Regulations that, on receipt of proper documentation, the listed entity (Company) is mandatorily required to register transfer 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. In respect of transmission requests the listed entity is mandatorily required to processes the same within 21 days after receipt of the specified documents. Listed entities are also required to maintain proper verifiable dated records of all correspondence with the investor. I note from the provisions of RRTI Circular no.1 (2000-2001) dated May 09, 2001 that, SEBI has issued guidelines on General norms for processing of documents, norms for processing of transfers and norms for objection and directed all registered RTAs and listed companies to follow these guideline and formats. I note from the said guideline that the Noticee was mandatorily required to issue receipt/ acknowledgement in the prescribed format in favour of the transferor of receipt of transfer documents in its office and post it to the transferee, latest within 7 working days of its receipt, at their address mentioned on the Transfer Deed/s. I note that it is also stated in the said circular that, where the signature of the transferor tallies with the records of the Company/ STA, the Company/ STA shall normally transfer the shares within 7 working days of the Board meeting /Transfer Committee meeting/ Approval by the official authorized to transfer shares and in any case within a period not exceeding 30 days. From the above provisions, I note that in any case the transfer of shares process is mandatorily required to complete within 30 days and if there is any delay, responsibility is caste upon the Company/ STA, whereby the rights of the transferee are affected, shall solely rest on the Company/ STA. I note from SEBI circular no. CIR/MIRSD/8/2012 dated July 05, 2012 that the time line for registering the transfer of shares was reduced from 30 days to 15 days.

8.2.4 I note from the reply of the Noticee that it had strongly relied on SEBI circular dated 06.11.2018. I note that it is stated in the said circular that, it has been brought to the notice of SEBI that RTAs are seeking various documents for effecting transfer of securities and the documents sought vary across RTAs. SEBI has also received representations, highlighting difficulties faced by transferees in providing these documents. It was stated where there are Major mismatch/ Non-availability of transferor's signature the RTAs should take extra efforts to contact the transferor. Thereafter, in case of non-delivery of the objection memo to the transferor or non-cooperation by/ inability of the transferor to provide the required details to the transferee, company/ RTA shall register the transfer after following the procedure laid in the said circular. I note that it is also stated in the said circular that, companies / RTAs shall publish an advertisement in at least one English language national daily newspaper having nationwide circulation and in one regional language daily newspaper published in the place of registered office of the listed entity is situated, giving notice of the proposed transfer and seeking objection, if any, to the same within a period of 30 days from the date of advertisement.

8.2.5 I note from the said circular if there is issue regarding non-delivery of the objection memo to the transferor or there is non-cooperation by / inability of the transferor to provide the required details to the transferee, company/ RTA, in such case the RTA has to collect indemnity bond, copy of address proof -

Passport / Aadhar Card / Driving License of the transferee. Collect an undertaking from transferee that the transferee will not transfer/ demat the physical securities until the lock-in period 6 months is completed. Collect names of the transferor, transferee and number of securities transferred under this procedure shall be disclosed on the company's website for a period of 6 months from the date of transfer.

8.2.6 I note that the Noticee has submitted that out of the instance given at para 8.2.1 above, in respect of the Companies i.e., Krypton Industries Ltd., Universal Prime Aluminium Ltd., Halder Ventures Ltd. and Ovobel Foods Ltd., Dhunseri Ventures Ltd., Dhunseri Investments Ltd, Shalimar Wires Industries Ltd, Longview Tea Co.Ltd., the transfers in all the instances were effected within 30 days since all the Transfer Deeds in those cases were covered under SEBI circular dated November 06, 2018 and as such the transfers were effected within the permissible limit of 30 days as per the above circular. Consequently, there has no delay in the above 4 cases.

8.2.7 I note that the Noticee has submitted that, it will not be out of place to mention that out of 13,027 cases received for transfer during the inspection period only 291 cases were found delayed by the Inspection Team but as per the annexure attached with the reply, only 74 cases were delayed, which works out 0.57%. I note that Noticee has provided details of these 74 cases, vide reply dated 26.11.2022. I note from the said annexure that in most of the cases, the delay of the part of company was either not too much or the proof of the same was not provided by the Noticee. I also note from the reply of the Noticee that it has admitted the delay in processing request of transfers of shares, even if miniscule.

8.2.8 From the above, violation of the provisions of Regulation 40 (3) of LODR Regulations, RRTI Circular no.1 (2000-2001) dated May 09, 2001, SEBI circular no. CIR/MIRSD/8/2012 dated July 05, 2012 and Clause 2 & 5 of Code of

Conduct prescribed under Regulation 13 of RTA Regulations by the Noticee stands established.

8.3 <u>Issue of Duplicate Shares</u>

8.3.1 I note from the SCN that, Noticee, during the period under inspection, had received 1583 requests across 58 companies for issuance of duplicate shares. Out of this 1583 requests, 163 requests were processed beyond the specified timeline. From a random sample of 104 requests w.r.t. 7 companies, the following was found:

Sr. No.	Company Name	Number of requests received during inspection period as submitted by Noticee vide questionnaire	Number of requests produced before the inspecting team	Delay observed in how many cases	Range of delay
1	Beekay Steel Industries Limited	66	37	37	2-128 days
2	Albert David Ltd.	38	13	13	8-34 days
3	Emami Ltd	12	12	12	2 days
4	Gillanders Arbuthnot And Company Limited	11	11	11	8-25 days
5	Mcleod Russel India Limited	36	11	11	1-37 days
6	Eveready Industries India Ltd	36	10	10	1-19 days
7	Inter State Oil Carrier Ltd	20	10	10	31 days
	Total	219	104	104	

8.3.2 Noticee had claimed before the inspection team that the delay was on part of client companies for approval of transfers or delay return of signed share certificates after approval, however, Noticee in its reply to inspection team did not enclose any communication with its clients to prove that it had actually followed up the cases with the companies. Hence, it was alleged in the SCN that, Noticee has not complied with Regulation 39 (2) of LODR Regulations, RRTI Circular no.1 (2000-2001) dated May 09, 2001 and clause 2 & 5 of Code of Conduct prescribed under Regulation 13 of RTA Regulations.

8.3.3 I note from the reply of the Noticee that, it has submitted that, out of the above 7 cases, in 5 Companies viz., Beekay Steel Ltd, Interstate Oil Carriers Ltd, Mcleod Russel India Ltd, Albert David Ltd and Gillanders Arbuthnot Ltd the number of requests given in the SCN are not correct in as much as that the Inspection Team has counted the cases on the basis of certificates and not on the basis of folios. It has been submitted that in respect of request with respect to company Beekay Steel Ltd., out of 37 request actual cases are only 17 due to the reason given above. Out of the remaining 20 requests in 18 request, the delay had occurred due to delay in communications received from the company for sending the duplicate certificates to the Noticee. The Noticee has submitted copies of its communication with the company, in support of its contentions. I note from Annexure 4 of the SCN that, 37 requests for issue of duplicate shares of Beekay Steel Industries Limited were inspected by the inspection team. In a first instant as given in Annexure 4 of the SCN, Noticee had received request for issuance of duplicate share from one Amir Kumar Mondal on 02.11.2018. I note from the documents submitted by the Noticee that, the request was approved in the meeting on 22.11.2018 and Noticee had forwarded the said request to the company on 27.11.2018. I note that, the company had replied to the Noticee on 29.03.2019 and Noticee had dispatched the share to the client on 09.04.2019. I note that alleged delay in processing the said request was 158 days. I note from the documents provided by the Noticee that the company had taken 122 days to process the said request. Similarly, in respect of the remaining instances I note that the maximum number of days were taken by the company viz. Beekay Steel Ltd. I note that similarly, in respect of the request of issuance of duplicate shares of Interstate Oil Carriers Ltd, Mcleod Russel India Ltd, Albert David Ltd and Gillanders Arbuthnot Ltd the maximum numbers of days were taken by these companies. I note that the Noticee has admitted in respect of request of company Beekay Steel Limited that the delay attributed to it was only in 6 cases and out of these in 2 cases delay was less than 5 days and in 4 cases it was 5 to 10 days.

8.3.4 In respect of Interstate Oil Carriers Ltd., the Noticee has submitted that there is only one case where in reply to Noticee’s communication dated 12th July,18, the Company has communicated that it has lost the certificates and as such the delay cannot be attributed to the Noticee. I have perused the letter dated 12.07.2018 and I am inclined to accept the submission of the Noticee.

8.3.5 In case of Mcleod Russel India Limited the Noticee has submitted that, there were total 11 cases wherein 10 cases the delay has been on the part of the Company as per the enclosed Annexure. I note from the reply of the Noticee that, in respect of request of Vijay Anand Gupta the lodging date is 19.02.2019 and the approval date is 28.02.2019. The Noticee had forwarded that application to the Company on 06.03.2019 and the Noticee had received the communication from the Company on 23.04.2019 and finally, the duplicate certificate was dispatched to the Vijay Anand Gupta on 27.04.2019. I note from the above that from 06.03.2019 to 23.04.2019 the application was in process with the Company, hence, from the maximum time of the alleged delay was because of the company. Similarly, in respect of remaining requests I note that the maximum time in processing the request was with the company.

8.3.6 In have perused the annexures provided by the Noticee as proof of its submissions and, considering the number of instances, I am inclined to absolve the Noticee of allegations made at para 8.3.2 above.

8.4 **Transmission Shares**

8.4.1 I note from the Show Cause Notice that, during the period under inspection it was found that Noticee, had received 1143 requests across 80 companies for transmission of shares. Out of this 1143 requests, 326 requests (details were enclosed as Annexure No. 5 to the SCN) were processed beyond the specified timeline. From a random sample of 28 requests (details were enclosed as Annexure No. 6 to the SCN) w.r.t. 8 companies, the following was found:

Sr No.	Company Name	Number of requests received during inspection period as submitted by Noticee vide questionnaire	Number of requests produced before the inspecting team	Delay observed in how many cases	Range of delay
1	Mcleod Russel India Limited	55	8	8	44-386 days
2	Eveready Industries India Ltd	46	7	7	80-394 days
3	Dhunseri Investments Ltd	17	3	3	7-15 days
4	Albert David Ltd.	11	2	2	69 days
5	Deepak Spinners Limited	11	2	2	69 days
6	Dhunseri Tea & Industries Ltd	14	2	2	133-144 days
7	Dhunseri Ventures Limited	15	2	2	1-9 days
8	James Warren Tea Limited	10	2	2	43 days
	Total	179	28	28	

8.4.2 I note that the Noticee had claimed before the inspection team that the delay was on part of client companies for approval of transfers or delay return of signed share certificates after approval, however, Noticee in its reply to inspection team did not enclose any communication with its clients to prove that it had actually followed up the cases with the companies. In view of the same, it was alleged that the Noticee has not complied with Regulation 40(3) of LODR Regulations, CIR/MIRSD/10/2013 dated October 28, 2013 and clause 2 & 5 of Code of Conduct prescribed under Regulation 13 of RTA Regulations.

8.4.3 I note from the reply of the Noticee that it has provided a list of the request processed by it company. In Case of Mcleod Rusell India Ltd the Noticee has submitted that in most of the cases the company has taken more than the normal time for endorsement and this has led to delay in processing of Transmission requests. In support of its contention the Noticee has provided copies of communication sent by the Noticee to the company and communication received from the company. I note from the said documents that Noticee had received request of transmission of Mcleod Rusell India Ltd on 22.03.2018 the same was approved on 19.04.2018 and send to the company on 23.04.2018 and the response was received from the company on 02.05.2018 and the transmitted shares were finally dispatched to the applicant on 03.05.2018. I note from the above transmission of shares process that, maximum time taken for processing the transmission of shares was taken by the company and not by the Noticee.

8.4.4 Similarly, in case of Eveready Industries India Ltd the Noticee has submitted that almost all the cases were delayed because of time taken to provide meeting date by the company and this led to delay. In case of Dhunseri Investments Ltd Noticee has submitted that total cases were 3 and all the cases got delayed because of time taken by the company. Supporting it contention the Noticee has submitted a table containing details of communication from the the Noticee to the company.

8.4.5 In case of Albert David Ltd the Noticee has submitted that the company publishes the advertisement in the newspaper on behalf of the shareholders in order to save their costs but that lead to delay as the advertisement is published once they get at least 3 or 4 cases of Transmission. Moreover, the Secretarial Department has been shifted to Mumbai a lot of time was lost in the incoming and outgoing transit time of documents from Kolkata to Mumbai and vice versa.

8.4.6 In case of Deepak Spinners - the total cases were 2 only and in both the cases the company took a lot of time for approving the same and moreover the company is based out of Chandigarh and lot of time consumed resulting in delay. Therefore, request you to condone the same.

8.4.7 In case of Dhunseri Tea & Industries Ltd. - there were 2 cases in total and both the cases are Duplicate cum Name Deletion that is 30 + 21 days is allowed and there was only 4 days delay in 1 case and 1 day delay in other case. Therefore, this may be condoned.

8.4.8 In case of Dhunseri Ventures Ltd Noticee has submitted that the total no. of cases is just 2 and one case was Duplicate cum Name Deletion and thus 30+21 that is 51 days is allowed and thus there is no delay. In the 2nd Case the company has taken a lot of time to approve which also coincided with Diwali Holidays.

8.4.9 In case of James Warren Tea Ltd the Noticee has submitted that total of 2 cases were checked and it was delayed because of non-availability of signatories as informed to us by the company.

8.4.10 I have perused the annexures provided by the Noticee as proof of its submissions and, considering the number of instances, I am inclined to absolve the Noticee of allegations made at para 8.4.2 above.

8.5 **Dematerialization of Shares**

8.5.1 It was observed that during the period under inspection the Noticee had, received 16,242 requests for dematerialization of shares. Out of this 16,242 requests, 1,307 requests were processed beyond the specified timeline. From a random sample of 170 requests w.r.t. 10 companies, the following was found:

Sr. No.	Company Name	No. of requests received as on date of inspection	Delay observed in how many cases	Range of delay
1	Deepak Spinners Limited	33	10	10-33 days
2	Dhunseri Investments Ltd	48	17	1-6 days
3	Eveready Industries India Ltd	81	22	8-18 days
4	Gillanders Arbuthnot And Company Limited	39	12	10-16 days
5	Ifgl Refractories Ltd (Formerly Ifgl Exports Ltd)	62	20	1-5 days
6	James Warren Tea Limited	33	12	9-14 days
7	Longview Tea Company Limited	48	17	10-27 days
8	Mcleod Russel India Limited	95	29	10-18 days
9	National Plywood Industries Limited	95	17	41-79 days

10	Shalimar Wires Industries Ltd.	51	14	10-16 days
	Total	585	170	

8.5.2 It was also observed that, during the period under inspection, Noticee processed and rejected dematerialization requests after the expiry of the specified time as under. The detail list of rejection greater than 15 days were annexed at Annexure 9 to the SCN.

Name of the Depository	No. of Demat Rejection processed as on date of inspection	Delay of > 15 days in rejection of demat request	Range of delay
CDSL	1807	836	1-387 days
NSDL	2236	956	1-342 days
Total	4043	1792	

8.5.3 Further, as per data given by Noticee, out of these 4043 requests, for 172 requests dispatch date were not available.

8.5.4 In view of the above, it was alleged that the Noticee has violated Regulation 54(5) of DP Regulations, 1996 r/w Regulation 74(5) of DP Regulations, 2018, RRTI Circular No.1 (99-2000) dated May 20, 1999, clause 2 & 5 of Code of Conduct prescribed under Regulation 13 of RTA Regulations.

8.5.5 The Noticee has submitted that the delay had occurred due to following reasons:

(i) stop tag in folio which has to be referred to the client company before processing the demat request

(ii) clarification to be obtained from company due to any mismatch in records provided to it with the documents received i.e. demat request form and share certificates etc.

(iii) intervening holidays etc.

8.5.6 In addition, the Noticee has submitted that in the case of National Plywood Industries Limited, out of 95 cases received, long delay was observed in 17 cases. This Company had been under financial duress for a long time prior to August, 2019 when it was referred to NCLT and skeleton support staff is available at Company's end. For signature verification Demat Request Form were sent to Company as signatures were verified by them.

8.5.7 With respect to allegations of delay in Rejection of 1792 Dematerialization Request, the Noticee has submitted that, total rejections handled by it was 4043 cases and total delay in rejection cases as per inspection team is 1792. The Noticee has submitted that, in 1053 cases the Inspection Team has calculated the time of rejection from setup date whereas it should be from the received date of the application by it. Hence, these 1053 cases should not be taken as delay cases. In 431 cases delay was between range of 1-5 days, in 212 cases delay was between 6 -10 days and in 122 cases delay was between 11-20 days. It was submitted that whenever there was a mismatch between the demat documents and the Master Record, the Noticee has to necessarily refer the case to its client company for their investigation with reference to old records in their possession. After Noticee receives feedback from the client company that it was a fit case for rejection, the Noticee proceed to reject the demat request. Hence, the additional time taken in rejection of demat request is solely due to the time taken in obtaining feedback from the client company which is not attributable to Noticee. In addition to above, Noticee submitted that it had faced problems in dispatch of registered articles through G.P.O., Kolkata due to modernization of their software system for handling savings bank related work entrusted to them. On some days no article was accepted and on other days there was restriction in number of articles accepted by them. The Noticee submitted that it does bulk mailing of articles relating to its client companies, it faced delays in dispatch of articles including demat rejection letters with enclosures which was beyond its control. It was also submitted that all records and documents required by the Inspection Team were produced to them as and when called for.

8.5.8 I note that the Noticee has admitted that there was delay in processing dematerialization requests while citing constraints. I note that the Noticee was required to process the dematerialization request within 15 days and should consider all such constraints which may come in the way and take necessary steps to counter them while processing the requests.

8.5.9 In view of the same the violation of provisions of Regulation 54(5) of DP Regulations, 1996 r/w Regulation 74(5) of DP Regulations, 2018, RRTI Circular No.1 (99-2000) dated May 20, 1999, clause 2 & 5 of Code of Conduct prescribed under Regulation 13 of RTA Regulations stand established. However, I note that percentage of cases in which the delay in processing the request is observed is quite less as compare to the total number of request received during the inspection period.

8.6 Rematerialization of Shares

8.6.1 I note from the SCN that during the period under inspection Noticee had received 81 requests for remat of shares pertaining to 33 issuer companies during inspection period. Out of these 81 requests 24 requests were processed beyond the specified timeline. Hence, by not complying with the process of rematerialization request it was alleged that Noticee has violated Section 14 (3) of The Depository Act, 1996 and clause 2 & 5 of Code of Conduct prescribed under Regulation 13 of RTA Regulations.

8.6.2 I note that the Noticee has submitted that out of 24 Remat requests inspected by the inspection team there was no delay in 13 cases because the inspection team had counted the days from the RRN set up date to dispatch date whereas it should be counted from the date on which we have received the RRN and the dispatch date. It was further submitted that, the Issuer Company is involved in every stage of processing of Remat Request. For example, when the Noticee sends the scanned copy of the Remat Request to the Company and confirm that balance is available in the demat account of the shareholder and the shareholder is eligible to be issued share certificate on rematerialisation and request the Company to provide meeting date for approval and to supply blank share certificate wherever required, thereafter the Company confirms the meeting date and arranges to supply blank share certificate stationery. Accordingly, Noticee prepares the share certificate and send it to the Company for approval, endorsement and return to the Noticee. Noticee follows up with the Company reminding it to expedite sending the share certificate to the Noticee. Upon receipt, the Noticee confirm the Remat Request in the system of the depository and arrange for dispatch with suitable covering letter by registered post. Thus, the delay noticed in 11 Remat Requests is solely attributable to the Company. The Noticee submitted that it confirms that wherever required it has taken adequate corrective steps to rectify any deficiencies and further in view of the introduction of SEBI Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 of 3rd November,2021 any investor service request is not to be proceeded unless the shareholder account is KYC compliance and it is strictly adhering to it. I note that the Noticee has given assurance that there will not be any recurrence of such deficiencies. It was further submitted that, the deficiencies pointed out by the Inspection Team and as such given in the Show Cause Notice are only for procedural delay and that too in most of the cases are due to reasons beyond its control, as explained in its reply to Show Cause Notice, along with Annexures. The Noticee also submitted that in any case the delay is not intentional. It was also submitted that neither any one gained nor any investor lost due to the above unintentional deficiencies. Till date there has been no complaint for any wrong transfer/ wrong transmission/ wrong issue of duplicate share or any such other matter, which stands as an evidence that it has been exercising due diligence, ensuring proper care and exercising independent professional judgement.

8.6.3 I note from the provision of section 14(3) Depository Act which states that, every issuer shall, within thirty days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee, as the case may be. I note from the said provision that the responsibility to issue the certificate of securities to the beneficial owner is majorly on the issuer that is the company. I note that even though the Noticee claims that the delay noticed Remat Requests is solely attributable to the Companies, it has not given any proof in support of its contentions that there was a delay on part of the Companies.

8.6.4 Since Section 14 (3) of The Depository Act, 1996 is to be complied with majorly by the issuers and in light of the number of instances, I am inclined to absolve the Noticee from the allegations made at para 8.6.1 above.

<u>Issue No. II: If yes, Whether Noticee is liable for a monetary penalty u/s 15HB of the SEBI Act?</u>

9 In view of the findings given above, I note that the Noticee has violated the provisions of Regulation 53A of SEBI DP Regulations, 1996 r/w Regulation 71 of DP Regulations, 2018, Regulation 54(5) of DP Regulations, 1996 r/w Regulation 74(5) of DP Regulations, 2018, Regulation 14(3) of RTA Regulations, Clause 2(vii) with respect to the Records and documents to be maintained by STA prescribed under RRTI Circular No.1 (94-95) dated 11/10/1994 Regulation 40 (3) of LODR Regulations, RRTI Circular no.1 (2000-2001) dated May 09, 2001, SEBI circular no. CIR/MIRSD/8/2012 dated July 05, 2012, RRTI Circular No.1 (99-2000) dated May 20, 1999 and Clause 1, 2, 3 & 5 of the Code of Conduct as specified under Regulation 13 of SEBI RTA Regulations by the Noticee and has

attracted monetary penalty under the provisions of section 15HB of the SEBI Act, which reads as under:

"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."*

Issue No. III: If so, what quantum of monetary penalty should be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?

10 From the material available on record, I note that no quantifiable gain or unfair advantage accrued to the Noticee or the extent of loss suffered by the investors has been brought out. Further from the material available on record, it may not be possible to ascertain the exact monetary loss to the clients/ investors on account of violations by the Noticee. I note that in the past, penalty has been imposed by SEBI on the Noticee twice u/s 15 HB of SEBI Act and also a prohibitory order was passed against the Noticee under SEBI Intermediaries Regulations.

ORDER

11 After taking into consideration all the facts and circumstances of the case, I impose penalty of Rs. 2,00,000/- (Rupees Two Lakhs only) u/s 15HB of SEBI Act on the Noticee for violation of Regulation 53A of SEBI DP Regulations, 1996 r/w Regulation 71 of DP Regulations, 2018, Regulation 54(5) of DP Regulations, 1996 r/w Regulation 74(5) of DP Regulations, 2018, Regulation 14(3) of RTA Regulations, Clause 2(vii) with respect to the Records and documents to be maintained by STA prescribed under RRTI Circular No.1 (94-95) dated

11/10/1994 Regulation 40 (3) of LODR Regulations, RRTI Circular no.1 (2000-2001) dated May 09, 2001, SEBI circular no. CIR/MIRSD/8/2012 dated July 05, 2012, RRTI Circular No.1 (99-2000) dated May 20, 1999 and Clause 1, 2, 3 & 5 of the Code of Conduct as specified under Regulation 13 of SEBI RTA Regulations. I find that the said penalty is commensurate with the violations committed by the Noticee.

12 The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR 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

13 The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid to "The Division Chief (Enforcement Department-1 DRA-III), Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C – 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051." The Noticee shall also provide the following details while forwarding DD / payment information:

Case Name :	
Name of Payee :	
Date of Payment:	
Amount Paid :	
Transaction No. :	
Bank Details in which payment is made :	
Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount etc.)	Penalty

14 In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings u/s 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

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

Place: Mumbai **AMIT KAPOOR**

Date: December 13, 2022 **ADJUDICATING OFFICER**