

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER**

ORDER

**UNDER SECTIONS 11, 11B AND 11D OF THE SECURITIES AND EXCHANGE
BOARD OF INDIA ACT, 1992 IN THE MATTER OF SHAREPRO SERVICES (I)
PVT. LTD. IN RESPECT OF**

S. No.	NAME OF THE ENTITY	PAN/ADDRESS
1	Sharepro Services (I) Private Limited	AAICS5500L
2	Mr. Govind Raj Rao	AGAPR1557P
3	Mrs Bhagyalaxmi Rao	AEGPR6549K
4	Ms. Indira Karkera	ADUPK3802B
5	Mr Prashant Karkera	AANPK8238K
6	Mr. Anil Jathan	ADCPJ1922H
7	Mr Raju Landge	PAN not available : c/o Shrikrishna Nagar, Bhandup, R. No. 14, Mumbai - 42
8	Mr Suresh Unavane	AAXPU3881C
9	Mr Narayan Devadiga	AUBPD6990R
10	Mr.SwapnilSutar	EKZPS4710N
11	Mr.Shrikant C. Bhalakia	AGJPB6222E
12	Mr.Anand S. Bhalakia	AABPB9293K
13	Mr.Balram Mukherjee	CIGPM5834A
14	Mr. Krishna M Ghosh	ALOPG9555D
15	Mr.SukhdevBhosale	BUHPB1708E
16	Mr.Nagesh N Karkera	BPYPK6412A

1. Sharepro Services (I) Private Limited (“*Sharepro*”) is registered with SEBI as a Registrar and Share Transfer Agent (“RTA”). Mr. Govind Raj Rao and Mrs. Bhagyalaxmi Rao are the promoters of *Sharepro*. While Mr. G R Rao is the Managing Director and in charge of operations of *Sharepro*, Mrs. Bhagyalaxmi Rao is its majority shareholder and director. Mrs. Indira Karkera is the Vice

President of *Sharepro* and is also the client manager for most of the clients of *Sharepro*.

2. Pursuant to receipt of certain complaints against *Sharepro* and its management, *inter alia*, alleging irregularities in transfers of shares and dividends, Securities and Exchange Board of India ("SEBI") ordered an investigation in the matter.
3. While investigation in the matter was in progress, a preliminary examination was carried out by SEBI. Since the preliminary examination revealed certain serious irregularities in the conduct of *Sharepro*, its senior management and other entities, as an interim measure, SEBI passed an ex-parte order dated March 22, 2016 (hereinafter referred to as the '*interim order*') against *Sharepro* and 15 other entities (hereinafter collectively referred to as "the Noticees"). The *interim order* recorded in detail several instances wherein the direct role of *Sharepro* and its top management in irregularities was observed. The irregularities / misconduct observed in the preliminary examination was, *inter alia*, summarized in the interim order as under:

"5. In view of the foregoing, I prima facie find the following: -

- A. There is total absence of internal systems, checks and balances and control on how dividend is being issued, how the records of unpaid dividend are maintained and most importantly how the new instruments are issued for unpaid dividend.*
- B. Sharepro and its top management have authorized issuances of new certificates without any request or authorisation from shareholders. Further, they have failed to maintain proper control over share transfer operations.*
- C. The records at Sharepro have not been maintained properly.*
- D. Taking advantage of system and procedures, the Shares and dividends have been transferred from the accounts of the genuine investors to entities linked with the top management of Sharepro without any supporting documents which in a deceptive manner. From these entities, the money and assets and/or the benefits arising therefrom have been ultimately channeled to the entities related to the senior management of Sharepro.*
- E. Records have been deliberately falsified avoid the audit trails.*
- F. The management of Sharepro has not cooperated with the investigation which being carried out by SEBI and on several occasions, it has attempted to mislead the investigation in the matter.*
- G. There is lack in exercising proper due skill, care and proper due diligence while processing the requests of the shareholders for matters such as payment of dividends and for transfer of shares.*
- H. Sharepro has not maintained high standards of integrity in the conduct of its business and has not fulfilled its obligations in a prompt, ethical and professional manner.*

6. *I find that Sharepro and its top management in collusion with the other entities mentioned above facilitated diversion of assets (shares and dividend) belonging to genuine and rightful shareholders to entities related to management of Sharepro in the manner discussed hereinabove. Further, entities namely, Mr. Anil Jathan, Mr Raju Landge, Mr Suresh Unavane, Mr Narayan Devadiga, Mr. Swapnil Sutar, Mr. Shrikant C. Bhalakia, Mr. Anand S. Bhalakia, Mr. Balram Mukherjee, Mr. Krishna M Ghosh, Mr. Sukhdev Bhosale and Mr. Nagesh N Karkera, who have either been the direct beneficiaries of afore-discussed acts of Sharepro or have acted as fronts for the purpose of ultimate transfer of benefits to the top management of Sharepro or related entities, have also played an active role in the irregular and deceptive transactions of Sharepro and its top management as discussed hereinabove...*"
4. It was observed in the *interim order* that the Noticees had *prima facie* violated the provisions of section 12A(a), (b) and (c) of the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and regulations 3 (b), (c) and (d) and 4(1) and 4(2)(m) and (p) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("PFUTP Regulations"). It was also observed that *Sharepro* had *prima facie* failed to comply with regulation 9A (f), regulation 13 read with the Code of Conduct specified in Schedule III and regulation 14(3)(b) and (c) of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.
5. Vide the *interim order*, SEBI, *inter alia*, directed that with immediate effect from the date of the *interim order*, pending investigation and passing of final order in the matter, *Sharepro Services (I) Private Limited*, Mr. Govind Raj Rao, Mrs Bhagyalaxmi Rao, Ms. Indira Karkera, Mr. Prashant Karkera, Mr. Anil Jathan, Mr. Raju Landge, Mr. Suresh Unavane, Mr. Narayan Devadiga, Mr. Swapnil Sutar, Mr. Shrikant C. Bhalakia, Mr. Anand S. Bhalakia, Mr. Balram Mukherjee, Mr. Krishna M Ghosh, Mr. Sukhdev Bhosale and Mr. Nagesh N Karkera are restrained from buying, selling or dealing in the securities market or associating themselves with securities market, either directly or indirectly, in any manner, till further directions.
6. Vide the *interim order*, the Noticees were advised to file their objections, if any, within twenty one days from the date of the order and also avail an opportunity of personal hearing, if they so desire.
7. Pursuant to the passing of interim order, *Sharepro* and Mr. G R Rao filed their "limited reply" vide their common letter dated May 17, 2016. Mr. Shrikant C. Bhalakia and Mr. Anand S. Bhalakia also filed a reply vide letter dated May 13,

2016. Ms. Bhagyalaxmi Rao filed her reply through her Advocate vide letter dated February 9, 2017.

8. An opportunity of personal hearing was granted to all the Noticees before the then whole time member (Shri R K Agarwal) on June 28, 2016. On the said date, authorized representative ("AR") on behalf of *Sharepro* and Mr. G R Rao appeared and requested for adjournment of 4 weeks. The AR for Mr. Swapnil Sutar and Mr. Sukhdev Bhosale sought a week's time to file written submissions. Mr. Shrikant Bhalakia along with his AR represented himself and Mr. Anand Bhalakia and made submissions in line with their reply on record and concluded their submissions. No other entity appeared on the said date and the entities who appeared were given time as requested by them.
9. Thereafter, another opportunity of hearing was granted to all Noticees except Mr. Shrikant Bhalakia and Mr. Anand Bhalakia on August 09, 2016. On the said date, the AR on behalf of Mr. Swapnil Sutar and Mr. Sukhdev Bhosale made submissions which were in line with their replies filed on record and concluded their submissions. The AR for *Sharepro*, Mr. G R Rao and Mrs. Bhagyalaxmi Rao appeared and requested for a further adjournment by 4 weeks for the reason that Mr. G R Rao was in EOW's custody. The AR for Mrs. Indira Karkera, Mr. Prashant Karkera, Mr. Anil Jathan, Mr. Suresh Unawane and Mr. Nagesh Karkera also requested for adjournment of 4 weeks for the reason that Mrs. Indira Karkera was in EOW's custody. The said requests for adjournments were acceded to.
10. On October 06, 2016, third opportunity of hearing was given to all the Noticees except Mr. Shrikant Bhalakia, Mr. Anand Bhalakia, Mr. Swapnil Sutar and Mr. Sukhdev Bhosale. Once again, the ARs for *Sharepro*, Mr. G R Rao and Mrs. Bhagyalaxmi Rao and Mrs. Indira Karkera, Mr. Prashant Karkera, Mr. Anil Jathan, Mr. Suresh Unawane and Mr. Nagesh Karkera sought adjournments, which were granted.
11. Since the whole time member (Shri R K Agarwal), who had heard the entities, demitted the office on completion of his tenure, in the interest of natural justice, another opportunity of hearing was given to all the Noticees on February 09, 2017 before whole time member (Shri S. Raman). On the said date, the AR for Mr. Shrikant Bhalakia and Mr. Anand Bhalakia appeared and reiterated their submissions. The ARs for *Sharepro*, Mr. G R Rao and Mrs. Bhagyalaxmi Rao and Mrs. Indira Karkera, Mr. Prashant Karkera, Mr. Anil Jathan, Mr. Suresh Unawane and Mr. Nagesh Karkera appeared and requested for inspection of

documents relied upon by SEBI and also requested for a date of hearing 6 weeks after the relevant documents were provided to them. The said request was acceded to and documents sought by the entities were provided to them on March 29, 2017.

12. Thereafter, on June 15, 2017, final opportunity of hearing was given to all the Noticees before whole time member (Smt. Madhabi Puri Buch). On the said date, the AR for Mr. Swapnil Sutar and Mr. Sukhdev Bhosale appeared and sought 3 weeks' time to file additional written submissions. Mr. Shrikant Bhalakia appeared along with his AR for himself and Mr. Anand Bhalakia and relied upon the replies already filed on record. He was also given a period of 3 weeks to file written submissions, if any. ARs for *Sharepro*, Mr. G R Rao and Mrs. Bhagyalaxmi Rao and Ms. Indira Karkera, Mr. Prashant Karkera, Mr. Anil Jathan, Mr. Suresh Unawane and Mr. Nagesh Karkera again requested that hearing in the matter may be adjourned by a period of 6 weeks. The said request for adjournment was rejected in view of the fact that opportunities of hearing were already provided to the entities on 4 occasions, and that even after expiry of 10 weeks since obtaining the inspection of relevant documents in the matter, the entities had not filed any reply. However, at the request of the ARs, they were allowed to file their written submissions within a period of 5 weeks from June 15, 2017. Pursuant to the hearing, only Mr. Swapnil Sutar and Mr. Sukhdev Bhosale made submissions vide letter dated June 20, 2017.
13. Thereafter, vide separate letters dated July 18, 2017, Mr. Ravi S. Kothari (AR of *Sharepro Services (I) Private Limited*, Ms. Bhagyalaxmi Rao and Mr. G. R. Rao) and Mr. Arun Panickar (AR of Ms. Indira Karkera, Mr. Prashant Karkera, Mr. Suresh Unavane and Mr. Nagesh N Karkera) sought further extension of 5 weeks for the purpose of filing written submissions in the matter. The extension period of 5 weeks sought by the aforesaid entities was also provided to them. On completion of the said timeline on August 23, 2017, the entities were sent a reminder e-mail to file their replies/ written submissions and were also informed that any reply/ written submissions submitted after August 23, 2017 will not be considered for the purpose of the present proceedings. Even thereafter, no written submissions were submitted by the said entities.
14. It is noted that the Noticees namely, Ms. Indira Karkera, Mr. Prashant Karkera, Mr. Anil Jathan, Mr. Raju Landge, Mr. Suresh Unawane, Mr. Nagesh Karkera, Mr. Narayan Devadiga, Mr. Krishna M Ghosh and Mr. Balram Mukherjee did not file any reply to the *interim order*. Remaining entities have filed detailed replies or

have only filed limited replies (summaries of their replies are mentioned in paragraphs below). I note that entities in the matter were given several opportunities to appear for personal hearing and to file their replies/written submissions. Except for certain entities who filed their detailed replies (as noted above), all the entities kept on seeking adjournments of hearing and time for filing their detailed replies. The approach of these entities in respect of the present proceedings is highlighted in the table below which brings out the tactics adopted by Ms. Indira Karkera, Mr Prashant Karkera, Mr. Suresh Unavane and Mr. Nagesh N Karkera. Other entities who did not file any reply or filed only limited replies, also adopted a similar approach.

S. No.	Steps of proceedings	Date	Particulars
1	1 st opportunity of hearing	June 28, 2016	No one appeared
2	2 nd opportunity of hearing	August 09, 2016	Requested for adjournment of 4 weeks for the reason that Mrs. Indira Karkera was in EOW's custody.
3	3 rd opportunity of hearing	October 06, 2016	Requested for adjournment on the ground of non-availability of counsel.
4	4 th opportunity of hearing	February 09, 2017	Requested for inspection of documents relied upon by SEBI and also requested for a date of hearing 6 weeks after the relevant documents were provided to them.
5	Inspection	March 29, 2017	Inspection of documents given
6	5 th opportunity of hearing	June 15, 2017	Once again sought adjournment which was denied. Then, the AR sought 5 week's time to file replies
7	Timeline to file replies	July 20, 2017	Requested vide letter dated July 18, 2017 for extension of time by 5 weeks to file replies
8	Extended timeline to file replies	August 23, 2017	The extended time line to file replies also expired and a reminder email was sent by SEBI but no replies were received.

15. After taking note of the above sequence of events, I find that sufficient opportunities of hearing and to file replies / written submissions have been given to the Noticees in the matter. In view of the above, I am constrained to proceed in the matter on the basis of material available on record. The replies/written submissions of the Noticees (who submitted the same) are summarized as under:-

Sharepro and Mr. G R Rao:

- i) G.R. Rao has been in custody of EOW since March 28, 2016. Hence they were not able to file proper reply in absence of relevant documents.
- ii) Complaint dated October 20, 2015 based on which investigation was ordered is fabricated and carries incorrect information.
- iii) Sharepro has more than 200 corporate clients and year after year the outstanding dividend was transferred and there has been no lapse in transferring funds. In case of Tata Communications, neither the company nor the bank was able to provide details in respect of the dividends. Hence due to non-availability of supporting documents for drawing the correct outstanding, transfer could not be made to the government.
- iv) It may be noted that similar transactions for other 200 corporate clients were correctly processed. This indicates that Sharepro has had reconciliation system in place to process all outstanding dividend payments. There has been no problem whatsoever with respect to reconciliation for other clients. Case of Tata Communication was an isolated aberration.
- v) It cannot be held that Mr. G.R. Rao is responsible for all transactions and/or that he looks into day to day activities. Dividend related functions are handled by respective client managers and as managing director Mr. Rao is not involved in handling dividend activities. Mr. Rao as Managing Director of the company has not given any instruction nor was aware of any instructions given to bankers on his behalf in respect of alleged transfers.
- vi) Regarding the dividend of Asian Paints it was genuine error and Sharepro was ready to refund the amount to Asian Paints but they refused to accept the same.
- vii) In so far as the case of Balram Mukherjee is concerned, the same was referred to Mr. Rao considering the high value of the transaction. Mr. Rao ensured that all the supporting documents were relied upon before the transfer and said documents were also vetted by Sharepro's legal adviser. Registrar is not expected to check 30 year old antecedents.

Mrs. Bhagyalaxmi Rao :

- i) Though Mrs. Bhagyalaxmi Rao is the Director and majority shareholder of Sharepro, she has not been involved in activities/business of *Sharepro* since inception. Mr. G.R. Rao being Managing Director was solely in control of the business of Sharepro.
- ii) As she was in no way involved in any activities/business of *Sharepro*, she has no information and/or any document in respect of present matter. A bare perusal of the *interim order* dated March 22, 2016 will show that no allegation is made against her. It appears that said order has been passed against her merely because she is one of the directors and shareholder.

Mr. Shrikant C. Bhalakia and Mr. Anand S. Bhalakia:

- i) Mr. Shrikant Bhalakia stated that he assists people in dematerializing their shares. If any person does not have demat account, he helps them by transferring the shares in his name and thereafter dematerializing the shares and depositing the said shares in his own demat account. He then would sell the said shares through broker and pay the sell amount to such persons after deducting his charges which are in form of funds or part of the shares.
- ii) In respect of dealings in the shares of Asian Paints Limited he stated that in the year 2010 Ms. Indira Karkera asked him to help few employees of Asian Paints in dematerializing their shares as they did not have demat accounts. The mode of operation was (a) Indira gave shares to him, (b) He transferred the shares in the joint name of his son Mr. Anand Bhalakia and himself, (c) He deposited the shares for demat after receiving the same from transfer, (d) he sold the shares as per instruction of Ms. Indira Karkera, (e) Issued the cheques in the name of transferor of shares and hand over the cheques to Ms. Indira Karkera, (f) withdraw cash amount from the bank and handover the same to Indira.
- iii) Mr. Shrikant Bhalakia also submitted that he used to charge 8-12% commission for helping people in dematerializing shares. He has also explained that for the purpose of such dematerialization, original owners of shares used to transfer physical shares to him through a duly executed transfer deed. The transfer deed used to contain a namesake consideration amount for said transfer of shares and stamp duty would be paid accordingly. However, actual consideration would only be determined at the time when Mr. Bhalakia would sell the dematerialized shares. He further submitted that he had also engaged with RTAs other than Sharepro for such transactions.

- iv) Mr. Anand Bhalakia is mere joint holder of demat account and all the affairs of demat account were being looked after by Mr. Shrikant Bhalakia. Mr. Anand Bhalakia had no role to play in the same.

Mr. Swapnil Sutar and Mr. Sukhdev Bhosale:

- i) Dividend belonging to others were credited to them through Indira Karkera mistakenly and they had returned the same to Asian Paints Limited and Britannia Industries Limited. Swapnil Sutar returned the said dividend by way of a pay order and Sukhdev Bhosale returned the same by cash.

16. I have considered the replies/ written submissions filed by the Noticees. The limited issue to be considered at this stage is whether the directions issued by SEBI vide the *interim order* need to be continued, revoked or modified in any manner in respect of the Noticees.

17. It has been submitted by the authorized representatives on behalf of *Sharepro* and Mr. G R Rao that Mr. G R Rao has been in EOW's custody since March 28, 2016 because of which they have not been able to obtain the relevant documents. In this regard, I note from the record that since the passing of the *interim order*, *Sharepro* and Mr. G R Rao have been given several opportunities to file their replies. The first opportunity of hearing was given to the said entities on June 28, 2016 and thereafter, on all the dates, the authorized representatives of *Sharepro* and Mr. Rao sought adjournments citing the reason of custody of Mr. Rao. It is not the case of *Sharepro* and Mr. Rao that all the documents / information was in the personal possession of Mr. Rao and that other than him, no one else had the knowhow of the relevant documents/ information. *Sharepro* is a company which is registered as an RTA with SEBI. It was always possible for *Sharepro* and Mr. G R Rao to submit their replies (through their representatives). Further, even though Mr. Rao has been in judicial custody, his representatives would have always been allowed to meet him and obtain the requisite information from him. Thus, I am of the view that citing the reasons of Mr. Rao's custody again and again for not submitting proper replies, is merely a dilatory tactic adopted by *Sharepro* and its director (Mr. Rao). I, therefore, do not find any merit in the above submission of the *Sharepro* and Mr. Rao.

18. It has also been submitted on behalf of *Sharepro* and Mr. Rao that the complaint dated October 20, 2015 based on which investigation was ordered is fabricated and carries incorrect information. In this regard, I note that the complaint dated

October 20, 2015 is not the basis of the investigation by SEBI rather it was only a reference point for initiation of examination and investigation in the matter. SEBI after receipt of the complaint carried out an examination into the alleged irregularities and misconduct of *Sharepro* and independently collected *prima facie* evidence on the irregularities of *Sharepro*. Pursuant to the examination, the *interim order* was passed which clearly recorded the irregularities / violations that were observed in the operations / conduct of *Sharepro* and others. I, therefore, reject the submission of *Sharepro* and Mr. Rao in this regard.

19. *Sharepro* and Mr. G. R. Rao have submitted that *Sharepro* was handling more than 200 companies and there was no lapse in transfer of dividends and funds in respect of the said 200 companies. It was submitted that only in respect of Tata Communications, because of non-availability of supporting documents for drawing the correct outstanding, transfer could not be made to the government. It was further submitted that there has been no problem whatsoever with respect to reconciliation for other clients. In this regard, I note that in the preliminary examination, dividend payment irregularities were noted in not just one company but several companies and particularly in respect of Tata Communications, the number of affected instances was high. The preliminary findings revealed that on 797 instances (involving ₹ 51,13,728/) relating to several companies (mentioned at Annexure A of the *interim order*), *Sharepro* misused the authority of instructing the bankers directly by issuing dividend payment instruments to persons who were not the actual shareholders. It is noted that in respect of dividend related to Tata Communications, the dividend was paid to third party (Satyam Brush Industries; a proprietary firm of Mr. Prashant Karkera (husband of Ms. Indira Karkera, VP of *Sharepro*) on whose account *Sharepro* had no control. In relation thereto, *Sharepro* failed to submit not only supporting documents but bank account details from which and to which such payments were made. In view of the above, I do not find any merit in the submission of *Sharepro* and Mr. G R Rao in this regard.
20. Regarding the instance highlighted in the *interim order* relating to Mr. Balram Mukherjee, who had sought transfer of shares worth more than ₹10.50 Crore belonging to one Mr. Sujit Kumar Gupta in 2015 on the basis of a document (purportedly a court order passed in 1985), it was submitted that Mr. Rao ensured that all the supporting documents were relied upon before the transfer and said documents were also vetted by *Sharepro*'s legal adviser. It was further submitted that RTA is not expected to check 30 year old antecedents. In this regard, it is important to mention that Britannia Industries Ltd. was also a party in the

purported suit where under the order conferring right over 3000 shares of Britannia Industries Ltd. was passed in favour of Mr. Balram Mukherjee. Britannia Industries Ltd handed over its share transfer functions to Sharepro in 2003 and at that time or thereafter, it did not hand over any “court order” to *Sharepro*. It is also noted that the amount involved in respect of aforesaid shares was in excess of ₹ 10.50 Crore. It does not appeal to reason that a person in spite of obtaining a favorable court order in 1985 for shares of Britannia Industries Ltd. would remain silent for nearly 30 years, especially when the shares in question are worth more than ₹ 10.50 crore. It is also noteworthy that *Sharepro* did not seek the comments of Britannia Industries Ltd. in the matter. The *interim order* also highlights other facts (mentioned at pages 26 and 27 in the *interim order*) that raise serious suspicion regarding the above transaction. Neither *Sharepro* nor Mr. Rao has provided a specific response in that regard. In view of the above I cannot accept the submission that it was ensured that all supporting documents were relied upon while effecting the transfer of shares to Mr. Balram Mukherjee. I am also unable to accept the submission that RTA is not expected to check 30 year old antecedents considering that in respect of Mr. Balram Mukherjee, the transfer was effected on the basis of a 30 year old purported court order which reasonably should have been scrutinized as it was presented before *Sharepro* for the first time in 2015 and related to a huge value (₹ 10.50 crore).

21. Mr. G R Rao has submitted that dividend related functions were handled by respective client managers and as managing director, Mr. Rao was not involved in day to day functions and was not handling dividend activities. In this regard, it is noted that the *interim order* brings out instances which show that Mr. Rao was aware of the ongoing activities in *Sharepro*. One such instance is the transfer of dividend amount to Satyam Brush Industries which was admittedly permitted by Mr. Rao. Another such instance is the transfer of shares (worth more than ₹ 10.50 Crore) to Mr. Balaram Mukherjee which was approved by Mr. G.R. Rao merely on the basis of a purported court order dating to the year 1985 and which was presented for the first time to *Sharepro* after 30 years from the passing thereof. Further, it is important to highlight here that *Sharepro* is a private limited company equity shares whereof are entirely held by Mr. G R Rao and his wife Mrs. Bhagyalaxmi Rao. The two of them are also the only directors of *Sharepro* since 2004. Thus, being the promoter and director (Managing Director) of *Sharepro*, Mr. Rao cannot escape the liability of the acts and omissions of *Sharepro*. In view of the above, Mr. Rao cannot be absolved from his responsibility and liability for acts/omissions committed by him or *Sharepro*.

22. Regarding the dividend of Asian Paints mentioned in the *interim order*, *Sharepro* submitted that it was a genuine error and it was ready to refund the amount to Asian Paints but it refused to accept the same. In this regard, as noted in the *interim order*, there were several instances (relating to the shares of Asian Paints Ltd.) wherein dividends were transferred to persons connected to *Sharepro* and its top management instead of their rightful holders, and the money was siphoned off. The multifarious transfers belie the claim of genuine error made by *Sharepro*. It is also clearly highlighted in the *interim order* that the said transactions relating to dividend of Asian Paints were *prima facie* fraudulent and there is nothing on record to differ with the findings of the *interim order* in this regard. I am of the view that at this stage readiness to refund the fraudulently siphoned off / transferred money cannot be allowed as an excuse. I, therefore, do not find any merit in the submission of *Sharepro* and Mr. G R Rao in this regard.
23. Mrs. Bhagyalaxmi Rao has submitted that she has not been involved in activities/business of *Sharepro* since inception. She has also submitted that there are no specific allegations against her in the *interim order* and her name has apparently been included in the *interim order* merely because she was a director and majority shareholder in *Sharepro*. In this regard, I note that in the *interim order*, in paragraphs 5 and 6, allegations have been levelled against the top management of *Sharepro*, and as a director of *Sharepro*, Mrs. Bhagyalaxmi Rao is a part of the top management of *Sharepro*. Further, it is noted that *Sharepro* is a private limited company and majority equity shares whereof are held by Mrs. Bhagyalaxmi Rao. She and her husband, Mr. G R Rao are also the only directors of *Sharepro* since 2004. Being the promoter and director of *Sharepro*, Mrs. Bhagyalaxmi Rao was responsible and accountable for the acts and omissions of *Sharepro* and therefore all the allegations against *Sharepro* are allegations against her. Thus, I am unable to accept the contention of Mrs. Bhagyalaxmi Rao that no allegations have been levelled against her in the *interim order*. Also, being a promoter and director of *Sharepro*, she is liable for the lack of due diligence, non-professional conduct, lack of integrity and *prima facie* fraud by *Sharepro*. In view of the above, I do not find any merit in the submissions of Mrs. Bhagyalaxmi Rao in this regard and reject the same.
24. Mrs. Indira Karkera (Vice President of *Sharepro*) who was the client manager for most of the clients of *Sharepro* and played a major role in the *prima facie* fraud highlighted in the *interim order*, did not file any reply to the *interim order*. However, for the purpose of seeking adjournment, it was submitted on her behalf that she is in custody of EOW because of which the authorized representatives

have not been able to seek proper instructions and file appropriate reply. In this regard, I note that since the passing of the *interim order*, Mrs. Indira Karkera has been given several opportunities to file her reply and present her case in personal hearing or through authorized representatives. The first opportunity of hearing was given to her on June 28, 2016 and thereafter, on all the dates, her authorized representatives sought adjournments. Further, even though she has been in judicial custody, her representatives would have always been allowed to meet her and obtain the requisite information. It was always possible for her to submit her reply (through their representatives). Considering the above, I find that the non-submission of any reply to *interim order* by Mrs. Indira Karkera is deliberate. I also note that the *interim order* mentions several instances wherein Mrs. Indira Karkera has been directly involved in the unauthorized transfers of shares and dividends and misappropriation of funds rightfully belonging to innocent shareholders. Thus, from the deliberate non-submission of reply, it is inferred that Mrs. Indira Karkera does not have anything to submit in respect of the *prima facie* findings of the *interim order* against her.

25. Mr. Shrikant Bhalakia submitted that he had been “helping out” people in dematerializing shares since the year 2008 for a “small” commission ranging from 8% to 12%. Explaining the procedure adopted by him in this regard, he submitted that for the purpose of such dematerialization, the original owners of shares used to transfer the physical shares to him through a duly executed transfer deed. The transfer deed used to contain a notional consideration amount for the said transfer of shares and the stamp duty would be paid accordingly. However, the actual consideration for shares would only be determined at the time when Mr. Shrikant Bhalakia would sell the dematerialized shares. He also submitted that after selling the dematerialized shares and after deducting his commission, he used to make payment to the original owners of shares through cheques on most of the occasions or in cash in some cases. In this regard, it is pertinent to highlight that while carrying out such dematerialization and sale (on behalf of others) Mr. Shrikant Bhalakia was not carrying out a legally recognized activity. Coming to the specific facts that have been mentioned in the *interim order*, I note that admittedly, Mr. Shrikant Bhalakia did not know or have any dealings with the persons viz. Amarjit Kaur Arora, Profile System Ltd etc. whose shares were actually transferred to him and his son Mr. Anand Bhalakia. As mentioned in the *interim order*, there were instances when new share certificates were directly printed in the name of Mr. Shrikant Bhalakia by *Sharepro* and there was no actual transfer of shares certificates from the original holders to Mr. Shrikant Bhalakia. Further, he also stated that he paid the sale proceeds to the employees of Asian

Paint Limited viz. Mr. Raju L, Mr. Suresh U, Mr. K Nagesh, Mr. Narayan D etc., who in fact were never the employees of Asian Paints Ltd. Mr. Shrikant Bhalakia admittedly, never met these persons and was dealing only with Ms. Indira Karkera to whom he used to pay the proceeds in cash.

26. It is an unacceptable proposition that shares worth crore of rupees were transferred to Mr. Shrikant Bhalakia due to lack of demat accounts, and “charges” running into lakhs of rupees (approximately 40% for the transactions mentioned in the *interim order*) were being collected for mere “help” in dematerializing the shares when there is a detailed procedure under rules/regulations/guidelines to be followed for transfer and dematerialization of shares. In view of the above, I find that the submission of “helping out” people in dematerializing shares is only an attempt by Mr. Shrikant Bhalakia to cover up the illegal siphoning of shares/dividends/funds which he carried out in connivance with Ms. Indira Karkera.
27. I find that facts such as Mr. Shrikant Bhalakia receiving share certificates directly printed in his name from Ms. Indira Karkera, receiving share certificates through Ms. Indira Karkera purportedly transferred with a notional consideration from persons whom he had never met and directly handing over the proceeds to Ms. Indira Karkera in cash clearly show that Mr. Shrikant Bhalakia acted in collusion with Ms. Indira Karkera and was a part of the fraudulent scheme described in the *interim order*. In view of the above, I reject the submissions of Mr. Shrikant Bhalakia in this regard.
28. On behalf of Mr. Anand Bhalakia, it was submitted that he was merely a joint holder in the demat account with Mr. Shrikant Bhalakia and had no involvement in the transactions mentioned in the *interim order*. In this regard, it is noted that being a joint holder of the demat account, Mr. Anand Bhalakia was equally responsible for the wrong dealings that were carried out using the said demat account. The operation of a joint account needs concurrence of both the joint holders. Mr. Anand Bhalakia was also a beneficiary of the holdings lying in the joint demat account. One such instance noted in the *interim order* is relating to the folio belonging to Ms. Amarjit Kaur Arora having 733 shares of Asian Paints Ltd. which was changed in the name of Mr. Shrikant Bhalakia jointly with Mr. Anand Bhalakia without any authorization from Asian Paints Limited. In view of the above, and the transactions of Mr. Shrikant Bhalakia (which were all done through the joint demat account) discussed in the above paragraphs, I cannot

accept the submission that Mr. Anand Bhalakia had no role / involvement in the transactions mentioned in the *interim order*.

29. Mr. Swapnil Sutar has submitted a copy of letter dated January 16, 2016 (i.e. much after the start of investigation) from Mr. G.R.Rao demanding back the dividend credited to him by sending pay orders in favour of Asian Paints Ltd. which he claims to have paid to Asian Paints Ltd. Mr. Sukhdev Bhosale has submitted that dividend credited to him was paid back to Ms. Indira Karkera in cash. In this regard I note that both Mr. Sutar and Mr. Bhosale have not submitted any documentary evidence to support their submissions. I also find it pertinent to note here that the dividends were received in the accounts of Mr. Sutar and Mr. Bhosale in October 2014 and were not returned by them. If the dividends were wrongfully credited to their accounts (as claimed by them), the amounts should have been returned immediately and not after initiation of investigation in the matter by SEBI. Further, in my view, returning fraudulently siphoned off assets after years and that too after initiation of investigation in the matter cannot be allowed as a valid defense to claim innocence. In view of the above, I do not find any merit in the submissions of Mr. Swapnil Sutar and Mr. Sukhdev Bhosale in this regard.

30. I note that Ms. Dina Bhalakia, wife of Mr. Shrikant Bhalakia, has submitted vide letters dated October 28, 2016 and July 17, 2017 that her demat account with Stock Holding Corporation of India Limited (SHCIL) bearing no. 1601010000032814 has also been frozen as Mr. Shrikant Bhalakia is second holder therein. According to her, the said account is in no manner connected with dealings of Mr. Shrikant Bhalakia with *Sharepro* and was opened as a joint account (with her husband, Mr. Shrikant Bhalakia) for convenience purposes. Further, the shares lying therein are her own shares which she acquired from her own funds and/or were inherited from her mother. She also submitted that she is holding some inherited shares in same demat account under trust on behalf of her sisters. In view of the above, she has prayed that that the freeze on this account be removed and she be allowed to operate the said account. In this regard, at the outset, it is noted that no directions were issued vide the *interim order* against. Ms. Dina Bhalakia, As regards the above request of Ms. Dina Bhalakia, I note that despite being asked (during the personal hearing granted to Mr. Shrikant Bhalakia), no documents were submitted on her behalf to support her submissions that the shares lying in the joint demat account were purchased by her from her own funds. Regarding the shares that she (as per her submissions) inherited from her mother, she has not submitted any succession

certificate, probate or other supporting document. Thus, at this stage, in absence of the relevant documents, I am unable to take a view in this regard. I however, note that the request of Ms. Dina Bhalakia shall be considered separately on submission of relevant supporting documents. Ms. Dina Bhalakia shall also submit a certificate from a Chartered Accountant certifying that the securities lying in the said demat account were bought from the funds of Ms. Dina Bhalakia and / or were inherited by her from her mother under a valid legal document. The Chartered Accountant shall issue the said certificate after examination of the income tax returns, bank accounts, demat accounts and other supporting documents of Ms. Dina Bhalakia for the relevant period for which the claim for ownership / trust has been made.

31. It is noted that vide the *interim order*, SEBI had also restrained Mr. Narayan Devadiga (PAN: AUBPD6990R) from buying, selling or dealing in the securities market or associating with securities market, either directly or indirectly, in any manner, till further directions. After the passing of the *interim order*, it was found out that the name of Mr. Narayan Devadiga holding PAN: AUBPD6990R was mistakenly included in the *interim order* because his name matched with another Mr. Narayan Devadiga whose role has been brought out in the investigation which is now complete. Incidentally, it was informed by *Sharepro* that Mr. Narayan Devadiga holding PAN: AUBPD6990R was an employee of *Sharepro* and had passed away on August 04, 2013. In this regard, a copy of his death certificate was also submitted. In view of the above facts, the proceedings initiated against Mr. Narayan Devadiga holding PAN: AUBPD6990R are closed. It is noted that the actual Mr. Narayan Devadiga, whose role has been brought out in the investigation, has been identified and appropriate action will be taken against him in accordance with law.
32. Considering the above, I find that at this stage, the Noticees (except Mr. Narayan Devadiga holding PAN: AUBPD6990R against whom these proceedings have been closed) have failed to give any plausible reasoning/explanation for their acts and omissions as described in the *interim order* and have not been able to make out a case with supporting documents for contradicting the findings of the *interim order* which would warrant revocation or modification of the *interim order*. Without prejudice to the above findings, I note that the investigation in the matter has been completed and adverse findings have been noted against several entities including the said Noticees. Action against all such entities will be taken in accordance with law.

33. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of section 19 of the Securities and Exchange Board of India Act, 1992 read with sections 11, 11B and 11D thereof, hereby confirm the directions issued against Sharepro Services (I) Pvt. Ltd., Mr. Govind Raj Rao, Mrs. Bhagyalaxmi Rao, Mrs. Indira Karkera, Mr. Prashant Karkera, Mr. Anil Jathan, Mr. Raju Landge, Mr. Suresh Unawane, Mr. Nagesh Karkera, Mr. Swapnil Sutar, Mr. Shrikant C. Bhalakia, Mr. Anand S. Bhalakia, Mr. Krishna M Ghosh, Mr. Sukhdev Bhosale and Mr. Balram Mukherjee vide *ex-parte ad interim* Order dated March 22, 2016. The proceedings against Mr. Narayan Devadiga holding PAN: AUBPD6990R are closed.

34. This order is without prejudice to any enforcement action that SEBI may deem necessary against the Noticees pursuant to the investigation in the matter. This order shall continue to be in force till further directions. A copy of this order shall be served on all recognized stock exchanges and depositories to ensure compliance with above directions.

Sd/-

DATE: November 3, 2017
PLACE : MUMBAI

MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA