

DEPUTY GENERAL MANAGER
INTEGRATED SURVEILLANCE DEPARTMENT

ISD/DB/36299/2014
December 18, 2014

To,

The Noticee(s) numbered from 1 to 22 mentioned below, address of whom is provided in Annexure-1:-

- ✓ 1 Maars Software International Ltd
- 2 ~~Pravin Jain~~
- ✓ 3 Harshawardhan S Rathore
- ✓ 4 Nikunj Babulal Choradiya
- ✓ 5 Shivprasad Agarwal,
- 6 T Varadharajan
- 7 C Krishnan
- 8 Forsee Financial Consultancy Services
- 9 I K Robinson Edwin
- 10 K N Velayudam
- 11 K Radhai
- ✓ 12 K S Gomathi
- 13 Kumar Navalapakkam Ramanujam
- 14 N Chellammal
- 15 N Lokabiraman
- 16 N Srinivasan
- 17 R Rajagopalan
- 18 R Vasumathi
- ✓ 19 S Visweswaran
- 20 T Padmasani
- 21 U A Sadagupachari
- 22 V Vijayalakshmi

Sub: Show Cause Notice under sections 11, 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 (the SEBI Act) read with regulation 11 of the Securities and



Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (the PFUTP Regulations)

1. Vide an ad interim ex-parte Order dated September 21, 2011 (hereinafter referred to as "**the Interim Order**"), Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") directed Maars Software International Ltd (hereinafter referred to as "**Maars**") (noticee at sr. no. 1) not to issue equity shares or any other instrument convertible into equity shares or alter their capital structure in any manner, in view of the irregularities observed in the issuances of Global Depository Receipts (hereinafter referred to as "**GDRs**") of Maars.
2. Subsequently, SEBI vide order dated December 30, 2011, while confirming the said directions, allowed conversion of outstanding warrants issued by Maars, if any, prior to the Interim Order. Pursuant to the said order, investigation has been completed and the relevant extract of the report based on the said investigation (hereinafter referred to as "**Investigation Report/IR**") is enclosed as **Annexure-2**. The important findings of investigation as enumerated in the Investigation Report are given below:
 - i. Maars issued GDRs in August 2007.
 - ii. The original subscriber of the GDRs of Maars was a Dubai based entity viz. Vintage FZE (now known as Alta Vista International FZE and hereinafter referred to as "**Vintage**"). Shri Arun Panchariya is founder and director of Vintage and management and control of Vintage are vested with him.
 - iii. Vintage did not invest any of its own funds in the GDRs of Maars. Vintage entered into an agreement with an Austria based bank viz, European American Investment Bank AG (hereinafter referred to as "**Euram**") on July 31, 2007, to avail a loan of USD 1,79,33,400/- for the purpose of subscribing to the GDRs of Maars on August 10, 2007. The copy of aforesaid agreement (hereinafter referred to as "**Loan Agreement**") is enclosed at **Annexure-3**.
 - iv. The aforesaid Loan Agreement is an integral part of another bipartite agreement; namely Pledge Agreement, signed between Maars and Euram. The Loan Agreement (signed between Vintage and Euram) and the Pledge Agreement (signed between Maars and Euram) enabled Vintage to obtain loan from Euram to subscribe to the GDR issue of Maars. Copy of the Pledge Agreement between Maars and Euram is enclosed as **Annexure-4**.

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**भारतीय प्रतिभूति
और विनियम बोर्ड**
**Securities and Exchange
Board of India**

- v. In terms of the Pledge Agreement, Maars pledged the GDR subscription proceeds of USD 1,79,33,400/-, received from the subscriber, i.e. Vintage, as security for the loan availed by Vintage from Euram for the subscription of GDRs of Maars.
- vi. The Pledge Agreement has been signed by Shri Pravin Jain (noticee at sr. no. 2), who was the Managing Director of Maars at that time, on behalf of Maars. It is further observed that he was the authorized signatory of the bank account of Maars with Euram (Copy of Know Your Client {KYC} document of Maars furnished by Euram is enclosed as Annexure-5). A copy of the Resolution passed by the Board of Directors of Maars at its meeting dated March 31, 2007 authorising Shri Pravin Jain for the above actions, as obtained from Euram is placed at Annexure - 6. Copy of the said resolution bears the signature of Shri T. Varadarajan (Noticee No. 6) and Shri Pravin Jain (Noticee No. 2)
- vii. The above explained arrangements entered into by Maars with Euram and Vintage are specifically prohibited under the Indian law. As per section 77(2) of the Companies Act, 1956, "No public company, and no private company which is a subsidiary of a public company, shall give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the company or in its holding company". Maars has therefore prima-facie violated Section 77(2) read with Section 77(4) of the Companies Act 1956.
- viii. Such arrangements appear to be fraudulent in nature and the same appear to have acted as an inducement for other persons to offer to buy the shares of Maars in the Indian securities market.
- ix. Moreover, the result of the Pledge Agreement signed by Maars was that immediately pursuant to the completion of the GDR issues on August 10, 2007, Maars did not have any free capital available from the issuance of GDRs. This was because the capital raised by GDRs was provided as security against loan taken by Vintage from Euram. However, Maars concealed this crucial information from the general public. On August 16, 2007, Maars through BSE Limited (hereinafter referred to as "BSE"), made a public announcement regarding the allotment of the GDRs.
- x. It was observed that even though Vintage FZE was the sole subscriber to the GDR issue of Maars, it deliberately provided false information to BSE and SEBI that certain other foreign investors were the initial subscribers to the aforesaid GDR issue. Copy of the aforesaid misleading information filed by Maars with BSE and SEBI in this regard is enclosed as Annexure - 7. The said misleading declaration



has been furnished by Shri Harshvardhan Singh Rathore (noticee at sr. no. 3), as one of the directors of Maars.

- xi. It was further observed that the addresses of the above initial investors except Rexflec Ltd. were found to be invalid by the foreign regulators in those jurisdictions. (print out of the emails received from the Regulators enclosed as **Annexure - 8**). In one case of a purported initial investor viz. Rexflec Ltd. it was found that the ultimate beneficial owner of Rexflec Ltd. was Sri Arun Panchariya himself.
 - xii. Maars has therefore prima facie caused false information to be disclosed to the stock exchange (the BSE Ltd. in the instant case) in India that its GDR issue was successfully subscribed by foreign investors other than Vintage, and used this artifice and misleading information to induce the investors in India to deal in the shares of Maars. Maars has also submitted this misleading information to SEBI and tried to mislead the investigation.
 - xiii. In view of the above, Maars has, prima facie, violated section 12A(a),(b) and (c) of the SEBI Act read with regulation 3 (b), 3(c), 3(d) and 4(2)(c), 4(2)(f), 4(2)(k) and 4(2) (r) of the PFUTP Regulations. The promoters and directors who were in charge of Maars and were responsible for the conduct of its business during the said period are also prima facie liable for the violation of the aforesaid provisions.
- 3.
- i. In order to examine the utilization of the GDR proceeds, SEBI sought information from Maars, vide summons dated January 12, 2012, March 28, 2012, April 18, 2012 and April 20, 2012. However, Maars appears to have failed to comply with the aforesaid summons issued by SEBI as it did not furnish any information and therefore concealed material information from SEBI (Copy of correspondence between SEBI and Maars is enclosed as **Annexure -9**). Thus, there was, prima facie a mala-fide intention on the part of Maars to hamper and mislead the investigation carried out by SEBI.
 - ii. Vide letter dated February 07, 2012, Maars requested for extension of time for submission of documents sought by SEBI vide summon dated January 12, 2012. SEBI replied to aforesaid letter on February 13, 2012 and granted Maars time till February 24, 2012 for submission of documents. However, Maars did not provide any document to SEBI.
 - iii. Thereafter, another summon was issued to the Managing Director of Maars on March 28, 2012 for appearing in SEBI Head Office on April 09, 2012 along with the documents sought in earlier summons. In its reply dated April 9, 2012, Maars



had once again sought an extension of one month for its Managing Director to appear in SEBI Head Office.

- iv. Another summon was issued to Maars on April 18, 2012 once again summoning its Managing Director to appear in SEBI Head Office on April 26, 2012 along with the information and documents which were sought in earlier summons by SEBI.
 - v. Maars responded to abovementioned summon vide letter dated April 19, 2012 and requested for a period of further two months for submission of documents and recording of statement. However, the Managing Director of Maars never appeared in SEBI Head Office and no information/document was ever submitted by Maars.
 - vi. Another summon was issued to Maars on April 20, 2012 seeking additional information from Maars. Maars did not respond to aforesaid summon of SEBI.
 - vii. Thereafter, a final reminder was sent to Maars on July 19, 2012 for submission of documents by July 25, 2012. Maars did not respond to the aforesaid reminder of SEBI and failed to submit any information to SEBI which were sought in various summons mentioned above.
 - viii. Maar has also failed to disclose details of outstanding GDRs in its quarterly disclosures of share holding pattern to BSE. As per BSE website (www.bseindia.com), the equity held with custodian is shown as nil for Maars during the period September 30, 2007 to September 21, 2011. Copy of the said shareholding pattern as downloaded from the BSE website is enclosed as **Annexure -10**). Maars has thereby prima-facie contravened Clause 35 of the Listing Agreement.
3. The aforementioned activities of Maars and the other noticees in charge of Maars are manipulative and deceptive, which is prima facie in contravention of the SEBI Act and has operated as fraud and deceit upon investors in the Indian securities markets.
 4. Therefore, the arrangement employed by Maars with regard to financing the subscription of the GDR issue and thereafter misleading investors by making false disclosures to BSE and SEBI regarding successful subscription of GDRs by foreign investors, providing misleading information and not providing information to SEBI which it was summoned to provide, prima facie, is in violation of Section 77(2) read with section 77(4) of the Companies Act, 1956 and Sections 12A(a), (b) and (c) of the SEBI Act read with regulations 3 (b), 3(c), 3(d) and 4(2)(c), 4(2)(f), 4(2)(k) and 4(2) (r) of the PFUTP Regulations. Maars also failed to provide information in response to the summons issued under Section 11C(3) of the SEBI Act. Maars disclosed wrong information to BSE in contravention of Clause 35 of the Listing Agreement.



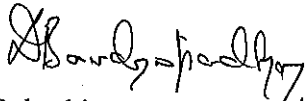
5. Shri Pravin C Jain (noticee at sr. no. 2) being the Managing Director of Maars and also as the signatory to the Pledge Agreement has prima-facie violated Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3 (b), 3(c), 3(d) 4(2)(c), 4(2)(f), 4(2)(k) and 4(2) (r) of the PFUTP Regulations.
6. Shri Harshawardhan S Rathore (noticee at sr. no. 3) failed to provide correct information in response to the information sought by SEBI. Shri Nikunj Babulal Choradiya (noticee at sr. no. 4) as Managing Director of Maars failed to provide the information sought by SEBI vide summons. Shri Nikunj Babulal Choradiya also failed to appear in SEBI Head Office for recording of statement as summoned by the Investigating Authority. Therefore, Shri Harshawardhan S Rathore and Shri Nikunj Babulal Choradiya have prima facie violated Section 11C(3) of the SEBI Act.
7. Under Section 27 of the SEBI Act, where an offence under the SEBI Act has been committed by the company, and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed guilty of the offence and shall be liable to be proceeded against and punished accordingly. Accordingly, it is observed that the noticees at serial no. 2, 5 and 6 were the directors of Maars and are thus liable to be proceeded against. It is thus alleged that the noticees at serial no. 2, 5 and 6 have prima-facie violated Section 12A(a), (b) and (c) of the SEBI Act read with regulations 3 (b), 3(c), 3(d) and 4(2)(c), 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations
8. Further, it is observed on perusal of the quarterly shareholding pattern available on BSE web-site for the quarter ended September 2007, that the noticees from serial no 6 to 22 were promoters of Maars at the relevant time. As such prima-facie they controlled Maars and were responsible for the conduct of business of Maars and are thereby liable to be proceeded against. It is thus alleged that the noticees from serial no. 6 to 22 have prima-facie violated Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(b), 3(c), 3(d), 4(2)(c), 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations. (copy of quarterly share holding pattern with regard to promoters, filed by Maars for the quarter ended September 30, 2007 is enclosed at **Annexure - 11**)
9. In view of the above, you are called upon to show cause as to why suitable directions should not be passed against you under sections 11, 11(4) and 11B of the SEBI Act, 1992 read with regulation 11 of the PFUTP Regulations for the alleged violations committed by you as mentioned above.

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10. Your reply, if any, should reach us within 21 days of the date of receipt of this notice. While replying, you may also indicate whether you desire to be personally heard in this case. In case no reply is received from you, within the above specified period, it shall be presumed that you have no further explanations/submissions to offer in this regard and appropriate directions would be passed against you in accordance with law on the basis of the material available on record.

Yours faithfully,


Debashis Bandyopadhyay

Encl.: A/a

