

WTM/AB/SEBI/MIRSD/NRO/26/2019

**SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: ANANTA BARUA, WHOLE TIME MEMBER
EX PARTE–AD-INTERIM ORDER**

UNDER SECTIONS 11(1), 11(4), 11B AND 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 35 OF SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008.

IN RESPECT OF:

Noticee no.	Noticee Name	PAN No.
1.	Fairwealth Securities Limited	AAACF8795N
2.	Dhirender Gaba	AFUPG9615E
3.	Naveen Gaba	AAEPG8929N
4.	Shripad Sadanand Desai	AMGPD5283J
5.	Sandeep Jindal	AETPJ4553L
6.	Shitla Prasad Shukla	AAJPS3925M
7.	Roop Lal Aggarwal	ABIPA6590N
8.	Kamla Prasad Shukla	BHZPS7715M
9.	Aagas Software Solutions Pvt. Ltd.	AAICA5378C
10.	Katashraj Securities Pvt. Ltd.	AACCK7144E
11.	Reets Plastics Pvt. Ltd.	AACCR2424A
12.	Shyam Sunder Jolly	ADBPJ6001G
13.	Chahek Housing Pvt. Ltd.	AAHCC0112H
14.	Vikram Kumar	AROPK2904N

(The aforesaid entities are hereinafter referred to by their respective names / serial numbers or collectively as “the Noticees”)

1. Fairwealth Securities Limited (hereinafter referred to as “**FSL**”/ “**Stock Broker**”/ “**Broker**”/ “**Trading Member**”) registered with SEBI as a stock broker with registration number INZ000186238. Fairwealth is a member registered with National Stock Exchange of India Ltd. (hereinafter referred to as “**NSE**”), BSE Ltd. (hereinafter referred to as “**BSE**”) and Metropolitan Stock Exchange of India Ltd. (hereinafter referred to as “**MSEI**”) in Cash Market, Futures & Options and Currency Derivative, segments. FSL is also registered as a Depository Participant (**DP**) with SEBI registration number IN-DP-CDSL-393-2007 and is a member of CDSL. Fairwealth Commodity Broking Pvt. Ltd. (hereinafter referred to as “**FCBL**”), a subsidiary of FSL, is registered with SEBI as a commodity derivatives broker with registration number: INZ0000337, and a member of Multi Commodity Exchange of India Ltd (hereinafter referred to as “**MCX**”) and National Commodity & Derivatives Exchange Limited (hereinafter referred to as “**NCDEX**”).
2. NSE by its email dated October 04, 2019 informed by way of a preliminary report to SEBI that it had visited the office of FSL on October 01, 2019 after receiving the intelligence from market that the directors of FSL are absconding. On analysis of register of securities of FSL, NSE observed that out of total client securities worth Rs. 103.25 crore, securities amounting to Rs. 88 Crore were not available with the Trading Member. Further, FSL appeared to have sold securities worth Rs. 82.15 crore through 5 clients’ accounts without these clients owning the securities. NSE during its visit to the office of FSL, also observed that the depository and back office section of FSL were shut down and only two persons of FSL were available in the office.
3. Upon undertaking further analysis, NSE has submitted an updated preliminary report vide email dated October 10, 2019. The report mainly focuses on the following areas:
 - A. Non-availability of securities with FSL
 - B. Relationship of certain entities through which shares were sold & FSL
 - C. Analysis of funds shortfall
 - D. Net worth Submission by the Member and analysis

4. The details of the directors of FSL as on October 10, 2018, as mentioned in the report of NSE, are as under:

S. No.	Director	From	To	PAN
1	Dhirender Gaba	02/03/2005	till-date	AFUPG9615E
2	Naveen Gaba	02/03/2005	till-date	AAEPG8929N
3	Shripad Sadanand Desai	23/09/2019	till-date	AMGPD5283J
4	Sandeep Jindal	12/06/2018	23/09/2019	AETPJ4553L
5	Shitla Prasad Shukla	29/09/2017	16/07/2019	AAJPS3925M
6	Roop Lal Aggarwal	07/05/2018	16/07/2019	ABIPA6590N
7	Kamla Prasad Shukla	29/09/2017	25/10/2017	BHZPS7715M

5. The details of major shareholders of FSL as on July 31, 2018, as available with SEBI are as follows:

Name	Shareholding Pattern		
	No. of shares	Amount	% of holding
Mr. Dhirender Gaba	3881960	38819600	57.50%
Mr. Naveen Gaba	2615000	26150000	38.74%

6. Based on the report by NSE, it is observed that FSL has *prima facie* failed to comply with the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act, 1992**") and Regulations made thereunder. The details of *prima facie* violations as observed in the report of NSE are as under:

A. Non-availability of securities and mismatch of securities in register of securities and holding statements of beneficiary accounts of FSL:

- (i) On comparison of back office Register of Securities (RoS) as on October 03, 2019 with holding statements of beneficiary accounts of FSL, NSE observed that there was a shortfall of securities worth Rs. 103.84 cores which is not available with FSL. Further,

securities worth Rs. 1.01 crores were observed in beneficiary accounts which were not recorded in the RoS of FSL.

- (ii) During reconciliation, NSE observed that securities have been primarily sold by FSL through the following 5 client codes without these clients possessing those securities:

Client Code	Client Name	PAN
FF1094	Aagas Software Solutions Pvt. Ltd.	AAICA5378C
FF555	Katashraj Securities Pvt. Ltd.	AACCK7144E
FFR794	Reets Plastics Pvt Ltd	AACCR2424A
FFS289	Shyam Sunder Jolly	ADBPJ6001G
FF1166	Chahek Housing Pvt. Ltd.	AAHCC0112H

- (iii) The details of securities reconciliation are as under:

Sr. No	Availability of Securities as on 3-Oct-2019		(Rs. in Crore)
1	VALUE OF SECURITIES AS PER REGISTER OF SECURITIES-TOTAL		116.23
i)	Value of securities pertaining to 5 clients in whose code other client securities have been sold	17.08	
	Aagas Software Solutions Pvt. Ltd.	7.89	
	Katashraj Securities Pvt. Ltd.	0.13	
	Reets Plastics Pvt Ltd	7.60	

	Shyam Sunder Jolly	0.12	
	Chahek Housing Pvt. Ltd.	1.34	
ii)	Value of securities pertaining to Fairwealth Group	1.67	
iii)	Value of securities pertaining to Proprietary	7.38	
iv)	Value of securities pertaining to other Clients	90.10	
	TOTAL	116.23	
2	Value of securities available in Client/ Own beneficiary accounts and NSE Clearing *		13.40 *
	Value of Securities Available in ROS but not in DP		103.84
	Value of Securities Available in DP but not in ROS		1.01

*Out of the total securities available of Rs. 13.40 cr. Securities amounting to Rs. 2.11 cr. are pledged with ECL Finance Limited.

B. Misappropriation of securities:

- (i) During reconciliation, NSE observed that securities amounting to Rs. 73.30 Crore, which is approximately 70% of the amount of shortfall of securities observed, have been sold by FSL in 5 client codes who are its related entities, without these clients possessing those securities. The detail of these clients are as under:

Client Cd	Client Name	PAN	Value of misuse (Rs. In crore)
FFR794	Reets Plastics Pvt. Ltd.	AACCR2424A	27.15
FF555	Katashraj Securities Private Limited	AACCK7144E	17.07
FF1166	Chahek Housing Private Limited	AAHCC0112H	15.39
FFS289	Shyam Sunder Jolly	ADBPJ6001G	7.91
FF1094	Aagas Software Solutions Private Limited	AAICA5378C	5.77
TOTAL			73.30

C. Relationship of certain entities through which securities were sold & FSL:

- (i) On verification of the directorship/shareholding of the aforementioned 5 entities, it was observed that these entities are related to FSL. Details of relationship of these entities with FSL are as under:

Reets Plastics Pvt. Ltd.:

Client name	Current Directors as per MCA 21 portal	Directorship in other companies as per MCA 21 portal
Reets Plastics Pvt. Ltd.	Vikram Kumar	Fairwealth Tours and Travel Pvt. Ltd.
		Chahek Housing Private Limited
	Shripad Sadanand Desai	Chahek Housing Private Limited

- (ii) On verification of the shareholding of Fairwealth Tours and Travels Pvt. Ltd., wherein Mr. Vikram Kumar is the director, it was observed that Fairwealth Financial Services Ltd. is the promoter of Fairwealth Tours and Travel Pvt. Ltd., having shareholding of 99.99%.

Mr. Naveen Gaba and Mr. Dhirender Gaba are the common directors and shareholders in Fairwealth Financial Services Limited and FSL.

Katashraj Securities Pvt. Ltd.:

Client Name	Current Directors As Per MCA 21 portal	Directorship In Other Companies as Per MCA 21 portal
Katashraj Securities Pvt. Ltd.	Naveen Gaba	Fairwealth Commodity Broking Private Limited
		Fairwealth Insurance Brokers Private Limited
		Fairwealth Securities Limited
		Fairwealth Housing Private Limited
		Fairwealth Financial Services Limited
	Dhirender Gaba	Fairwealth Securities Limited
		Fairwealth Insurance Brokers Privatelimited
		Fairwealth Financial Services Limited
		Fairwealth Housing Private Limited
		Fairwealth Commodity Broking Private Limited

- (iii) Both the directors of Katashraj Securities Private Limited are the directors/dominant shareholders in FSL.
- (iv) Further, the registered office address of Katashraj Securities Private Limited i.e. 651-652 Udyog Vihar, Phase V, Gurugram, is also the registered office of FSL.

Chahek Housing Pvt. Ltd.:

Client Name	Current Directors As Per MCA 21 portal	Directorship in Other Companies as Per MCA 21 portal
Chahek Housing Pvt. Ltd.	Vikram Kumar	Fairwealth Tours and Travel Private Limited
		Reets Plastics Private Limited
	Shripad Sadanand Desai	Reets Plastics Private Limited

- (v) Mr. Vikram Kumar is the director of Chahek Housing Pvt. Ltd. On verification of the shareholding of Fairwealth Tours and Travels Pvt. Ltd, wherein Mr. Vikram Kumar is the director, it was observed that Fairwealth Financial Services Limited is the promoter of Fairwealth Tours and Travel Pvt. Ltd., having shareholding of 99.99%. Further, Mr. Naveen Gaba and Mr. Dhirender Gaba are the common directors and shareholders in Fairwealth Financial Services Limited and FSL.
- (vi) The dealing office address of FSL (i.e. UG 3, Som Datt Chamber II, Bhikaji Cama Place, New Delhi) is also the registered office address of Fairwealth Tour and Travel Pvt. Ltd. and one of the office address of Chahek Housing Private Limited, as provided by them on MCA website while submitting their shareholding details as on 31 Mar, 2018.

Shyam Sunder Jolly:

- (vii) Shyam Sunder Jolly is one of the shareholder of Fairwealth Financial Services Ltd. in which Mr. Naveen Gaba and Mr. Dhirender Gaba are the directors and shareholders, who are the designated director and promoter of FSL.

Aagas Software Solutions Pvt. Ltd.:

Client Code	Client Name	Current Directors As Per MCA 21 portal	Directorship in Other Companies As Per MCA 21 portal
Dlff1094	Aagas Software Solutions Pvt. Ltd.	Vikram Kumar	Fairwealth Tours And Travel Private Limited
			Chahek Housing Pvt. Ltd.
			Reets Plastics Pvt. Ltd.
		Shripad Sadanand Desai	Reets Plastics Pvt. Ltd.
			Chahek Housing Pvt.

- (viii) Mr. Vikram Kumar is the director of Aagas Software Solutions Pvt. Ltd. and Fairwealth Tours and Travels Pvt. Ltd. Fairwealth Financial Services Ltd. is the promoter of Fairwealth Tours and Travel Pvt. Ltd., having shareholding of 99.99%. Further, Mr. Naveen Gaba and Mr. Dhirender Gaba are the common directors and shareholders in Fairwealth Financial Services Limited and FSL.
- (ix) The dealing office address of FSL (i.e. UG 3, Som Datt Chamber II, Bhikaji Cama Place, New Delhi) is also the registered office address of Fairwealth Tour and Travel Private Limited and Aagas Software Solutions Pvt. Ltd.

D. Analysis of funds shortfall:

- (i) On verification of trial balance of FSL, as on October 03, 2019, NSE observed that as against client credit balance amounting to Rs. 56.37 crore, available balance in bank/clearing member/exchange/clearing corporation were to the extent of Rs. 4.27 crore. Therefore, a shortfall of Rs. 52.10 crore was observed, as detailed below:

AVAILABILITY OF CLIENTS' FUNDS (In Rs.)	As on Oct 3, 2019 (Amount in Crore)
Total Payables (A)	56.37
Total cash/bank Balance - B	0.28
Funds/ Deposits with NSE, NSCCL , CM and BSE (C)	4.34
Minimum deposit requirement by both Exchanges (D)	0.35
Total funds available with member E= (B+C-D)	4.27
Amount not available with members (A-E)	52.10

- (ii) Out of total client payable of Rs. 56.37 crore, as mentioned in the table Rs. 40.76 crore are related to 5 clients in whose account, member has misused the clients' securities, details of which are as under:

Client Code	Client Name	Amount in Crore
DLFF1166	Chahek Housing Private Limited	19.55
UPFFR794	Reets Plastics Private Limited	19.47
DLFF1094	Aagas Software Solutions Private Limited	0.96
DLFF555	Katashraj Securities Private Limited	0.41
DLFFS289	Shyam Sunder Jolly	0.37
TOTAL		40.76

E. Net worth Submission by the Member and analysis:

- (i) Based on Net-worth certificate as on March 31, 2019 and Trial Balance dated October 03, 2019, the net-worth of the member has been computed as on October 03, 2019 by NSE. NSE observed that the net-worth of FSL is negative by Rs. 5.93cr. The necessary details for net worth are as under:

Net Worth	Amount (Rs. In Crore)
Capital + Free Reserves	21.54
Less : Non allowable assets	
Fixed Assets	1.98
Pledged	1.83
Doubtful debts and advances**	22.99
Prepaid expenses, losses	0.67
30% Marketable Securities	0.07
Shortfall	-5.93

7. In view of the aforesaid, it is observed that FSL has *prima facie* misutilised funds and securities of clients with assistance/connivance with other Noticees, as mentioned in para 6A, 6B and 6C above, and has violated SEBI Circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI Circular no. SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 read with Clauses A (1), A(5) & B(6) of Schedule II read with Regulation 9 (f) of SEBI (Stock Brokers) Regulations, 1992. Further, by not maintaining the net-worth, as mentioned in para 6D above, FSL has *prima facie* violated Regulation 9(g) of SEBI (Stock Brokers) Regulations, 1992.

8. Under the above circumstances, I, in exercise of powers conferred upon me under Sections 11(1), 11(4), 11B and 11D read with Section 19 of the SEBI Act, 1992 and Regulation 35 of SEBI (Intermediaries) Regulations, 2008, by way of this *ex parte ad interim* order, hereby issue the following directions:

- (i) All Noticees are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, till further directions;
- (ii) The aforesaid Noticees shall cease and desist from undertaking any activity in the securities market, directly or indirectly, in any manner whatsoever till further directions;
- (iii) The aforesaid Noticees are directed not to dispose of or alienate any assets, whether movable or immovable, or to create or invoke or release any interest or charge in any of such assets except with the prior permission of NSE and BSE;
- (iv) The aforesaid Noticees are directed to provide a full inventory of all their assets, whether movable or immovable, or any interest or investment or charge in any of such assets, including details of all their bank accounts, demat accounts and mutual fund investments immediately to NSE and BSE but not later than 5 working days from the date of receipt of this order;
- (v) Till further directions in this regard, the assets of the Noticees shall be utilized only for the purpose of payment of money and /or delivery of securities, as the case may be, to the clients/investors under the supervision of the concerned exchanges/depositories;
- (vi) The depositories are directed to ensure that no debits are made in the demat accounts, held jointly or severally, of the aforesaid Noticees except for the purpose mentioned in sub-para (v) above, after confirmation from NSE/BSE;

- (vii) The banks are directed to ensure that no debits are made in the bank accounts held jointly or severally by the Noticees except for the purpose of payment of money to the clients/investors under the written confirmation of NSE/BSE;
 - (viii) The stock exchanges shall appoint forensic auditor to track misuse of client's funds/securities and to identify the net assets/liabilities of Noticee no. 1 and submit the report to SEBI within 90 days;
 - (ix) The stock exchanges shall deal with the complaints/claims of the clients against the member and may return the amount of client fund and securities to the clients and may also use assets of the Noticee no. 1 to meet clients'/exchanges'/clearing members'/clearing corporations', obligations; and
 - (x) The above directions are without prejudice to the right of SEBI to take any other action that may be initiated in respect of aforesaid entities/persons.
9. The findings recorded in the order are based on the *prima facie* examination of facts and *prima facie* violation of securities law.
10. The present order has been passed under disciplinary proceedings against the Trading Member for the violations of the Securities Laws, as mentioned in the order above. The observations in this order does not *ipso facto* entitle any client of the Trading Member to claim their funds, stocks and securities, which claims are to be taken by such clients with the concerned stock exchanges/depositories in accordance with their respective bye-laws.
11. The Noticees against whom this Order is being passed may file their objections, if any, within twenty-one (21) days from the date of receipt of this Order. The Noticees are directed to submit their replies along with the supporting documents including details of payments made to clients. In the event the Noticees intend to avail an opportunity of personal hearing, they may appear before the Securities and Exchange Board of India at its Head Office at SEBI Bhavan

- II, Plot No.C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai-400051 on November 15, 2019 at 02:30 PM. In the event of the Noticees failing to file replies within 21 days of receipt of this order or failing to appear before SEBI on the aforesaid date and time, the preliminary findings at paras 6 of this Order and directions at para 8 (i) to (x) above shall be deemed to be confirmed against the Noticees automatically, without any further orders.

12. This order shall come into force with immediate effect. A copy of this order shall be forwarded to all the Noticees, Stock Exchanges, the relevant banks, Depositories and Registrar and Transfer Agents of Mutual Funds to ensure that the directions given above are strictly complied with.

Place: Mumbai

Date: October 11, 2019

Sd/

ANANTA BARUA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA