National Stock Exchange of India
Circular

Department: Investigation	
Download Ref No: NSE/INVG/53413	Date: August 24, 2022
Circular Ref. No: 108/2022	

To All NSE Members

Sub: **Final Order in the matter of Arvind Remedies Limited**

This is with reference to NSE circular No NSE/INVG/34205 dated February 16, 2017 referring to SEBI order no. WTM/SR/CFD-FAC/08/02/2017 dated February 16, 2017.

SEBI vide its Order no. WTM/SM/IVD/ID2/18493/2022-23 dated August 24, 2022, has hereby restrained below entity from accessing the securities market, and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, and associating with the securities market in any manner for the periods as indicated against the names of corresponding entities in below table

Sr. No.	Name of the Entity	PAN	Debarment Period
1	Arvind Remedies Limited (ARL)	AACCA7407Q	8 years
2	Mr. Raghuveer	AIQPR9258M	1 year
3	Chandra Ravindran	AAGPC2539N	1 year
4	Ankur Agarwal	AHCPA3196L	1 year
5	Arvind Kumar B Shah	AAVPS8498K	8 years
6	Narit Tradecom Private Limited	AACCN2610E	3 years
7	A Deepthi Kumari Shah	ALDPK3627M	3 years
8	Anand Kumar A Shah	AELPA7544N	3 years
9	Baby Rani	AGPPB4885M	3 years
10	Arvind Kumar and Sons HUF	AAIHA6102R	3 years

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Sr. No.	Name of the Entity	PAN	Debarment Period
11	Sankeshwara Credit and Investments Limited	AAACS7007C	3 years
12	Arvind Health Care Private Limited	AADCA9269M	3 years
13	Shreyanse Finance Ltd	AAGCS1052B	3 years
14	Nikitha Jain	AGTPJ7888A	3 years
15	Aryaman Commerce Private Limited	AAGCA0935M	3 years
16	Juniper Vinimay Private Limited	AACCJ1851D	3 years
17	Marina Dealcom Private Limited	AAGCM0638M	3 years
18	Jem Fiscal Pvt. Ltd.	AAACJ5583E	6 months
19	Santhe M V	BFOPS2450C	6 months
20	V Murali	BZSPM0611F	6 months
21	Sheila Shekar	BYVPS3398M	6 months
22	Shem Raja Sudhakar	BYVPS2897D	6 months
23	Sathish Kumar N	DUWPS2496M	6 months
24	Murali Prakash Naidu	APHPM3909G	3 years
25	Varalakshmi P	AEPPV7309L	6 months
26	Solomon Y	BLJPS1968J	6 months
27	Byju C Nair	AETPN1724M	6 months
28	S Nagarajan	ARHPN2907P	6 months
29	A H Geetha	AMDPG6469L	6 months
30	Nandakumar P	AJTPN8566G	6 months
31	K Manikandan	AMXPM1460H	6 months
32	Subhalakshmi M S	BESPS4830M	6 months
33	S SengolAncyBeaula	DKLPS1799L	6 months
34	M Sasikala	BSBPM8534R	6 months
35	M HemaSairam	ANLPM1562B	6 months
36	M Sethujanani	BILPS7862N	6 months
37	N V Devkumar	AIWPD6245N	6 months

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Sr. No.	Name of the Entity	PAN	Debarment Period
38	Sasikumar V	EFZPS9555C	6 months
39	P Ramaswamy	ATAPR3812Q	6 months
40	Pattabiraman	AGTPP6364R	6 months
41	Radhakrishnan	AMBPR8279D	6 months
42	Raja P	BKDPR6611L	6 months

It is clarified that while calculating the period of debarment as directed above, the period already undergone by the respective entities, in pursuance of the Interim Order shall be taken into consideration and the same shall be set-off to give effect to the directions of restraint and prohibition, as directed above.

Further, all open positions, if any, of the aforesaid Entities in the F&O segment of the stock exchange, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

This Order shall come into force with immediate effect.

The detailed order is available on SEBI website (http://www.sebi.gov.in).

Further, the consolidated list of such entities is available on the Exchange website http://www.nseindia.com home page under “Home-Regulation-Members-Debarred Entities”.

Members are advised to take note of the above and ensure compliance.

In case of any further queries, members are requested to contact the following officials:

Mr. Rishabh Goyal (Extension: 25508), Mr. Anand Jangir (Extension: 22385)
Direct No: 022-26598417/18 Fax: 022-26598195

For and on behalf of

National Stock Exchange of India Limited

National Stock Exchange of India

Anand Jangir
Manager

Annexure: - Final Order in the matter of Arvind Remedies Limited

WTM/SM/IVD/ID2/18493/ 2022-23

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S K MOHANTY, WHOLE TIME MEMBER

ORDER

Under Sections 11, 11(4), 11B (1) and 11B (2) of the Securities and Exchange Board of India Act, 1992

In respect of:

S. No.	Name of the Noticee	PAN
1.	Arvind Remedies Limited	AACCA7407Q
2.	P R Krishnan	AADPI7137B
3.	Raghuveer	AIQPR9258M
4.	Chandra Ravindran	AAGPC2539N
5.	Ankur Agarwal	AHCPA3196L
6.	Arvind Kumar B Shah	AAVPS8498K
7.	Narit Tradecom Private Limited	AACCN2610E
8.	A Deepthi Kumari Shah	ALDPK3627M
9.	Anand Kumar A Shah	AELPA7544N
10.	Baby Rani	AGPPB4885M
11.	Arvind Kumar and Sons HUF	AAIHA6102R
12.	Sankeshwara Credit and Investments Limited	AAACS7007C
13.	Arvind Health Care Private Limited	AADCA9269M
14.	Shreyanse Finance Ltd.	AAGCS1052B
15.	Nikitha Jain	AGTPJ7888A
16.	Aryaman Commerce Private Limited	AAGCA0935M

17.	Juniper Vinimay Private Limited	AACCJ1851D
18.	Marina Dealcom Private Limited	AAGCM0638M
19.	Jem Fiscal Pvt. Ltd.	AAACJ5583E
20.	Santhe M V	BFOPS2450C
21.	V Murali	BZSPM0611F
22.	Sheila Shekar	BYVPS3398M
23.	Shem Raja Sudhakar	BYVPS2897D
24.	Sathish Kumar N	DUWPS2496M
25.	Murali Prakash Naidu	APHPM3909G
26.	Varalakshmi P	AEPPV7309L
27.	Solomon Y	BLJPS1968J
28.	Byju C Nair	AETPN1724M
29.	S Nagarajan	ARHPN2907P
30.	A H Geetha	AMDPG6469L
31.	Nandakumar P	AJTPN8566G
32.	K Manikandan	AMXPM1460H
33.	Subhalakshmi M S	BESPS4830M
34.	S SengolAncy Beaula	DKLPS1799L
35.	M Sasikala	BSBPM8534R
36.	M HemaSairam	ANLPM1562B
37.	M Sethujanani	BILPS7862N
38.	N V Devkumar	AIWPD6245N
39.	Sasikumar V	EFZPS9555C

40.	P Ramaswamy	ATAPR3812Q
41.	Pattabiraman	AGTPP6364R
42.	Radhakrishnan	AMBPR8279D
43.	Raja P	BKDPR6611L

In the matter of Arvind Remedies Limited

(The aforesaid entities are hereinafter individually referred to by their respective names/Noticee nos. and collectively as "Noticees", unless the context specifies otherwise)

Background

1. Securities and Exchange Board of India (SEBI) received a reference from Punjab National Bank (hereinafter referred to as "PNB" or "the Bank") forwarding a copy of the forensic audit report prepared by M/s Maharaj N R Suresh & Co. dated May 23, 2015 (hereinafter referred to as the "*Forensic Audit Report*"), highlighting irregularities in financial statements and inflated sales / profits by Arvind Remedies Limited (hereinafter referred to as "***ARL***" or "***Company***"). Additionally, SEBI had also received two complaints - one from Mr. R.K. Sinchal dated November 27, 2015 and another one from Ms. M Rekha Reddy dated September 16, 2016, *inter alia*, alleging that the promoters including the CEO of the *Company* had resorted to publication of false results for the last few years to artificially inflate the stock and then sold their shares at the manipulated stock price while in possession of certain eminent and pertinent information that was not generally available to the investors of the securities market.

2. Subsequent to the receipt of the aforesaid documents and complaints, a preliminary examination was undertaken by SEBI to ascertain whether the books of accounts of *ARL* were genuine showing the correct figures or the financials in the books of accounts of *ARL* for the Financial Years 2011 to 2015 were manipulated. Following were, *inter alia*, the observations of the Investigation conducted by SEBI.

a) In the Annual Reports, *ARL* posted inflated figures of sales and purchases of goods. As observed from the Forensic Audit, goods shown as being purchased were actually not purchased by *ARL*. Further, sales shown to have been made by *ARL* were also not real and were shown in the books of accounts of *ARL* without actual delivery of goods.
b) The sales/purchases of goods were disclosed by *ARL* as having been made with the Connected / Controlled Entities. For all these Connected / Controlled Entities, who were incorporated during the Financial Years 2010–11 and 2011–12, the bank accounts were opened only for the purpose of showing fictitious transactions with *ARL* and not for any actual business purpose. Further, significant cash withdrawals were observed in the said bank accounts. The Statutory Auditors failed to detect the aforesaid multiple Reversal/Circular transactions
c) As per the Annual Reports of *ARL*, its Managing Director–Dr. Arvind Kumar Babhutmalji Shah, was paid commission on sales to the extent of ₹1.56 Crores for Financial Year 2011–12; ₹2.8 Crores for Financial Year 2012–13 and ₹3.75 Crores for Financial Year 2013–14. Since fictitious sales were shown by *ARL*, the commission on account of such sales should not have arisen. In light of the same, Dr. Arvind Kumar Babhutmalji Shah wrongfully earned commission from non-existent sales.
d) Different set of financial statements were prepared by *ARL* for the Excise Department and Sales Tax Authorities.

3. After the preliminary examination and on the basis of the *prima facie* findings, SEBI passed an *ad interim ex parte* order dated February 16, 2017 (hereinafter referred to as the "***interim order***") against the *Company* and its Managing Director (*Noticee no. 6*) observing their acts to be *prima facie* in violation of sections 12A(a), (b) and (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "***SEBI Act, 1992***"), regulations 3(b), (c) and (d) read with regulations 4(1) and 4(2)(a), (e), (f), (k) and (r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the "***PFUTP Regulations, 2003***") and regulation 4(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the "***Listing Regulations, 2015***"). In order to protect the interest of investors of securities market, the following directions were issued against the *Company* and the *Noticee no. 6:*

a) *restraining ARL and Noticee no. 6 from accessing the securities market and further prohibiting them from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly;*
b) *restraining Noticee no. 6 from holding any position as a director or key managerial person of any other listed company and impounding the unlawful earnings of ₹8.11 Crores paid by ARL to Arvind Kumar B Shah; and*
c) *directing Noticee no. 6 not to dispose of or alienate any of his assets/properties/securities, till such time the aforementioned amount of ₹8.11 Crores is credited to an escrow account.*

4. Simultaneously, SEBI conducted an investigation into the trading activities in the scrip of *ARL* as well as with reference to manipulations of financial statements and alleged insider trading by promoters of the *Company* while off-loading their shares of the *Company* during the period of April 01, 2010 to June 13, 2016 (for convenience **"Investigation Period"**) for possible violation, if any, of the provisions of *SEBI Act, 1992* and rules and regulations made thereunder.

5. During the course of investigation, the price volume data in the scrip of the *Company* was analyzed. Details of price volume information in the scrip of *ARL* before and during the Investigation Period are tabulated below:

Table no. 1: Price-Volume movement in scrip of *ARL* at NSE

Period	Dates		Opening price & volume on first day of the period	Closing price & volume on last day of the period	Low price & volume during the period	High price & volume during the period	Total (Daily average) no. of shares traded during the period
Pre-investigation (3 months)	January 01, 2010 to March 31, 2010	Price	2.05	1.90	1.75 (on multiple days)	2.50 (15/01/2010)	2,50,58,080 (4,17,634)
		Volume	4,35,190	3,21,540	61,060 (09/03/2010)	14,00,530	
During Investigation – UPSI	**Before consolidation of shares:** April 01, 2010 to May15, 2012	Price	1.95	2.35	1.6 (21/05/2010	2.7 (09/06/2011 and 10/06/2011)	12,17,28,050 (2,29,243)
		Volume	127150	447300	16470 (08/12/2011)	33,97,260	
	After consolidation of shares: May 16, 2012 to June 13, 2016	Price	26.50	4.65	3.80 (04/04/2016)	66.20 (08/09/2014)	5,42,46,07,998 (6,12,950)
		Volume	20849	1,810	800 (11/05/2013)	1,04,29,105 (13/08/2014)	

Findings of Investigation

6. In the course of investigation conducted by SEBI, while analyzing the price and trade movement in the scrip of *ARL*, following facts, *inter alia*, came to light:

A. Manipulations of financial statements of *ARL*

a) It is noticed that *ARL* had inflated both purchases and sales by entering into transactions with Connected / Controlled Entities and further resorted to the acts of making payments with an intention to get the same reflected/recorded in the banks statements. Subsequently, these payments were either reversed or routed in a circular manner without movement of goods and the same facts was observed as per the *Forensic Audit Report*. As a result of the same, the books of account of *ARL* as shown and disclosed to the public were in reality not showing the true, correct and fair statement rather the manipulated figures were disclosed for financial years ending March 31, 2012, March 31, 2013, March 31, 2014 and March 31, 2015.

b) As regards to the claim of *ARL* that it had destroyed raw material worth ₹197.3 crore, it was unearthed during the investigation that the said claim of destroying of raw material was having no support of any evidence in the form of having intimated and sought permission from the relevant governmental agencies like the Drug Control, Pollution Control Board, Excise Department. There is also no evidence of the permission of banks, with which the said raw material was hypothecated. It was also observed that the *Noticee no. 1* provided incorrect information / documents for defending its stand and attempted to mislead SEBI.

c) It was also revealed that that *ARL* prepared different sets of financial statements for financial years ending March 31, 2011, March 31, 2012 and March 31, 2013 and projected untrue financial statements to various stakeholders which demonstrated its intention to deceive by misleading its shareholders.

d) It was noticed that *Noticee no. 3-6* were holding position of Directors in the *Noticee no.1* during the Investigation Period. By virtue of holding executive positions in *ARL* during the period in which books of account of *ARL* were misstated and by signing the untrue financial statements, *Noticees no. 1, 3, 4, 5 and 6* are observed to have violated section 12A(a), (b), (c) of the *SEBI Act, 1992* and regulation 3(b), (c), (d), 4(1), 4(2)(f), (k) and (r) of the *PFUTP Regulations, 2003* as the false projection of sale or purchase of goods and raw material and the consequent manipulation in the finances coupled with publishing untrue financial statements of *ARL* have potential to influence the investment decisions of the investors.

B. Non-compliance of the directions of *interim order*

e) It is observed that *Noticee no. 6* has not complied with the directions of the *interim order* regarding depositing INR 8.11 crore in an Escrow Account.

C. Trading activities of certain entities in the scrip of *ARL*

f) As already mentioned above that the *Company* had failed to present true and fair financial statements and had executed transactions which were non-genuine and tantamount to misrepresentation of the accounts/ financial statement. Such financial statements were price sensitive in nature, in terms of regulation 2(ha)(i) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as the "***PIT Regulations, 1992***") as true disclosure of the same was likely to have materially affected the share price of *ARL*, if published. Hence, the manipulation in financial statements of *ARL* is treated as Unpublished Price Sensitive Information (hereinafter referred to as "UPSI") and it was only after the *interim order*, that the alleged manipulation of financial statements of the *Company* was known to the public. Therefore, UPSI came to the public domain only on February 16, 2017.

<u>Violations observed in offloading of shares by promoters</u>

g) It is observed that the *Noticee no. 6* was the Managing Director of *ARL* and was a connected person and insider as per regulation 2(c) and (e) of the PIT Regulations, 1992. It is further observed that certain promoter entities (*Noticees no. 7 to 15*) of *ARL*, who were connected with the *Company* and were reasonably expected to have access to the UPSI and are also considered as "insiders" in terms of the provisions of the *PIT Regulations, 1992* being closely connected to each other. It was further revealed that *Noticees no. 6 to 15* dealt in the scrip of *ARL* while in possession of UPSI and the said acts of dealing in securities are alleged to be in violation of regulations 3(i) and 4 of the *PIT Regulations, 1992* read with regulation 12 of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as the "***PIT Regulations, 2015***") and section 12A (d) & (e) of the *SEBI Act, 1992.*

h) Further, it is also observed that the UPSI was of negative in nature (i.e. if published, it would likely to have adversely impacted the price of scrip of *ARL*). The insiders by disposing off their shareholdings when in possession of the said negative UPSI have avoided financial loss in the scrip of *ARL*.

i) It was noticed that the *Noticee no. 6* along with other promoters (*Noticees no. 7 to 15*) have devised and executed a scheme in which the promoter entities have offloaded the shares in a fraudulent manner when in possession of UPSI and the managerial personnel i.e. *Noticee no. 2* (Compliance Officer) and *Noticees no. 3 to 5* (Directors of *ARL*) of the *Company* have aided and abetted the promoters to off-load the shares in fraudulent manner and defrauded the genuine/gullible investors by disclosing incorrect promoter shareholding to the stock exchanges. Through this scheme, the promoters of *ARL* were able to avert the losses to the tune of INR 74.77 crores (approx.). Considering the foregoing, such acts of the management of the *Company (Noticees no. 2 to 5)* were observed to be in violation of the provisions of Section 12A (a), (b), (c) of the *SEBI Act, 1992* read with regulations 3(b), (c), (d) and 4(1) of the *PFUTP Regulations, 2003*. Further, the promoter entities (*Noticees no. 6 to 15*) of the *Company* have violated provisions of section 12A (a), (b), (c) of the SEBI Act, 1992 read with regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations, 2003.

<u>Violations observed in offloading of shares by promoter related entities</u>

j) It was further revealed that the *Noticees no. 16 to 18 (*herein after collectively referred to as "***promoter connected entities***") who were connected with the promoters of *ARL*, were allotted shares of *ARL* through preferential allotment during the Investigation Period. It was further noticed that three *promoter connected entities* were reasonably expected to have access to UPSI and are insiders as per the provisions of the *PIT Regulations, 1992,* who had dealt in the scrip of *ARL* while in possession of UPSI, which alleged to be violating regulations 3 (i) and 4 of the *PIT Regulations, 1992* read with regulation 12 of the *PIT Regulations, 2015* and Section 12A (d) & (e) of the *SEBI Act, 1992*. Through their trades in the scrip of *ARL* on the basis of UPSI, the three *promoter connected entities* were able to avert the losses to the tune of INR 89.63 crores (approx.). It is further observed that the three *promoter connected entities* alongwith the promoter entities have executed a scheme in which the promoter entities have offloaded the shares in a fraudulent manner when in possession of UPSI and have aided and abetted the promoters to off-load the shares in fraudulent manner and defrauded the genuine/gullible investors by disclosing incorrect promoter shareholding to the stock exchanges. Considering the foregoing, such acts of the three *promoter connected entities (Noticees no. 16 to 18)* were alleged to be in violation of provisions of Section 12A (a), (b), (c) of the *SEBI Act, 1992* read with regulations 3 (a), (b), (c), (d) and 4(1) of the *PFUTP Regulations, 2003*.

k) Investigation also unearthed that the promoters and *promoter connected entities* averted losses to the extent of INR 164.41 (89.63+74.77) crore by off-loading 4,52,66,397 shares when they were in the possession of UPSI and trading in a fraudulent manner.

<u>Violations observed in trading by entities who received shares of *ARL* from promoters and *promoter connected entities*</u>

l) Investigation, further revealed that 25 entities (*Noticees no. 19 to 43)* have received shares of *ARL* from promoters and *promoter connected entities* (preferential allottees) and subsequently sold such shares through stock exchange platform. It has been observed from the bank statements that after selling the shares on exchange platform, 21 *Noticees* out of aforementioned 25

Noticees have transferred the sale proceeds of the shares of *ARL* back to *promoter connected entities* and in total have transferred INR 31.08 crore to the *promoter connected entities*. Based on the above, it is alleged that *Noticees no. 19 to 43* have aided and abetted promoters and *promoter connected entities* of *ARL* in off-loading the shares of *ARL* in fraudulent manner and such acts by *Noticees no. 19 to 43* are allegedly in violation of the provisions of Section 12A (a), (b), (c) of the *SEBI Act, 1992* read with regulations 3 (a), (b), (c), (d) and 4(1) of the *PFUTP Regulations, 2003*.

D. Wrong / Non- disclosures to the stock exchanges

m) As per shareholding disclosures made to the stock exchanges, certain entities were disclosed by the *Company* under the promoter category. The promoter group entities (also referred as promoters/PACs) were holding 36.33% (which is more than 5%) of the share capital of the *Company* as on April 01, 2014. It was observed that on ten (10) occasions there was decrease in promoter shareholding exceeding 2%, which was supposed to be disclosed in line with the *Takeover Regulations, 2011*. However, the promoter group entities/PACs (*Noticees no. 6 to 15*) have failed to disclose the same and thus allegedly violated regulation 29(2) read with 29 (3) of the *Takeover Regulations, 2011* on 10 instances.

n) *Noticee no. 6* pledged a total 91,86,000 shares of *ARL* to two entities viz., The Karur Vysya Bank Limited and L&T Finance Ltd. Subsequently the pledge was invoked on various days during the Investigation Period. It was unearthed that *Noticee no.* 6 allegedly failed to make the disclosures required to be made under the *Takeover Regulations, 2011* and such non-disclosure by *Noticee no. 6* have been alleged to be in violation of the regulations 31(1) and 31(2) read with 31(3) of the *Takeover Regulations, 2011*.

o) Investigation also revealed that certain transactions of the promoters resulting in change in shareholding pattern required disclosure under the *PIT Regulations, 1992*, however, disclosures regarding the same were not made by the promoters. Based on the findings of the Investigation, the act of non-disclosures by the promoter entities viz. *Noticees no. 6 to 14* has been alleged to be in violation of regulation 13(4A) read with regulation 13(5) of the *PIT Regulations, 1992* read with regulation 12 of the *PIT Regulations, 2015*.

Show Cause Notice, Hearing and Replies

7. The above findings of the investigation led to the issuance of a common Show Cause Notice dated June 23, 2020 (for convenience **"SCN"**) to all the 43 *Noticees*, asking them to show cause the following:

a) The *Noticees No. 1 to 43* have been called upon to show cause as to why appropriate directions under Sections 11B (1) and 11(4) read with Section 11(1) of the *SEBI Act, 1992* including directions for imposing penalty under Sections11(4A) and 11B (2) r/w Section 15HA of *SEBI Act, 1992* and r/w the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued against them.

b) The *Noticee No. 6* has been called upon to show cause as to why appropriate directions under Sections 11B (1) and 11(4) read with Section 11(1) of the *SEBI Act, 1992* including disgorgement of commission earned (INR 8.11 crores) on fictitious sales shown by the *Company* from the FY 2011-12 to FY 2013-14 should not be issued against him. He has further been called upon to show cause as to why appropriate directions imposing penalty under Sections 11(4A) and 11B (2) r/w Section 15HB of the *SEBI Act, 1992* and r/w the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued against him.

c) The *Noticees No. 6 to 18* have been called upon to show cause as to why appropriate directions under Sections 11B (1) and 11(4) read with Section 11(1) of the *SEBI Act, 1992* including disgorgement of losses averted should not be issued against them. They are also called upon to show cause as to why appropriate directions imposing penalty under Sections 11(4A) and 11B (2) r/w Section 15G of *SEBI Act, 1992* and r/w the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued against them.

d) The *Noticees No. 6 to 15* were called upon to show cause as to why appropriate directions imposing penalty under Section 11(4A) and 11B (2) r/w Section 15A(b) of the *SEBI Act, 1992* and r/w the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued against them.

8. I note from the available records that the aforesaid SCN was duly served on all the *Noticees*. Some of the *Noticees* also filed their replies to the SCN. Subsequently, in compliance with the principle of natural justice, an opportunity of personal hearing was accorded to all the *Noticees* intimating them the scheduled date of hearing as fixed on July 13, 2021 for *Noticees no. 1 to 15*, July 14, 2021 for *Noticees no. 16 to 30 and* July 15, 2021 for *Noticees no. 31 to 43.* I note that personal hearing was attended through Webex (video conferencing) by the some of the *Noticees* / Authorized representatives (ARs) and arguments were made on the lines of replies filed with SEBI. It was observed that the hearing notice sent through Speed post to *Noticee no. 3* returned undelivered. Accordingly, another opportunity of personal hearing was granted to *Noticee no. 3* on September 29, 2021, which was attended by the *Noticee* through Webex. Details of servicing of SCN, servicing of hearing notices, replies filed by the *Noticees* and attendance in the personal hearings are tabulated below:

Table no. 2

Noticee no.	SCN Delivery Mechanism	Hearing Notice Delivery Mechanism	Last known address of *Noticee* on which delivery through SPAD/ Affixture was attempted and return undelivered (only applicable wherein SCN or Hearing Notice was served through Newspaper Publication)	Date of Reply	Hearing Attended
Noticee no. 1	Affixture	Affixture	-	-	No

Noticee no. 2	Email	Email	-	04.08.2020	Attended personally
Noticee no. 3	Speed Post	Email	-	15.10.2021	Attended personally
Noticee no. 4	Speed Post	Speed Post	-	08.09.2020, 09.08.2021, 13.08.2021, 22.08.2021	Attended personally
Noticee no. 5	Affixture	Affixture	-	-	No
Noticee no. 6	Speed Post	Speed Post	-	01.08.2020, 14.09.2020, 10.08.2021	Attended with his AR.
Noticee no. 7	Affixture and Newspaper Publication dated 26.11.2020	Affixture and Newspaper Publication dated 03.07.2021	65/B, Pathuria Ghat Street Kolkata-700006, West Bengal and affixture at No.24, CRESCENT PARK STREET, T NAGAR, CHENNAI-600017	-	No
Noticee no. 8	Speed Post	Speed Post	-	14.09.2020, 10.08.2021	Represented by *Noticee no. 6*
Noticee no. 9	Speed Post	Speed Post	-	14.09.2020, 10.08.2021	Represented by *Noticee no. 6*
Noticee no. 10	Speed Post	Speed Post	-	14.09.2020, 10.08.2021	Represented by *Noticee no. 6*
Noticee no. 11	Speed Post	Speed Post	-	14.09.2020, 10.08.2021	Represented by *Noticee no. 6*
Noticee no. 12	Speed Post	Newspaper Publication dated 03.07.2021	46a/1, P.R.H. Road, Second Floor, Kollathur Chennai – 600099, Tamil Nadu	-	No
Noticee no. 13	Affixture	Affixture	-	-	No
Noticee no. 14	Newspaper Publication dated 26.11.2020	Newspaper Publication dated 03.07.2021	36, Venkatachalamudali Street, First Floor, Park town, Chennai-600003	-	No

Noticee no. 15	Speed Post	Speed Post	-	14.09.2020, 10.08.2021	Represented by *Noticee no. 6*
Noticee no. 16	Newspaper Publication dated 26.11.2020	Newspaper Publication dated 03.07.2021	6/16A, Poddar Nagar, Jodhpur Park, Ground Floor, Kolkata- 700068, West Bengal and No. 100 Vellala Street Purasawalakam, Chennai- 600084, Tamil Nadu	-	No
Noticee no. 17	Newspaper Publication dated 26.11.2020	Newspaper Publication dated 03.07.2021	69, Metcalfe Street, Kolkata- 700013, West Bengal and D No. 13, MMC Road Kannapuram, Madhavaram Chennai- 600060, Tamil Nadu	-	No
Noticee no. 18	Speed Post	Newspaper Publication dated 03.07.2021	AD-67, Salt Lake, Sector-I, Kolkata- 700064, West Bengal	-	No
Noticee no. 19	Email	Newspaper Publication dated 03.07.2021	28, Great Western Bldg., 1st Floor, Opp. Lion Gate 130 Shahid Bhagat Singh Road, Fort Mumbai- 400023	09.07.2020, 15.08.2021	Represented by AR.
Noticee no. 20	Speed Post	Newspaper Publication dated 03.07.2021	Door No 1528, Tnhb Quarters, Mathur Chennai-600068, Tamil Nadu	07.09.2020	No
Noticee no. 21	Speed Post	Speed Post	-	-	No
Noticee no. 22	Email	Newspaper Publication dated 03.07.2021	D No.7, 3rd Floor, A3 Block, Shri Mahalakshmi Apts, Adambakkam Chennai-600088, Tamil Nadu	15.09.2020, , 07.07.2021, 07.08.2021	Appeared
Noticee no. 23	Email	Newspaper Publication dated 03.07.2021	D.No 8 N No. 17, Kesari Nagar, 6th Street Chennai-600088, Tamil Nadu	15.09.2020	Represented by *Noticee no. 22*
Noticee no. 24	Speed Post	Speed Post	-	15.09.2020, 10.08.2021	Represented by *Noticee no. 25*
Noticee no. 25	Speed Post	Newspaper Publication dated 03.07.2021	F-2, Apollo Dubai Plaza No. 100, Mahalingapuram Main Road, Chennai-600034, Tamil Nadu	14.09.2020 10.08.2021	Appeared

Noticee no. 26	Speed Post	Speed Post	-	-	No
Noticee no. 27	Newspaper Publication dated 26.11.2020	Newspaper Publication dated 03.07.2021	No. 24B, Maraimman Nagar, 5th Ward Puzhal Chennai- 600066 Tamil Nadu	-	No
Noticee no. 28	Speed Post	Newspaper Publication dated 03.07.2021	G/104 Madhura Bldg Panchajanya Chs Ramchandra Nagar Dombivali East, Thane, Maharashtra- 421201	31.08.2020	No
Noticee no. 29	Speed Post	Speed Post	-	15.09.2020, 10.08.2021	Represented by *Noticee no. 25*
Noticee no. 30	Email	Speed Post	-	12.09.2020, 09.08.2021	Represented by *Noticee no. 25*
Noticee no. 31	Speed Post	Speed Post	-	-	No
Noticee no. 32	Speed Post	Speed Post	-	12.09.2020, 10.08.2021	Represented by *Noticee no. 25*
Noticee no. 33	Speed Post	Speed Post	-	12.09.2020, 10.08.2021	Represented by *Noticee no. 25*
Noticee no. 34	Newspaper Publication dated 26.11.2020	Newspaper Publication dated 03.07.2021	D No. 110na Thiruneelakandar Nagar, Kavanagrai Chennai- 600066, Tamil Nadu	-	No
Noticee no. 35	Affixture (Hand Delivery)	Speed Post	-	27.10.2020, 10.08.2021	Represented by *Noticee no. 25*
Noticee no. 36	Affixture (Hand Delivery)	Speed Post	-	27.10.2020, 10.08.2021	Represented by *Noticee no. 25*
Noticee no. 37	Speed Post	Speed Post	-	12.09.2020, 10.08.2021	Represented by *Noticee no. 25*
Noticee no. 38	Speed Post	Speed Post	-	12.09.2020, 09.08.2021	Represented by *Noticee no. 25*
Noticee no. 39	Speed Post	Speed Post	-	-	No

Noticee no. 40	Speed Post	Speed Post	-	17.05.2021 12/08/2021	Represente d by AR.
Noticee no. 41	Speed Post	Speed Post	-	17.05.2021, 24.08.2021	Represente d by AR.
Noticee no. 42	Speed Post	Speed Post	-	12.09.2020, 23.07.2021, 14.08.2021	Represente d by AR.
Noticee no. 43	Speed Post	Speed Post	-	14.09.2020, 10.08.2021	Represente d by *Noticee no. 25*

9. I note that many *Noticees* have submitted their replies and have also attended the personal hearing before me. However, I note that some of the *Noticees (Noticees no. 1, 5, 7, 12, 13, 14, 16, 17, 18, 21, 26, 27, 31, 34, 39)* have not filed any written replies in response to the SCN. I also note that no one appeared on behalf of some of the *Noticees* (as mentioned in the last column of table no. 2 above) nor any further request for adjournment has been received on behalf of such *Noticees*. Therefore, I am of the view that adequate number of opportunities of personal hearing have been provided to other *Noticees*, however, they have chosen not to appear before me for reasons best known to them. Therefore, matter is ripe enough to be proceeded with and disposed of based on merit and on the basis of material available on record, including the written replies to SCN already filed before SEBI. After perusing the written replies filed by the *Noticees* in response to the allegations made in the SCN as well as by way of their post hearing submissions (as indicated in the preceding table), I summarize their replies hereunder.

<u>Submissions by *Noticee no. 2*</u>

a) Being Compliance Officer in *ARL* during the relevant time, like any other employee, he had limited role to act based on the information, direction and records given and provided by the *Company* / board of directors.

b) Regarding the allegation of non-disclosures of true shareholding pattern of the promoter holdings in *ARL* to the stock exchanges, he has submitted that such data of shareholding patterns were concealed from him by the management of *ARL* and there was no mechanism at his end to verify the authenticity of such data. The system which was prevalent in the *Company* was that all these information was first received by MD of *ARL* and its office and was subsequently provided to *Noticee no. 2*. In the instant case, the information to him was provided by secretary to MD of *ARL* i.e. *Noticee no. 6.*

c) To support his contention, *Noticee no. 2* has relied upon the regulation 7 (2) of PIT Regulations, 2015 stating that it is bounden duty of the Managing Director, Director, Designated Person or Promoter of a company to disclose the information regarding transfer of shares and role of the company secretary begins subsequent to the receipt of information from the management of the company.

<u>Submissions by *Noticee no. 3*</u>

d) Noticee was working with M/s Coronet Labs Pvt. Ltd from July 2006 – August 2011, as a Chief Operating Officer. Subsequently, the company was acquired by *ARL* in August 2011 and as per share transfer agreement, *Noticee no. 3* was appointed as Executive Director Operations in *ARL* in August 2011.

e) He was never involved in purchase, sales, finance and any other matter of *ARL* and was only taking active participation in the Operations of the *Company*. Further, he has never signed on any such document/s which have financial obligations. In November 2012, *Noticee no. 3* resigned from *ARL* and submitted various emails regarding his relieving from *ARL*.

<u>Submissions by *Noticee no. 4*</u>

f) *Noticee* had joined *ARL* in 1995 and was associated with the *Company* till 2017. Her role was limited to take care of ISO related work and had no role in financial decisions in the *Company.* She became Director (technical) in the *Company* in 2000. Regarding the signing of Balance sheet and other documents as alleged in the SCN, she has submitted that same was done on the instructions of MD of *ARL* and as other directors with signing the such documents. She has further submitted that her salary in *ARL* started from 10000 per month and rose till 60000 per month from the period 1995-2017. To further support her contention, the *Noticee* has submitted an affidavit regarding her submissions in the matter.

<u>Submissions by *Noticee no. 6*</u>

g) The premises of the allegations in SCN are based on the findings of the *Forensic Audit Report,* which has been challenged and pending before the Hon'ble High Court of Madras in WP no. 11608/2017.

h) The Hon'ble High Court of Madras has appointed an official liquidator, who has taken custody of all the documents and records pertaining to the *Company*. Decision for release of such documents is pending before Hon'ble High Court of Madras vide CA no. 560/2018. As the *Noticee* is not having access to such documents, he is unable to reply to the allegations levied in the SCN.

i) The balance sheet enclosed as Annexure 5 to the SCN was not signed by the *Noticee* and someone has forged his signature on the balance sheet.

j) *Noticee* has retuned INR 4.7 crores to the *Company* which was received by him as commission. Further, he has foregone INR 3.75 crores commission as declared by the *Company* payable to the *Noticee*. Since, he has not benefitted from the aforesaid amounts, there is no requirement to comply with the directions of disgorgement as mentioned in the *interim order*.

k) Shares of the promoters were sold in order to re-invest such money into the *Company* as the financial health of the *Company* was not good. Therefore, there is no loss averted by the promoters and *promoter connected entities*.

l) Regarding the wrong disclosures to the stock exchanges, he has submitted that it was the responsibility of the Compliance Officer of the *Company* and he cannot be held liable for the same.

m) Has filed an affidavit that he was handling all the transactions and trades on behalf of *Noticees no. 8, 9, 10, 11* and *15* and these *Noticees* were not aware about the transactions as alleged in the SCN.

Similar submissions by *Noticees no. 8, 9, 10, 11* and *15*

a) The transactions and trades as alleged in the SCN were handled by their family member i.e. *Noticee no. 6* and they were not conversant of any transactions or trades.

Submissions by *Noticees no. 19*

b) *Noticee* company is in the business of acting as a facilitator for arranging loans to companies against securities listed on BSE and NSE. A loan of INR 5 crores was provided by Aim Finserv LLP (Lender) to *Noticee no. 16* (borrower) by keeping the shares of *ARL* being held by *Noticee no. 16* as collateral, wherein *Noticee no. 19* acted as a facilitator. Details of the mechanism of the afore-stated loan is placed below:

   (i) Borrower agreed to pledge 25 lakh shares of *ARL* against a loan of INR 5 crores from the lender. Out the aforementioned 25 lakh shares of *ARL*, 12.5 lakh shares were transferred by the borrower to the lender through BOLT system and the amount of 5 crores as loan was provided through BOLT system. Remaining 12.5 lakh shares were transferred by borrower to *Noticee no. 19* through off-market and same were kept by *Noticee no. 19* as margin.

   (ii) Subsequently, the shares kept as collateral by *Noticee no. 19* were sold by the *Noticee no. 19* to the lender through the stock exchange mechanism and the proceeds of such sale were transferred by

Noticee no. 19 to the lender after deducting the facilitation fee for the loan transaction.

c) As the *Noticee no. 19* had just acted as a facilitator to the aforementioned loan transaction, no wrongdoings can be attributed on part of the *Noticee.*

<u>Submissions by *Noticees no. 20*</u>

d) The *Noticee* is a widow with two children and she hails from a lower middle class family. She has no idea about the trades executed in her name and has no idea about the securities market. One person named Prakash approached her for providing consent to deal in share market. It is through the SCN only, the *Noticee* came to know about her name being illegally used and the same was done without her consent and knowledge.

<u>Submissions by *Noticees no. 22*</u>

e) *Noticee* had worked with *ARL* for 27 years. When the *Company* was in huge financial crises, *Noticee no. 25* approached her for using her demat account to deal in the shares of *ARL.* Accordingly, on the basis of trust and faith, the *Noticee no. 25* was successful in having access to her demat account as well as demat account of her brother-in-law i.e. *Noticee no. 23.* Therefore, the alleged trades executed from the accounts of *Noticees no. 22 and 23* were carried out by *Noticee no. 25*. She further submitted that her earlier letter to SEBI dated 15.09.2020 was drafted by *Noticee no. 25,* who convinced her to reply in the same manner as other *Noticees* were replying. Therefore, she has requested to ignore the submissions of the afore-stated letter dated 15.09.2020. To further support her contention, she has submitted an affidavit in this regard.

<u>Submissions by *Noticees no. 25*</u>

f) He was working as Regional head (operations) in M/s Steelcity securities Ltd., and his work was related to new client acquisition. As part of business promotion, he had approached and opened new accounts for some of his friends and relatives, however, no advice regarding trades were offered by him to such clients.

<u>Submissions by *Noticees no. 28*</u>

g) The shares of *ARL* (5 lakh) were received in lieu of money (INR 1.5 crores) that one Mr. Shridhar Iyer (business associate of the *Noticee no. 28*) owe to the *Noticee* through various business deals. *Noticee* was not aware that the shares were transferred by *Noticee no. 16*. Further, within 5 days from the receipt of shares, same were sold by *Noticee no. 28* on the exchange.

<u>Submissions by *Noticees no. 40 and 41*</u>

h) *Noticees* have denied the allegations pertaining to trading in the scrip of *ARL*. They have submitted that their account was misused by their broker i.e. Steelcity Securities Ltd. He has further stated that the money received from the sale of shares of *ARL* as alleged in the SCN was debited from their bank account by their broker by using the blank cheque given for emergency stating that the said money was inadvertently deposited in their account. They have further stated that they have written letters to *Noticee no. 25* (representative of Steelcity Securities Ltd.) to further contend their role in the alleged transactions.

<u>Submissions by *Noticees no. 42*</u>

i) *Noticee* has denied the charges of aiding and abetting in off-loading shares of *ARL*. In this regard, he has submitted that he had received the shares of *ARL* from *Noticee no. 16* as loan. He has further submitted that unlike other *Noticees*, he has not transferred the proceeds generated from sale of shares of *ARL* to *Noticee no. 16*.

<u>Similar submissions by *Noticees no. 22, 23, 24, 25, 29, 30, 32, 33, 35, 36, 37, 38, 42, 43*</u>

j) To meet the margin requirements for trading in F&O market, these *Noticees* had taken loan of the shares of *ARL* from the *promoter related* *entities*. Subsequently, they sold the shares in the market and paid consideration to the respective persons.

Consideration of Issues and Findings

10. Considering the findings of Investigation, the allegations levelled against the *Noticees* in the SCN based on such findings and the explanations offered by the *Noticees* through their written replies to the SCN as well as after their personal hearing, I find that the following issues require consideration:

Issue 1: Whether the Noticees no. 6 to 15 have violated relevant provisions of PIT regulations 1992 and Takeover Regulations, 2011, regarding disclosure obligations?

Issue 2: Whether the acts of Noticees no. 1, 3 to 6 regarding publishing of untrue financial statements of ARL have resulted in violations of the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 and regulation 3, (b), (c), (d) and regulation 4 (1) and 4 (2) (f), (k) and (r) of SEBI (PFUTP) Regulations, 2003?

Issue 3: Whether the acts of trading in the scrip of the Company by the Noticee no. 6 to 18 have resulted in violations of the provisions of Section 12A (d) and (e) of the SEBI Act, 1992 and regulation 3 (i) and 4 of PIT Regulations, 1992?

Issue 4: Whether the acts of Noticees no. 2 to 43 in the scrip of ARL have resulted in violations of the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 and regulation 3, (b), (c), (d) and regulation 4 (1) of SEBI (PFUTP) Regulations, 2003?

Issue 5: Whether the Noticee no. 6 is not compliant with the directions of the interim order by not depositing INR 8.11 crores to the escrow account?

11. Before I start dealing with the aforesaid issues in the light of the facts as unearthed in the investigation and after giving due consideration to the submission of the *Noticees*, I note that *Noticee no. 6* has submitted in his reply to most of the allegations made in the SCN by stating that the Hon'ble High Court of Madras has appointed an official liquidator, who has taken custody of all the documents and records pertaining to the *Company* on 15.03.2017 vide CP 123/2016 and decision for release of such documents is pending before Hon'ble High Court of Madras vide

CA no. 560/2018. In this regard, he has pleaded that as the *Noticee* is not having access to such documents, he is unable to reply to the allegations levied in the SCN. To deal with the above objection, I find it important to note here that before issuing the directions thorough the *interim order*, SEBI had issued summons to *Noticee no. 6* asking him for furnishing various information. I also note from the records available before me that vide summons dated 13.10.2016, *Noticee no. 6* was asked to ensure his personal appearance and statement of *Noticee no. 6* was recorded on 04.11.2016. Despite the fact that the *Noticee no. 6* being the Managing Director of the *Company* was in complete control of the affairs and over the documents of the *Company* and the *Company* had not been vested with official liquidator at that point of time, he still failed to give satisfactory reply to the queries of SEBI, because of which SEBI had to pass the *interim order* dated February 16, 2017. He has submitted that the official liquidator appointed by the Hon'ble High Court of Madras has taken custody of all the documents and records pertaining to the *Company* on 15.03.2017. I have already noted above that pursuant to initiation of the investigation, various information was sought from the *Company* and in the regard, *Noticee No. 6* was asked to be physically present before the investigating officer to furnish such information. In the process, his statement was also recorded, wherein he failed to give any satisfactory explanation, despite the fact that by the time no official liquidator was appointed and the records of the *Company* were also in the possession of the *Company* as well as of *Noticee no. 6* and not in the possession of the Official Liquidator. In addition to the above, I also note that the *Noticee No. 6* was very much aware of the ongoing investigation and despite the fact the SCN in the instant proceedings was issued on June 23, 2020 seeking various information, he failed to provide the details sought by SEBI. I further note that the *Noticee no. 6* has taken a plea that he has approached Hon'ble High Court of Madras and the decision for release of such documents is pending before Hon'ble High Court of Madras vide CA no. 560/2018. In this regard, it is pertinent to note apart from taking a plea under the aforesaid claims regarding his aforementioned civil appeal, *Noticee no. 6* has not demonstrated that he has put any other serious efforts, including regular communicating with the Official Liquidator with a request to get the copies of documents from the Official Liquidator. Infact, during the personal hearing before me, *Noticee no. 6* and his AR were asked to provide the copy of the CA no. 560/2018, however they have failed to provide the same till date.

12. Therefore, for the reasons recorded above and the fact that *Noticee no. 6* has failed to substantiate his claims regarding efforts made by him for retrieving copies of documents from the Official Liquidator, I find no reason to give credence to the above submission that he was constrained in the absence of documents to defend the charges levelled in the SCN. Considering the above that the *Noticee no. 6* was having complete control over the *Company* , sufficient records of the *Company* and time to submit necessary information and details before SEBI at the time when examination was going on in SEBI before passing of the *interim order*, but still he deliberately did not bother to provide the requisite information even though no Official Liquidator was appointed for the *Company* at that point of time, I find that the submission of the *Noticee no. 6* regarding his inability to access to the records of the *Company* is just an afterthought attempt to delay the outcome of this proceedings hence the same is rejected in *limine.*

Issue 1: Whether the Noticees no. 6 to 15 have violated relevant provisions of PIT regulations 1992 and Takeover Regulations, 2011, regarding disclosure obligations?

13. I note that in the SCN, the acts of non-disclosures and wrong disclosures by the *Noticees no. 6 to 15* have been alleged to be in violations of various provisions of *PIT Regulations, 1992* and *Takeover Regulations, 2003*. Therefore, before moving forward on this issue, it would be proper to visit the afore-stated regulatory provisions as alleged to have been violated in the SCN. The said provisions are produced hereunder for ready reference: -

PIT Regulations, 1992

13 "Disclosure of interest or holding by directors and officers and substantial shareholders in a listed companies - Continual Disclosure

….

(4) Any person who is a director or officer of a listed company, shall disclose to the company and the stock exchange where the securities are listed in Form D, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings of such person and his dependents (as defined by the company) from the last disclosure made under sub-regulation (2) or under this sub regulation, and the change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.

(4A) Any person who is a promoter or part of promoter group of a listed company, shall disclose to the company and the stock exchange where the securities are listed in Form D, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings of such person from the last disclosure made under Listing Agreement or under sub-regulation (2A) or under this sub regulation, and the change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.

(5) The disclosure mentioned in sub-regulations (3), (4) and 4 (A) shall be made within two working days of:

(a) the receipts of intimation of allotment of shares, or

(b) the acquisition or sale of shares or voting rights, as the case may be."

SAST Regulations, 2011

"29.(2) Any person, who together with persons acting in concert with him, holds shares or voting rights entitling them to five per cent or more of the shares or voting

rights in a target company, shall disclose the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below five per cent, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds two per cent of total shareholding or voting rights in the target company, in such form as may be specified.

29(3) The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within two working days of the receipt of intimation of allotment of shares, or the acquisition of shares or voting rights in the target company to, –

(a) every stock exchange where the shares of the target company are listed; and

(b) the target company at its registered office."

SAST Regulations, 2011

31 `"Disclosure of encumbered shares.

(1) The promoter of every target company shall disclose details of shares in such target company encumbered by him or by persons acting in concert with him in such form as may be specified.

(2) The promoter of every target company shall disclose details of any invocation of such encumbrance or release of such encumbrance of shares in such form as may be specified.

(3) The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within seven working days from the creation or invocation or release of encumbrance, as the case maybe to, –

(a) every stock exchange where the shares of the target company are listed; and

(b) the target company at its registered office."

14. I note that the SCN has alleged that *Noticees no. 6 to 14,* who are promoters in the *ARL,* have failed to make necessary disclosure under the *PIT Regulations, 1992* regarding change in promoters shareholding. In this respect, as per regulation 13 (4A) read with regulation 13(5) of the *PIT Regulations, 1992*, any person who is a promoter or part of promoter group shall disclose to the company and the stock exchange the total number of shares held and change in shareholding, if there has been a change in such holdings and the change exceeds INR 5 lakh in value or 25,000 shares or 1% of total shareholding whichever is lower and further the regulation provides that such change in shareholding is required to be made within two working days of change either by acquisition or sale of shares. In this regard, I note that the total shareholding of the *Company* consisted of 6,81,26,000 shares as on April 01, 2014 and 1% of shareholding comes out to be 6,81,260 shares. In terms of the above rule, regulation 13(4A) read with regulation 13(5) of the *PIT Regulations, 1992* is triggered if there has been a change of more than 6,81,260 shares in such promoter shareholdings and the said change exceeds INR 5 lakh in value or 25,000 shares in number, whichever is lower. Based on the findings of the investigation, it is noticed from the demat statements of promoters of *ARL* during the period from April 01, 2014 to March 31, 2015 that there were certain transactions of the promoters which were beyond and above the aforementioned threshold, consequently warranting disclosures as per regulation 13(4A) read with regulation 13(5) of the *PIT Regulations, 1992.* The details of shares transacted during the period April 01, 2014 to March 31, 2015 by the above promoters *Noticees* are tabulated below:

Table no. 3

Date	Opening balance of shares	No. of shares acquired / sold	Closing Balance	Change of holding	Closing price on the date of transaction	Value of change in holdings i.e. change in holding X closing price. (INR in lakhs)	Observations regarding disclosures
1. Arvind Kumar B Shah (*Noticee no. 6*)							
05/06/2014	1,27,56,368	-6,25,000	1,21,31,368	-6,25,000	39.65	-247.81	Disclosure was made to the exchange vide intimation dated June 10, 2014.
06/06/2014	1,21,31,368	-5,00,000	1,16,31,368	-5,00,000	38.95	-194.75	
11/06/2014	1,16,31,368	-7,50,000	1,08,81,368	-7,50,000	37.05	-277.88	The change in holding exceeded 25,000 shares and INR 5 lakh, however no such required disclosure under regulation 13(4A) was noticed to have been made.
18/06/2014	1,08,81,368	20,74,000	1,29,55,368	20,74,000	41.20	854.49	
19/06/2014	1,29,55,368	-51,000	1,29,04,368	-51,000	39.05	-19.92	
21/06/2014	1,29,04,368	-5,00,000	1,24,04,368	-5,00,000	39.05	-195.25	
04/07/2014	1,24,04,368	-5,00,000	1,19,04,368	-5,00,000	40.25	-201.25	
08/07/2014	1,19,04,368	-52,000	1,18,52,368	-52,000	38.50	-20.02	
09/07/2014	1,18,52,368	-9,48,000	1,09,04,368	-9,48,000	38.20	-362.14	
30/07/2014	1,09,04,368	-5,00,000	1,04,04,368	-5,00,000	30.30	-151.50	
13/08/2014	1,04,04,368	-7,30,000	96,74,368	-7,30,000	44.30	-323.39	
08/09/2014	96,74,368	-10,29,500	86,44,868	-10,29,500	64.35	-662.48	Disclosure was made to the exchange vide intimation dated September 13, 2014.
23/09/2014	86,44,868	-10,00,000	76,44,868	-10,00,000	51.50	-515.00	The change in holding exceeded 25,000 shares and INR 5 lakh,
08/10/2014	76,44,868	-10,00,000	66,44,868	-10,00,000	42.05	-420.50	

Date	Opening balance of shares	No. of shares acquired / sold	Closing Balance	Change of holding	Closing price on the date of transaction	Value of change in holdings i.e. change in holding X closing price. (INR in lakhs)	Observations regarding disclosures
15/10/2014	66,44,868	-10,00,000	56,44,868	-10,00,000	42.00	-420.00	however no such required disclosure under regulation 13(4A) was noticed to have been made.
03/11/2014	56,44,868	-4,00,000	52,44,868	-4,00,000	46.10	-184.40	
04/12/2014	52,44,868	-16,86,000	35,58,868	-16,86,000	31.95	-538.68	
27/01/2015	35,58,868	-19,00,000	16,58,868	-19,00,000	24.10	-457.90	
02/02/2015	16,58,868	-11,70,500	4,88,368	-11,70,500	22.65	-265.12	
2. Narit Tradecom Private Limited (*Noticee no. 7*)							
02/04/2014	55,67,156	-5,00,000	50,67,156	-5,00,000	43.95	-219.75	
03/04/2014	50,67,156	-1,11,000	49,56,156	-1,11,000	44.05	-48.90	Disclosure was made to the exchange vide intimation dated April 16, 2014.
09/04/2014	49,56,156	-31,118	49,25,038	-31,118	43.50	-13.54	The change in holding exceeded 25,000 shares and INR 5 lakh, however no such required disclosure under regulation 13(4A) was noticed to have been made..
10/04/2014	49,25,038	-87,000	48,38,038	-87,000	43.30	-37.67	
27/05/2014	48,38,038	-35,00,000	13,38,038	-35,00,000	40.20	-1,407.00	Disclosure was made to the

Date	Opening balance of shares	No. of shares acquired / sold	Closing Balance	Change of holding	Closing price on the date of transaction	Value of change in holdings i.e. change in holding X closing price. (INR in lakhs)	Observations regarding disclosures
28/05/2014	13,38,038	-10,00,000	3,38,038	-10,00,000	40.20	-402.00	exchange vide intimation dated May 30, 2014.
11/06/2014	3,38,038	-2,00,000	1,38,038	-2,00,000	37.05	-74.10	The change in holding exceeded 25,000 shares and INR 5 lakh, however no such required disclosure under regulation 13(4A) was noticed to have been made.
13/08/2014	1,38,038	-1,38,038	-	-1,38,038	44.30	-61.15	
19/08/2014	-	2,40,000	2,40,000	2,40,000	42.80	102.72	
20/08/2014	2,40,000	-2,40,000	-	-2,40,000	44.45	-106.68	
19/09/2014	-	50,000	50,000	50,000	54.35	27.18	
22/09/2014	50,000	1,00,000	1,50,000	1,00,000	55.35	55.35	
25/09/2014	1,50,000	-1,50,000	-	-1,50,000	46.05	-69.08	
25/02/2015	-	1,10,000	1,10,000	1,10,000	18.00	19.80	
26/02/2015	1,10,000	-1,10,000	-	-1,10,000	18.00	-19.80	
3. **A Deepthi Kumari Shah (*Noticee no. 8*)**							
13/08/2014	6,44,519	-1,60,000	4,84,519	-1,60,000	44.3	-70.88	The change in holding exceeded 25,000 shares and INR 5 lakh, however no such required disclosure under regulation 13(4A) was noticed to have been made..
4. **Anand Kumar A Shah (*Noticee no. 9*)**							
11/06/2014	19,02,031	-2,50,000	16,52,031	-2,50,000	37.05	-92.63	In all the instances the
19/06/2014	16,52,031	51,000	17,03,031	51,000	39.05	19.92	

Date	Opening balance of shares	No. of shares acquired / sold	Closing Balance	Change of holding	Closing price on the date of transaction	Value of change in holdings i.e. change in holding X closing price. (INR in lakhs)	Observations regarding disclosures
20/06/2014	17,03,031	-10,00,000	7,03,031	-10,00,000	39.05	-390.50	change in holding exceeded 25,000 shares and INR 5 lakh, however no such required disclosure under regulation 13(4A) was noticed to have been made.
22/07/2014	7,03,031	-1,00,000	6,03,031	-1,00,000	32.40	-32.40	
13/08/2014	6,03,031	-1,20,000	4,83,031	-1,20,000	44.30	-53.16	
19/08/2014	4,83,031	1,82,000	6,65,031	1,82,000	42.80	77.90	
20/08/2014	6,65,031	44,558	7,09,589	44,558	44.45	19.81	
21/08/2014	7,09,589	-2,26,558	4,83,031	-2,26,558	45.95	-104.10	
5. Baby Rani (*Noticee no. 10*)							
18/06/2014	15,43,056	10,63,000	4,80,056	10,63,000	41.20	-437.96	The change in holding exceeded 25,000 shares and INR 5 lakh, however no such required disclosure under regulation 13(4A) was noticed to have been made..
6. Arvind Kumar and Sons HUF (*Noticee no. 11*)							
18/06/2014	5,95,188	-5,81,000	14,188	-5,81,000	41.2	-239.37	The change in holding exceeded 25,000 shares and INR 5 lakh, however no such required disclosure under regulation 13(4A)

Date	Opening balance of shares	No. of shares acquired / sold	Closing Balance	Change of holding	Closing price on the date of transaction	Value of change in holdings i.e. change in holding X closing price. (INR in lakhs)	Observations regarding disclosures
							was noticed to have been made..
7. Sankeshwara Credit And Investments Limited (*Noticee no. 12*)							
13/08/2014	1,93,955	-1,90,000	3,955	-1,90,000	41.25	-78.38	The disclosure regarding this is made on November 14, 2014 after 3 months of disposal of shares, shows that the required disclosure under regulation 13(4A) was not made within the stipulated time.
8. Arvind Health Care Private Limited (*Noticee no. 13*)							
18/06/2014	1,63,855	-1,63,000	855	-1,63,000	41.20	-67.16	The change in holding exceeded 25,000 shares and INR 5 lakh, however no such required disclosure under regulation 13(4A) was noticed to have been made.
9. Shreyanse Finance Ltd (*Noticee no. 14*)							

Date	Opening balance of shares	No. of shares acquired / sold	Closing Balance	Change of holding	Closing price on the date of transaction	Value of change in holdings i.e. change in holding X closing price. (INR in lakhs)	Observations regarding disclosures
28/05/2014	8,92,584	-6,25,000	2,67,584	-6,25,000	40.2	-251.25	Disclosure was made to the exchange vide intimation dated May 30, 2014.
18/06/2014	2,67,584	-2,67,000	584	-2,67,000	41.2	-110.00	The change in holding exceeded 25,000 shares and INR 5 lakh, however no such required disclosure under regulation 13(4A) was noticed to have been made..

15. Having gone through the records available before me and the details mentioned in the above table, it is noted that there are various instances wherein the change in promoter shareholding of *ARL* exceeded 25,000 shares in number and/or INR 5 lakh in value, however, as per the facts stated and allegation made in the SCN, I see that no disclosures were made to the stock exchanges in this regard by the promoters of the *ARL*. In this regard, I note that *Noticees no. 8, 9, 10, 11* have submitted that all the transactions and trades as alleged in the SCN were handled by the *Noticee no. 6* and they were not conversant with any transactions or trades. The above is also part of the submission made on behalf of the *Noticee no. 6* that it was he who was handling the transaction on behalf of the *Noticees no. 8 to 11*. In addition to the above, *Noticee no. 6* has submitted that it was the responsibility of the compliance officer to make timely and correct disclosures to the stock exchanges and therefore, he cannot be held liable for the same. I note that none of the 9 *Noticees* i.e. *Noticees no. 6 to 14* has disputed the allegation of non-disclosure of the relevant information to the stock exchange. Having gone through the submissions made in this respect and material submitted in support thereof, I find that a conjoint reading of relevant regulation 13(4A) read with regulation 13(5) of the *PIT Regulations, 1992* provides that, any person <u>who is a promoter or part of promoter group</u> shall <u>disclose to the company and the stock exchange</u> the total number of shares held and change in shareholding, if there has been a change in such holdings and the change exceeds ₹5 lakh in value or 25,000 shares or 1% of total shareholding whichever is lower and the above change in shareholding is required to be disclosed within two working days of acquisition or sale of shares. Therefore, the obligation of disclosing the change in promoter shareholding to the company as well as to the stock exchanges is primarily upon the promoter of the company. The contention that there is no failure on their part, rather the obligation rests on the compliance officer and they should not be held liable for the alleged faults, has no merit considering that the law primarily cast a duty upon the shareholder of the shares for the aforesaid mandatory disclosure and the obligation becomes all the more imperative when the shareholder is a promoter or entity occupying key position in the company. I also note that the *Noticees* though have raised the contention that it was the duty and obligation of the Compliance Officer alone to make the disclosure, however, at the same time, I note that no action has been initiated either by the *Company* or by the promoter entities i.e. *Noticees no. 6 to 14* for such default and dereliction of duty on the part of the Compliance Officer if he was only responsible for the lapse in disclosure under law. Under the circumstances, based on the material submitted to invalidate the allegation related to the non-disclosure in the change in shareholding, I find no merit in the above submissions as none of the above *Noticees* has submitted any piece of evidence to substantiate that it was the duty of the Compliance Officer and they have discharged their part by furnishing their shareholding details to the *Company* or the Compliance Officer. I find no merit in the submission that it was the *Noticee no. 6* who was managing the shareholding accounts of the other *Noticees* since the above claim has not been canvassed with supporting evidence. Even assuming the above claim to be true for a moment, it is difficult to accept that the shareholding of all other *Noticees* was being managed by the *Noticee no. 6* without the knowledge of the those *Noticees*. In the absence of any evidence to lay credence to the above claim, I am of the view that the above submission made above by rest of the *Noticees* is nothing but a bald statement to shift the burden to *Noticee no. 6* so as to escape the likely adverse outcome of the instant proceedings.

16. In this regard, I note that none of the promoter *Noticees* viz. *Noticees no. 6 to 14* has submitted any document/ evidence to show any fact to the contrary i.e. to demonstrate that the necessary disclosures were made to the stock exchanges regarding the aforesaid change in promoter shareholding. Infact, many of the promoters have chosen not to reply to the relevant allegation in the SCN. Therefore, in the absence of any response to the allegation made in the SCN that is worth consideration, I see no material to record contrary to the allegations levelled in the SCN. At this juncture, I find it apt to refer to and rely on the observation of the Hon'ble Securities Appellate Tribunal (for convenience "SAT") in the case of *Sanjay Kumar Tayal & Others v SEBI (Appeal No. 68 of 2013- DoD- 11.02.2014),*wherein the Hon'ble SAT has observed that–*"………………As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor have availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices……………."* Therefore, in view of the above and considering the specific provisions of law governing the obligation for disclosure, I am of the view that in the absence any evidence to the contrary, all the 9 promoter entities i.e. *Noticees no. 6 to 14* have grossly failed to make the required disclosures and thus have violated the regulation 13(4A) read with 13(5) of the *PIT Regulations, 1992*.

17. The SCN has alleged that the promoter entities i.e. *Noticees no. 6 to 15* have failed to provide adequate disclosures to the stock exchanges regarding change in shareholding pattern in the *ARL* during the Investigation Period as required under *Takeover Regulations, 2011.* In this regard, the relevant quarter wise shareholding details of the promoters of *ARL*, determined on the basis of their demat holdings, are tabulated below:

Table no. 4

S. No.	**Name of the promoter**	**Shareholding details**									
		As on 01/04/2014		**As on 30/06/2014**		**As on 30/09/2014**		**As on 31/12/2014**		**As on 31/03/2015**	
		No. of shares	%	**No. of shares**	%	**No. of shares**	%	**No. of shares**	%	**No. of shares**	%
1.	Sankeshwara Credit and Investments Ltd *(Noticee no. 12)*	1,93,955	0.28	1,93,955	0.28	3,955	0.01	3,955	0.01	3,955	0.01
2.	Narit Tradecom Private Limited *(Noticee no. 7)*	55,67,156	8.17	1,38,038	0.20	-	-	-	-	-	-
3.	Arvind Health Care Private Limited *(Noticee no. 13)*	1,63,855	0.24	855	0.00	855	0.00	855	0.00	855	0.00
4.	Shreyanse Finance Ltd *(Noticee no.*	8,92,584	1.31	584	0.00	584	0.00	584	0.00	584	0.00

	14)										
5.	Arvind Kumar and Sons HUF *(Noticee no. 11)*	5,95,188	0.87	14,188	0.02	14,188	0.02	14,188	0.02	14,188	0.02
6.	Arvind Kumar B Shah *(Noticee no. 6)*	1,27,56,368	18.72	1,24,04,368	18.21	76,44,868	11.22	35,58,868	5.22	4,88,368	0.72
7.	Anand Kumar A Shah *(Noticee no. 9)*	19,02,031	2.79	7,03,031	1.03	4,83,031	0.71	4,83,031	0.71	4,83,031	0.71
8.	Baby Rani *(Noticee no. 10)*	15,43,056	2.27	4,80,056	0.70	4,80,056	0.70	4,80,056	0.70	4,80,056	0.70
9.	Nikitha Jain *(Noticee no. 15)*	4,90,100	0.72	4,90,100	0.72	4,90,100	0.72	4,80,000	0.70	4,80,000	0.70
10.	A Deepthi Kumari Shah *(Noticee no. 8)*	6,44,519	0.95	6,44,519	0.95	4,84,519	0.71	4,84,519	0.71	4,84,519	0.71
	Total	**2,47,48,812**	**36.33**	**1,50,69,694**	**22.12**	**96,02,156**	**14.09**	**55,06,056**	**8.08**	**24,35,556**	**3.58**

18. I note from the aforesaid table that during the FY 2014-15, the aggregate shareholding of the promoters of *ARL* was reduced from 36.33% to 3.58% as on March 31, 2015 i.e., registering a decrease by 32.75%. As per regulation 28(1) of the *Takeover Regulations, 2011*, the disclosures shall be of the aggregated shareholding and voting rights of promoter of the target Company or every person acting in concert (PACs) with him. I further note from the SCN that there were 10 instances in total wherein there was continuous decrease in promoter shareholding exceeding 2% on each instance. Details of the said instances are tabulated below:

Table no. 5

S. No.	Date of trigger for disclosure	Promoter Shareholding before disposal (in %)	Shares disposed on the date of trigger for disclosure (in %)	Cumulative % of Shares disposed by PACs on the date of trigger for disclosure	Promoter Shareholding after disposal (in %)	Entities who are required to disclose.	
						Promoter entity who disposed the shares	PACs
1.	27/05/2014	35.26	-5.14	-6.21	30.12	Narit Tradecom Private Limited	Remaining promoter group entities
2.	28/05/2014	30.12	-2.39	-2.39	27.73	Narit Tradecom Private Limited and Shreyanse Finance Ltd	
3.	11/06/2014	26.08	-1.76	-3.41	24.32	Anand Kumar A Shah, Arvind Kumar B Shah and Narit Tradecom Private Limited	
4.	21/06/2014	22.85	-0.73	-2.20	22.12	Arvind Kumar B Shah	
5.	09/07/2014	21.31	-1.39	-2.20	19.92	Arvind Kumar B Shah	
6.	13/08/2014	19.04	-1.97	-2.84	17.07	Anand Kumar A Shah, Arvind Kumar B Shah, Narit Tradecom Private Limited, Sankeshwara Credit and Investments Limited and A Deepthi Kumari Shah	
7.	23/09/2014	15.78	-1.47	-2.76	14.31	Arvind Kumar B Shah	
8.	15/10/2014	12.63	-1.47	-3.16	11.16	Arvind Kumar B Shah	
9.	04/12/2014	10.56	-2.48	-3.08	8.08	Arvind Kumar B Shah	
10.	27/01/2015	8.07	-2.78	-2.79	5.29	Arvind Kumar B Shah and Arvind Kumar and Sons HUF	

19. I note that there were 10 instances when there were changes noticed in promoter shareholding and on each of the said 10 instances, the changes noticed in promoter shareholding were more than 2% of the shareholding. In this respect, it is further noticed that the relevant regulation as prescribed under regulation 29 of the *Takeover Regulations, 2011* requires for disclosure, in case there is change in the holding of promoter or its related entities. As per regulation 29 (2) and (3) of the *Takeover Regulations, 2011* any change in the shareholding of PACs of more than 2% has to be disclosed by the PACs to the stock exchanges within 2 working days of the date of such change in the shareholding. However, it is gathered from the records available from BSE and NSE that the promoter group entities did not file the required disclosures under the *Takeover Regulations, 2011* despite the aforesaid change of more than 2% in the promoter shareholding happening on each of the above 10 instances.

20. In this connection, I note that the regulation 29(3) of the *Takeover Regulations, 2011* (as amended on September 11, 2018) envisages the disclosure in respect of the receipt of intimation of allotment of shares, or the acquisition of voting rights in the target company and in case of sale or disposal of shares exceeding 2% of share or voting rights in a target company. It has been brought to my notice that prior to the amendment brought into this regulation in September 2018, there was some ambiguity in the aforesaid regulation with regard to disclosure in change in shareholding pursuant to disposal or sale of shares by the promoter entities and therefore, an amendment was carried out by SEBI in regulation 29(3) of *Takeover regulations, 2011* on September 11, 2018, incorporating and mandating disclosure of change in shareholding & voting rights pursuant to sale/disposal of shares or also to be disclosed. Considering the undisputed fact that the alleged trades were executed during 2014 -15 and the amendment referred to above was carried out only on September 11, 2018 whereby an entity has been mandated to disclose even sale/disposal of shares or voting right, I am inclined to give benefit of doubt to the *Noticees no. 6 to 15* for their failure to disclose the change in their shareholding as a result of sale/disposal of their stakes in the company during the said period since the applicability of the amended provision of regulations 29(2) and 29 (3) would not sustain for the said period in the facts of the matter.

21. I note that the investigation has also observed that the *Noticee no. 6* (promoter of *ARL)* pledged his shares and the same were invoked by the pledgees and those pledged shares were subsequently sold on exchange platform. The details of pledge related transactions of *Noticee no. 6* are given the table below:

Table no. 6

S. No.	Demat account number of Arvind Kumar B Shah	Date of transaction	No. of shares	Counterparty Name	Counter party demat account number
Pledge creation:					
1	IN30108022266786	21/02/2014	7,500,000	THE KARUR VYSYA BANK LIMITED	IN30338210018096
2	IN30108022266786	09/06/2014	1,586,000	L AND T FINANCE LTD	IN30134820012603
3	IN30108022266786	11/08/2014	100,000	L AND T FINANCE LTD	IN30134820012603
	Total of pledge creation		**9,186,000**		
Pledge Invocation:					
4	IN30108022266786	08/09/2014	1,029,500	THE KARUR VYSYA BANK LIMITED	IN30338210018096
5	IN30108022266786	23/09/2014	1,000,000	THE KARUR VYSYA BANK LIMITED	IN30338210018096
6	IN30108022266786	08/10/2014	1,000,000	THE KARUR VYSYA BANK LIMITED	IN30338210018096
7	IN30108022266786	15/10/2014	1,000,000	THE KARUR VYSYA BANK LIMITED	IN30338210018096
8	IN30108022266786	03/11/2014	400,000	THE KARUR VYSYA BANK LIMITED	IN30338210018096
9	IN30108022266786	04/12/2014	100,000	L AND T FINANCE LTD	IN30134820012603
10	IN30108022266786	04/12/2014	1,586,000	L AND T FINANCE LTD	IN30134820012603
11	IN30108022266786	27/01/2015	1,900,000	THE KARUR VYSYA BANK LIMITED	IN30338210018096
12	IN30108022266786	27/01/2015	1,170,500	THE KARUR VYSYA BANK LIMITED	IN30338210018096
	Total of pledge invocation		**9,186,000**		

22. I note from the table above that a total number of 91,86,000 shares of *ARL* were pledge by the *Noticee no. 6* to two entities viz., The Karur Vysya Bank Limited and L&T Finance Ltd (collectively referred to as "pledgees"), and subsequently the pledge created was invoked by the pledgees on various days. It is pertinent to note here that as per regulation 31(1) and 31(2) read with 31(3) of the *Takeover Regulations, 2011*, promoter of every target company shall require to disclose details of shares in such target company encumbered by him/her or by persons acting in concert and details of any invocation of such encumbrance or release of such encumbrance of shares to the company and the stock exchange within 7 days of creation or invocation or release of encumbrance. However, as per information furnished by BSE and NSE during the investigation, it is noticed that *Noticee no. 6* did not file the required disclosures under the *Takeover Regulations, 2011* about the aforesaid creation as well as invocation of pledge related transactions. In this regard, I note that *Noticee no. 6* has not disputed the allegations in the SCN pertaining to the pledging of shares of *ARL*. In response to the allegation, it has been submitted that the creation and invocation of pledge was informed to the stock exchanges, however, I note that the above was mere a bald assertion as no documentary evidence to substantiate the above submission was furnished in support of his claim.

23. In view of the above facts and lack of any evidence to the contrary, I can state that the *Noticee no. 6* has failed to make disclosures pertaining to the pledged shares of *ARL* and invocation of such shares. Therefore, the above acts of not disclosing the transaction of pledging as well as invocation of pledged shares are in violation of the regulation 31(1) and 31(2) read with 31(3) of the *Takeover Regulations, 2011*.

<u>*Issue 2: Whether the acts of Noticee no. 1 and Noticees no. 3 to 6 regarding publishing of untrue financial statements of ARL have resulted in violations of the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 and regulation 3, (b), (c), (d) and regulation 4 (1) and 4 (2) (f), (k) and (r) of SEBI (PFUTP) Regulations, 2003?*</u>

24. I note that the SCN has alleged that certain acts of the above named *Noticees* were observed to be in violations of various provisions of *SEBI Act, 1992 and PFUTP*

Regulations 2003. Before, before moving forward to examine as to whether the acts of the above *Noticees* were in violations of the alleged provisions of law, it would be proper to visit the afore-stated regulatory provisions which are produced hereunder for ready the reference:

SEBI Act, 1992

12A. No person shall directly or indirectly –

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly –

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information 13[relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals,] which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities;

(r) planting false or misleading news which may induce sale or purchase of securities.

25. Moving on to the allegations made in the SCN regarding the aforesaid issue, I note that the SCN has alleged that during the Investigation Period, *ARL* had inflated both purchases and sales by entering into transactions with Controlled / Connected Entities and making entries in bank statements which were either reversed or routed in a manner without having support of movement of goods, resultantly, the books of account of *ARL* were noticed to be not disclosing the true, correct and fair statement for financial years ending March 31, 2012, March 31, 2013, March 31, 2014 and March 31, 2015. It is also noticed that *ARL* prepared different sets of financial statements for financial years ending March 31, 2011, March 31, 2012 and March 31, 2013 and projected untrue financial statements to various stakeholders allegedly portraying the intent to deceit the stakeholders and investors of the market. Based on the above facts, SCN has alleged that the *Company* and its board of directors (*Noticees no. 3 to 6*) have engaged in acts of inducing/influencing the investment decisions of the investors by way of publishing untrue, unfair, distorted, wrong and false as well as inflated financial statements of *ARL* and thereby allegedly have acted in violation of the above mentioned *PFUTP Regulations, 2003.*

26. In this regard, having perusal the records including the *Forensic Audit Report*, it is noted that in its Annual Reports, *ARL* had posted inflated figures of sales and purchases of goods. The investigation reveals that the sales and purchase were made with certain entities which are noticed to be connected and controlled by *ARL* itself. In this respect, the aforesaid sales/purchases of goods as were disclosed by *ARL* were entered into and transacted with the following entities:

- Preventive Pharmaceuticals Private Limited;
- Aroma Remedies Private Limited;
- Holy Remedies Private Limited;
- Zurich Bio Tech Pharma;
- Venus International Private Limited;
- Cosmic Remedies Private Limited;
- Avathar Pharmaceuticals Private Limited;
- Bright Medicure Private Limited;
- Maximus Wellnus Drugs Private Limited;
- Elixir Life Science Private Limited;
- Mascot Machines Private Limited;
- Matrix Device and Mechanism Private Limited;
- Zeal Hi-Tech Engineers Private Limited

For the purpose of convenience, the aforesaid entities are together referred to as "*Controlled / Connected Entities*" of *ARL*. I note from the records available before me that there were frequent bank transfers between *Controlled / Connected Entities* and *ARL*. I also note that there were regular bank transfers amongst these *Controlled / Connected Entities.* A few bank transitions of *ARL* and *Controlled / Connected Entities* as retrieved from the respective bank accounts are tabulated below:

Table no. 7

Date	**Bank Account No.**	**Entity name**	**Counter Party - Connected Entity**	**Dr. Amt**	**Cr. Amt**
05/04/2011	841271906	Preventive Pharmaceuticals Private Limited	*ARL*	-	2,11,53,124.00
04/04/2012	0007-W10851-050	Aroma Remedies Private Limited	Mascot Machines	-	89,40,230.00
04/04/2012	0007-W10851-050	Aroma Remedies Private Limited	Elixir life Science	-	10,235,950.00
04/04/2012	0007-W10851-050	Aroma Remedies Private Limited	*ARL*	8,735,650.00	-
04/04/2014	602005118053	Holy Remedies Private Limited	*ARL*	10,02,400.00	-
27/04/2011	910020028351986	Zurich Bio Tech Pharma	*ARL*	-	54,05,259.00
09/10/2014	603106263960	M/s. Venus International Enterprises Pvt ltd	*ARL*	17,58,350.00	-
27/04/2011	902940702	Cosmic Remedies Private Limited	*ARL*	-	51,41,024.00
27/12/2013	112109000133356	Avathar Pharmaceuticals Private Limited	*ARL*	-	62,81,182.00
17/12/2011	0511132788	Bright Medicure Private Limited	Cosmic Remedies Private Limited	-	510,244.00
30/12/2011	0511132788	Bright Medicure Private Limited	Matrix Device And Mechanism	6,702,500.00	-
26/12/2011	669011000320	Maximus Wellnus Drugs Private Limited	*ARL*	-	7,431,500.00
26/12/2011	669011000320	Maximus Wellnus Drugs Private Limited	Zurich Bio Tech Pharma	7,430,500.00	-

04/04/2012	669011000297	Zeal Hi-Tech Engineers Private Limited	*ARL*	-	7,292,454.00

27. The details of sales/purchases of goods as alleged to have been undertaken by *ARL* with *Controlled / Connected Entities* are as under*:*

<u>Table no. 8</u>

FY	Purchases by *ARL* from connected entities (in INR Crore)	Total Purchases (As reported in P&L Account of *ARL*) (in INR Crore)	%
2011-12	220.75	354.69	62
2012-13	202.96	494.75	41
2013-14	297.72	705.98	42
2014-15	113.50	712.59	16
FY	Sales by *ARL* to connected entities (in INR Crore)	Gross Sales (As reported in P&L Account of *ARL*) (in INR Crore)	%
2011-12	215.73	456.02	48
2012-13	201.38	704.46	29
2013-14	297.67	967.00	31
2014-15	113.36	785.38	14

28. I note that in case of several of the above mentioned *Controlled / Connected Entities*, reversal transactions were also observed between the *Controlled / Connected Entities* and *ARL* i.e. a *Controlled / Connected Entity* received a credit from *ARL* and on that same day, such entity transferred back almost the same amount to *ARL*. Details of few of such transactions are tabulated below:

Table no. 9

I – NAME OF THE CONTROLLED / CONNECTED ENTITY: ELIXIR LIFE SCIENCE PRIVATE LIMITED. ACCOUNT NO.669011000304 BANK NAME–KOTAK MAHINDRA BANK LIMITED					
DATE	CREDIT AMOUNT	RECEIVED FROM	DATE	DEBIT AMOUNT	PAID TO
25-11-2011	80,14,300	*ARL*	25-11-2011	79,05,150	*ARL*
28-11-2011	70,14,500	*ARL*	28-11-2011	70,59,150	*ARL*
01-12-2011	36,40,300	*ARL*	01-12-2011	36,50,100	*ARL*
15-12-2011	75,66,200	*ARL*	15-12-2011	75,50,060	*ARL*
19-12-2011	75,65,100	*ARL*	19-12-2011	75,70,600	*ARL*
II – NAME OF THE *CONTROLLED / CONNECTED ENTITY*: MASCOT MACHINES PRIVATE LIMITED. ACCOUNT NO. 669011000312 BANK NAME– KOTAK MAHINDRA BANK LIMITED					
DATE	CREDIT AMOUNT	RECEIVED FROM	DATE	DEBIT AMOUNT	PAID TO
25-11-2011	70,45,500	*ARL*	25-11-2011	69,25,850	*ARL*
28-11-2011	68,48,300	*ARL*	28-11-2011	68,96,250	*ARL*
29-11-2011	45,12,300	*ARL*	29-11-2011	45,05,150	*ARL*
01-12-2011	49,49,500	*ARL*	01-12-2011	4,950,600	*ARL*
15-12-2011	54,65,800	*ARL*	15-12-2011	54,50,950	*ARL*
21-12-2011	68,54,557	*ARL*	21-12-2011	68,65,850	*ARL*
III – NAME OF THE *CONTROLLED / CONNECTED ENTITY*: MATRIX DEVICE AND MECHANISM PVT. LTD ACCOUNT NO. 6311134717 BANK NAME–KOTAK MAHINDRA BANK LIMITED					
28-11-2011	65,57,500	*ARL*	28-11-2011	64,25,100	*ARL*
01-12-2011	42,12,700	*ARL*	01-12-2011	42,10,650	*ARL*
15-12-2011	64,78,600	*ARL*	15-12-2011	64,75,100	*ARL*
19-12-2011	82,45,600	*ARL*	19-12-2011	82,50,100	*ARL*

29. As stated above, the SCN has alleged that there were transactions which were not genuine and such transactions were entered into with an objective to inflate the books of the *ARL* through such camouflaged entries. In this respect, the *Company* i.e. *ARL* has entered into transactions of sale and purchase with certain entities with which it had in reality no business transactions and the entries were made only to inflate the books of the *Company*, which were reversed either on the same day or within a very short span of time. I note from the aforementioned table that on various occasions reversal transactions were undertaken between *ARL* and the *Controlled / Connected Entities*. I further note from the *Forensic Audit Report* that on various instances, circular transactions were observed between *ARL* and its *Controlled / Connected Entities*, wherein funds received from *ARL* by a *Controlled/ Connected Entity* (A) was transferred to another *Controlled / Connected Entity* (B) on the same day; thereafter, *Controlled / Connected Entity* (B) transferred the funds back to *ARL* on that same day. I also note that though such circular transactions were being shown as purchase and sale transactions in the books of accounts of *ARL*, however, in effect no real sale or purchase transactions were undertaken by *ARL* with the *Controlled / Connected Entities*, i.e. there were no actual movements of goods. It was in the above stated background, a serious allegation was levelled on the above mentioned *Noticees* and in response to the above allegation, it is observed that no plausible explanation with supporting documents have been furnished by *ARL* or its Directors rebutting the allegations made in the SCN and to justify that the circular transactions that *ARL* has undertaken with its *Controlled / Connected Entities* were indeed genuine business transactions. There is also no answer to the book entries made showing reversal of transactions on frequent basis explaining the circumstances and reason necessitating the transaction and its reversal on same day between the *Controlled / Connected Entities* and *ARL*, where entities are observed to have entered into transaction involving identical amount.

30. It is also noted from the perusal of the books of accounts and bank statements of majority of these *Controlled / Connected Entities* that they were not having any business transactions other than with *ARL* and *inter se* amongst the *Controlled / Connected Entities* themselves. On examining the transactions with *ARL* in the backdrop of the afore noted alleged smokescreen of various transactions that were entered into for inflating books through artificial and bogus entries, I am further constrained to observe that these accounts of various *Controlled / Connected Entities* were opened *prima facie* only for the purpose of entering such fictitious transactions with *ARL* as these *Controlled / Connected Entities* were found to be carrying no business. I also observe from the balance sheets of the *Controlled / Connected Entities* that while their revenues were significant amounts (ranging from around ₹7 Crores to ₹178 Crores), their profits were recorded at negligible amounts (ranging from around ₹1–58 Lakhs against such high revenues). Details of such observations are tabulated below:

Table no. 10

BALANCE SHEETS OF *CONTROLLED / CONNECTED ENTITIES* (AMOUNT IN CRORES)						
ENTITY	PARTICULARS	2010–11	2011–12	2012–13	2013–14	2014-15
ZURICH BIOTECH	REVENUE	21	71	64	82.82	-
	PROFIT	0.01	0.05	0.04	0.05	-
VENUS INTERNATIONAL	REVENUE	12	81	62	-	-
	PROFIT	0.58	0.04	0.03	-	-
PREVENTIVE PHARMACEUTICALS	REVENUE	102	109	111	-	-
	PROFIT	0.04	0.07	0.08	-	-
MAXIMUS WELLNESS	REVENUE	-	4	-	-	-
	PROFIT	-	0	-	-	-
HOLY REMEDIES	REVENUE	101	123	116	-	-
	PROFIT	0.06	0.09	0.09	-	-
COSMIC REMEDIES	REVENUE	7	62	76	116.92	-
	PROFIT	0	0.03	0.05	0.05	-

AVATHAR PHARMACEUTICALS	REVENUE	9	81	67	116	178
	PROFIT	0	0.06	0.06	0.09	0
AROMA REMEDIES	REVENUE	99	111	111	175	
	PROFIT	0.07	0.09	0.09	0.1	

31. I note that the SCN has alleged that *ARL* and its Board of Directors (*Noticees no. 3 to 6*) have knowingly entered into such fictitious and bogus transaction so as to manipulate the books of accounts of *ARL* and as a result, such manipulated books recording inflated sales and purchases were disclosed to the public at large. However, it has been found in the investigation that no such sales and purchases were ever entered into or executed by the *ARL* in reality, consequently, the *Company* through these artificial and false transactions devised a scheme of inflating the books of the *Company* whereby it successfully concealed the true and correct financial health of the *Company* from the public and its shareholders. In this regard, it may be relevant to note that to boost and provide impetus to the growth of the economy of the country, the regulation of listed companies under the securities law has moved a sea change from the erstwhile control based regime to the disclosure based regime in terms of which the listed entities are permitted to continue their business without any legal interference but provided they make maximum disclosure about their business affairs, shareholding patterns and governance matters etc., as mandated under various provisions of *SEBI Act, 1992* and Rules and Regulations made under *SEBI Act, 1992* to the stakeholders so as to allow them to take an informed decision at the time of dealing with the company for investment or otherwise. Under this disclosure framework, issuers and intermediaries are not only expected but are also required to disclose all the relevant details about themselves, the products, the market and all material information pertaining to their functioning so that the investor are able to take an informed investment decisions based on such disclosures. Full, fair and timely disclosures form the cornerstone of any disclosure requirement stipulated by SEBI. The guiding principle in a disclosure based regulatory regime is the need for the issuers of securities to disseminate true and complete information to the potential investors in respect of the issuer and the securities being issued by it to enable the potential investors to make their own informed investment decisions. The primary objective behind such regulatory requirement is to bring transparency in the securities market. The access to the securities market for the issuers is conditional subject to compliance with such requirements of disclosures. The disclosure based regime imposes an onerous burden on the issuers of securities with respect to maintaining at all times the accuracy and completeness of the information disclosed by them. Thus, when the system is substantially tending to be regulated by disclosures, it is essential that those who are at the helm of the affaires of a listed company not only make true and fair disclosure but also put their self-interest aside to serve the interest of its existing and future shareholders and act largely towards safeguarding the interest of the investors. Any deviation from the above avowed obligation of making free and fair disclosures shall be viewed seriously under the extant securities law more so when, it comes to light that the people occupying pivotal positions in the listed entity knowingly engaged in activities of manipulating the facts and figures, entering into fictitious transactions with bogus controlled entities to manipulate books of accounts and further consciously indulged in disclosing the distorted facts, manipulated accounts and inflated financials to the Exchanges for the consumption of the public at large.

32. As stated above that the information about the affaires of a company for a financial year is made available to the public/investors in the form its Annual Report including books of accounts, Balance Sheet, etc. The Annual Report is an exhaustive company specific report which informs the investors about company's performance in the preceding financial year as well as indicate about the future prospect of the company. The public/investors make their decision to invest in the company initially at the time of fresh issuance of public issue based on the prospectus of the company and their subsequent decision to stay invested in the company *inter alia* depends on the information published in the Annual Reports of the company and also the quarterly results published by the company which eventually form part of the Annual Report. The public disclosure of information related to the company in the prospectus and in its Annual Reports is not a mere ritual or formality as the importance of presenting to the public the true and fair books of accounts and the Balance Sheet as part of the Annual Report or even in the form of quarterly or half-yearly financial results for enabling an investor to take an informed investment decision about the company cannot be underscored. In the instant matter, I find that the *Company* has not only failed to disclose its true state of affairs but also has engaged in acts of inflating the balance sheet by artificial, false and fake purchases, sales thereby seriously depriving its investors and public from the knowledge of its true affairs and the actual financial position of the *Company*. The facts of the case in fact clearly point towards large-scale irregularities in the business transactions of the *Company* and deliberate manipulations in its books of accounts amounting to commission of fraud on the shareholders of the *Company* as well as on the public at large.

33. SCN has further alleged that the Board of Directors of *ARL*, i.e. *Noticees no. 3 to 6* had signed the books of accounts including balance Sheets of *ARL* during the relevant years hence, they are alleged to have become party to the aforesaid manipulation and fraudulent acts alongwith the *Company*. In this regard, I note that the *Noticee no. 6* has submitted that the premises of the allegations in SCN are based on the findings of the *Forensic Audit Report,* which has been challenged and the said proceeding is pending before the Hon'ble High Court of Madras in WP no. 11608/2017. Therefore, he has contended that no action is warranted on the basis of the findings of *Forensic Audit Report*, as the same has been challenged in a court. In this regard, it is pertinent to mention here that the *Forensic Audit Report* was only the initial trigger point based on which SEBI initiated the investigation in the present matter, during which further information was called for and gathered from the *Company* and as well as other sources. I have also noted above that summon was issued to the *Noticee no. 6* during the investigation asking him to appear in person with various information and during his appearance before the investigating officer, a statement on oath was also got recorded from him. I have also pointed out earlier how *Noticee no. 6*, despite being in complete command and control over the affairs of the *Company* during the period when Investigation was being conducted by SEBI, he continuously failed to furnish various information and documents to SEBI. Nevertheless, after the examination of the all the materials that were collected during the investigation from various sources and depositions, the SCN alleging *inter alia,* the afore noted manipulation of books of accounts and inflation of sales / purchase by *ARL* etc. was issued to the *Noticees*. SEBI's investigation is an independent fact finding exercise which was concluded after ascertaining and examining various documents including the *Forensic Audit Report*. Therefore, the argument of *Noticee no. 6* that no action should to be initiated till the status of *Forensic Audit Report* is pending in the Hon'ble High Court of Madras, does not require any further consideration, more so when no argument has been advanced by him on merit refuting even a single specific allegation made against him in the SCN. I also find no merit in the above submission of the *Noticee no. 6* as there is no order of any court of competent jurisdiction before me, staying or prohibiting the continuation of the instant proceedings. I find that it was always open to the above *Noticees* to rebut the allegations made in the SCN including the observations in the SCN that have been premised on the findings of *Forensic Audit Report* which have been assailed by the *Noticees* before the Hon'ble High Court. The *Noticees* could have taken the same grounds and arguments before me to refute the contents of the *Forensic Audit Report* as have been taken by them before the Hon'ble High Court, for my judicious consideration but the *Noticees* before me have only tried to evade the issues and allegations and have preferred not to explain anything in their defense except for trying to take shelter under the plea that the *Forensic Audit Report* is challenged before the Hon'ble High Court, which in my view cannot help them escape from their onus to rebut the allegations made in the SCN. Further, in the absence of any court order in this regard, I find no reason to hold the proceedings in indefinite abeyance only to await the outcome of the petition filed before the Hon'ble High Court of Madras.

34. Moving further, with regard to allegation of destruction of inventory amounting to ₹197.3 Crores, *Noticee no. 6* has submitted that that since the material was declared as not of standard quality as per the norms of Drugs and Cosmetics Act, 1940, the same was destroyed. He has further submitted that he was informed by the technical committee and the Compliance Officer that they have informed all the concerned entities including banks, stock exchanges, TNPCB, etc. He has also submitted that on the basis of the records provided by the technical committee, *Noticee no. 6* replied to SEBI and he had no intention to mislead SEBI. In this regard, I note that during the investigation, SEBI had verified the authenticity of the intimation letter claimed by *Noticee no. 6* supposed to have been sent to TNPCB regarding destruction of material and it was unearthed that the TNPCB had not received any such letter. I note that apart from making bald statements, *Noticee no. 6* has not produced any iota of additional evidence to disprove the allegation in the matter.

35. Admittedly, *Noticee no. 6* was the Managing Director of the *Noticee Company* and was in-charge of the day to day management of the affairs of the *Company.* There is no dispute to the fact that *Noticee no. 6* was very much seized of the state of affairs of the *ARL* including the intent behind disclosing to the public, the incorrect book of accounts including Balance Sheet. Undoubtedly, being the Managing Director of the *Company*, it was *Noticee no. 6's* primary duty to come out completely clean before the Board of Directors with all the facts, strategy, steps to be followed and compliances to be made with respect to the state of affairs of the *Company.* Being the Managing Director, it was he, who was statutorily required to drive, guide and manage the affaires of the *Company*. He, in his capacity as the Managing Director during the relevant period was indeed in the driving seat of the *Company* and was in charge to steer the *Company's* affairs and therefore ought to have informed true picture to the shareholders. All these facts in the case clearly indicate that the *Noticee no.* 6 was actively involved in the fraudulent manipulation of book of accounts of the *Company* and therefore, having considered the allegations and the evidence available on record, in my view the above charges made against him in the SCN are found be established.

36. With regard to the allegations against other directors of *ARL*, as already noted above, *Noticee no. 5* has not submitted any reply to the allegations made in the SCN, for reasons best known to him. Further, *Noticee no. 3*, an Executive Director during 2012-13, has submitted that he was working with M/s Coronet Labs Pvt. Ltd from July 2006 – August 2011, as a Chief Operating Officer and subsequently, the company was acquired by *ARL* in August 2011 and as per share transfer agreement, he was appointed as Executive Director Operations in *ARL* in August 2011. He has further submitted that he was never involved in purchase, sales, finance and any other material matter of *ARL* and was only taking active participation in the Operations of the *Company* and finally in November 2012 resigned from *ARL*. I note that the *Noticee no. 4*, who was Whole Time Director of *ARL* from 2010-11 to 2014-15, has submitted that her role was limited to taking care of ISO related work and had no role in financial decisions in the *Company.* She has also submitted that she had signed the Balance Sheet of the *Company* on the instructions of MD of *ARL* i.e. *Noticee no. 6*. To further emphasize her contention, the *Noticee* has submitted an affidavit reiterating therein her submissions in the matter.

37. It is noted that the *Noticees no. 3 to 5 (Noticee* Directors of *ARL)* have been attributed to be liable for the deeds of the *Company* by virtue of their directorship with the *Company*, which is not a disputed fact nor any other specific plea has been taken by the said *Noticees* so as to escape the liability of the violation committed by the *Company*. There can be no two opinions that all the acts which are executed in the name of an incorporated entity, are in reality executed by the natural persons who by their own minds and wisdom, are controlling the said artificial juristic person (company) in their capacity of its Directors. A company, being an artificial entity, cannot function on its own and will walk only in such direction, which may be desired by the Directors who are controlling the and supervising the management in the overall functioning of the company. It is also important to mention here that the *Noticees no. 3 to 5* were associated with the *Company* as Executive Directors and not merely as Independent Director in the *Company*. I further note that the position of a 'Director' in a company comes along with responsibilities and compliances under law associated with such position, which have to be fulfilled by such Director and in case of default, he has to face the consequences thereof. I would like to point out that the Directors of a company are expected to diligently perform their duties with skill and care in administering the affairs of the company and not to officiate as figure-heads. The duty of care, skill and diligence requires the Directors to devote the requisite time and attention to the affairs of the company and take decisions that do not expose the company to unnecessary risks. A Director who is part of a company's Board shall be responsible and liable for all acts carried out by the company after following Board processes and after bringing it to the attention of the Board of which he is a member. Therefore, the Director cannot wriggle out from his / her liability from such actions that transgresses the law directly or indirectly in any manner.

38. In this regard, on the issue of the consequences of the not making fair and true disclosure or concealing material information from the shareholders or utilizing resources of the listed company for purposes other than the objects as shared and disclosed to the stakeholders, the Hon'ble SAT in the matter of *V. Natarajan* vs. *SEBI*, Appeal No. 104 of 2011, has held as follows:

> "*... We are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, were violated… These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true. Any advertisement that is misleading or contains information in a distorted manner which may influence the decision of the investors is*

also an unfair trade practice in securities which is prohibited. The regulations also make it clear that planting false or misleading news which may induce the public for selling or purchasing securities would also come within the ambit of unfair trade practice in securities…"

39. Therefore, in my opinion, by virtue of not making true and correct disclosure of books of accounts including the Balance Sheet in a transparent and fair manner, the *Company* and its Directors, have deprived their investors from making an informed investment decision about the *Company*. In other words, by not complying with the regulatory obligation of making true and correct disclosures, the *Company* and its Directors, *Noticees No. 3 to 6* have misled the investors to the detriment of the interest of investors in securities market which led to violation of Sections 12A (a), (b) and (c) of SEBI Act read with regulations 3 (b), (c), (d), 4(1), 4(2) (f), (k) and (r) of *PFUTP Regulations, 2003.*

Issue 3: Whether the acts of trading in the scrip of the Company by the Noticee no. 6 to 18 have resulted in violations of the provisions of Section 12A (d) and (e) of the SEBI Act, 1992 and regulation 3 (i) and 4 of PIT Regulations, 1992?

40. I note that the SCN has alleged that *Noticees no. 6 to 18* were connected persons and insiders as per PIT Regulations 1992 and their trades in the scrip of *ARL* were based on the possession of UPSI. Before, before moving forward to examine as to whether the acts of the above *Noticees* were in violations of the alleged provisions of law, it would be proper to visit the afore-stated regulatory provisions which are produced hereunder for ready the reference:

SEBI Act, 1992

12A. No person shall directly or indirectly-

(d) engage in insider trading;

(e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a

manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder.

PIT Regulations, 1992

Prohibition on dealing, communicating or counselling on matters relating to insider trading.

"3. No insider shall –

(i) either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange when in possession of any unpublished price sensitive information; or

……………………."

Violation of provisions relating to insider trading.

"4. Any insider who deals in securities in contravention of the provisions of regulation 3 or 3A shall be guilty of insider trading."

PIT Regulations, 2015

"**Repeal and Savings.**

12.(1) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 are hereby repealed.

(2) Notwithstanding such repeal, –

(a) the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, forfeiture or punishment incurred in respect of any offence committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid, shall remain unaffected as if the repealed regulations had never been repealed;

(b) anything done or any action taken or purported to have been done or taken including any adjudication, enquiry or investigation

commenced or show-cause notice issued under the repealed regulations prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations;

(3) After the repeal of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Board shall be deemed to be a reference to the corresponding provisions of these regulations."

41. In order to examine the allegations pertaining to insider trading against the *Noticees* as alleged in the SCN, I find it relevant to frame following sub-issues:

a) **Whether "the act of misstating financial statements of *ARL* from the Financial Years 2010-2015 onwards" was a price sensitive information?**

b) **If the answer to issue No. (a) is in the affirmative, whether the price sensitive information was unpublished and if so, when did it get published?**

c) **Whether the *Noticees no. 6 to 18* are an 'insider' as per *PIT Regulations, 1992* and have traded in the scrip of *ARL* while in possession of UPSI?**

42. Before dealing with the first sub-issue, I note the relevant legal provision with regard to the 'price sensitive information'. The expression 'price sensitive information' is defined under regulation 2(ha) of *PIT Regulations, 1992* as follows:

"price sensitive information" means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company."

43. I note that the definition of "price sensitive information" under regulation 2(ha) of *PIT Regulations, 1992* requires that the information should be such which if published is likely to materially affect the price of securities of the company. From the plain reading of the definition of unpublished price sensitive information' ("UPSI"), I note that financial statements are definitely considered as price sensitive information as they by their very nature contain elements/information that are likely to have impact on the share price of securities when they become generally known to the investors and public. I note that the explanation to regulation 2(ha) prescribes an illustrative set of information which would be deemed as "price sensitive information" which includes financial results of a company as the first item in the said list, the reason being, Financial statements including Balance Sheet, Profit & Loss Statement and Cash flow statements basically reflect a company's financial performance and true state of affairs of the company for a specific period. These statements reveal the profits and assets/liabilities of the business and the shareholders of a company rely on these statements to understand how their investments are paying off. If a company is earning profits, they might decide to invest even more money. On the contrary, stagnant profits or even losses are likely to prompt them to pull out. Investors also extensively use a company's financial statements to assess its finances. The regulatory bodies too heavily rely on the true status of the financial results of the company to take measures, as may be deemed fit, for the protection of investors of that company. As a natural corollary, I note that any information potentially holding a material adverse impact on *ARL's* financials or which is likely to have an indirect adverse effect on *ARL's* financials for a given period have to be considered to be price sensitive information in respect of *ARL*.

44. Considering the above, it is clearly evident that 'the act of revealing the true financial statements of *ARL* from the Financial Years 2010-11 to 2014-15' is already qualified to be a "price sensitive information" under the *PIT Regulation, 1992* itself. In the light of the above discussion, I find that 'the act of misstating of the financial statements of *ARL* from the Financial Years 2010-2015 was indeed a "price sensitive information" as per *PIT Regulations, 1992*.

45. Having answered the first sub-issue in the affirmative, the next issue for consideration is whether the "price sensitive information" was unpublished during the period of investigation. I have observed above that the *Company* and its Directors were engaged in falsification of books of account from FY 2010-15 and not disclosing the true and correct financial status of the *Company* to its investors, Rather, such entities have knowingly falsified the financials of the *Company* by showing bogus sales and purchases and therefore what was disclosed to the investors were misstated financials of the *Company*. The said facts had come into the public domain only when the *interim* order was passed on February 16, 2017. Therefore, the SCN proceeds on considering the period from April 01, 2010 to February 16, 2017 as the UPSI period. I note from the record that the facts and chronology of events as stated in the SCN have not been refuted with any supporting documents. The afore stated *Noticees* have preferred to either remain absent or have not produced any tangible evidence to rebut or contradict the facts that have been dug out with respect to the afore noted mis-statement and misleading/manipulated financial statements that have been filed by the *Company* to the Exchanges from year to year, in the course of investigation. In the absence of any evidence to refute such overwhelming findings, I find no reason to deviate from the allegations made in the SCN pertaining the UPSI period i.e. the period during the which the facts related to the wrong disclosure about the actual financials of the *Company* were concealed and not disclosed to the investors of the market.

46. Now moving on, whether the *Noticees no. 6 to 18* were insiders, I find it relevant to quote the following relevant provision of the *PIT Regulations, 1992*:

47. In terms of Regulation 2(e) of SEBI (PIT) Regulations, 1992,

"insider" means any person who:

(i) is or was connected with the company or is deemed to have been connected with the company and is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or

(ii) has received or has had access to such unpublished price sensitive information.

48. From the aforesaid provision, it is evident that an insider is one who satisfies the following conditions: (i) The person has to be connected with the company or deemed to be connected with the company and reasonably expected to have access to UPSI or (ii) has received it or has access to it.

49. Further, as per on Regulation 2 (c) of the *PIT Regulations, 1992*:

"connected person" means any person who –

(i) is a director, as defined in clause (13) of section 2 of the Companies Act, 1956 (1 of 1956), of a company, or is deemed to be a director of that company by virtue of sub-clause (10) of section 307 of that Act or

(ii) Occupies the position as an office or an employee of the company or holds a position involving a professional or ***business relationship between himself and the company (whether temporary or permanent) and who may reasonably be expected to have an access to unpublished price sensitive information in relation to that company.****…"*

[Explanation: – For the purpose of clause (c), the words "connected person" shall mean any person who is a connected person six months prior to an act of insider trading;]

50. Also, as per regulation 2 (h) of the *PIT Regulations, 1992,* person is deemed to be a connected person, if such person—

(i) is a company under the same management or group, or any subsidiary company thereof within the meaning of sub-section (1B) of section 370, or sub-section (11) of section 372, of the Companies Act, 1956 (1 of 1956) or sub-clause (g) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969) as the case may be; or

……………………

…………………….

(viii) <u>relatives of the connected person</u>; or

(ix) is a concern, firm, trust, <u>Hindu undivided family</u>, company or association of persons wherein any of the connected persons mentioned in sub-clause (i) of clause (c), of this regulation or any of the persons mentioned in sub-clause (vi), (vii) or (viii) of this clause have more than 10 per cent of the holding or interest;

51. Now moving on to determine as to whether the *Noticees no. 6 to 18*, were insiders and connected persons as per *PIT regulations, 1992*, it is important to mention their relationships with the *Company* and also the *inter se* relationship shared amongst them, which are tabulated below:

Table no. 11

Name of the promoter	Connections / Relationships
Arvind Kumar B Shah *(Noticee no. 6)*	He is the promoter and Managing Director of *ARL*.
Baby Rani *(Noticee no. 10)*	Wife of Arvind Kumar B Shah
Arvind Kumar And Sons HUF *(Noticee no. 11)*	HUF in which Arvind Kumar B Shah is the Karta.
Anand Kumar A Shah *(Noticee no. 9)*	Son of Arvind Kumar B Shah.
A Deepthi Kumari Shah *(Noticee no. 8)*	Daughter of Arvind Kumar B Shah.
Nikitha Jain *(Noticee no. 15)*	Wife of Anand Kumar A Shah, i.e., daughter in-law of Arvind Kumar B Shah
Arvind Health Care Private Limited *(Noticee no. 13)*	On verification of Memorandum of Association of Arvind Healthcare Private Limited and Annual Return of the *Company* for 2012-13, it was observed that Arvind Kumar B Shah and Baby Rani were the initial shareholders of the *Company*. Further, it was also observed that the authorised signatory of demat and trading account of Arvind Healthcare Pvt Ltd was Arvind Kumar B Shah.
Shreyanse Finance Ltd (now known as Arvind Bio Wellness Limited) *(Noticee no. 14)*	On verification of Annual Return of the *Company* for 2012-13, it was observed that Arvind Kumar And Sons HUF, A Deepthi Kumari Shah, Anand Kumar A Shah, Arvind Kumar B Shah and Baby Rani are the shareholders of the *Company* holding a total of 1177900 shares (46.70% of total paid up capital of Shreyanse Finance Limited as on 30/09/2013)
Narit Tradecom Private Limited *(Noticee no. 7)*	On verification of Annual Return of the *Company* for the year 2012-13, it was observed that Shreyanse Finance Ltd. and Arvind Health Care Pvt Ltd. holds 21.50% and 15.61% respectively of the share capital of the *Company* as on 31/03/2012.

<table>
<tr><th>Name of the promoter</th><th>Connections / Relationships</th></tr>
<tr><td>Sankeshwara Credit and Investments Limited (Noticee no. 12)</td><td>Sankeshwara Credit and Investments Limited had also transferred shares in off market to one Juniper Vinimay Private Limited during the same time (August 2014) when other promoter group entities (including Arvind Kumar B Shah) had transferred their shares to Juniper Vinimay Private Limited. Thereafter, Juniper Vinimay sold these shares in on market.</td></tr>
<tr><td>Aryaman Commerce Private Limited (Noticee no. 16)</td><td>a) Aryaman received shares in off-market from promoters of the Company.
b) The directors of Aryaman are Jaichand Punamchand Shah and Neeru Jaichand Shah. From the KYC documents of Aryaman, it may be observed that the directors are husband and wife. It is also observed that one of the directors of ARL viz., Akshay Jaichand Shah is son of Jaichand Punamchand Shah and Neeru Jaichand Shah.
c) Further, the statement of directors of Aryaman viz., Jaichand Punamchand Shah and Neeru Jaichand Shah(wife of Jaichand Punamchand Shah) is recorded on October 09, 2017. It was inter-alia stated that Neeru Jaichand Shah is related to Arvind Kumar B Shah as follows:
• One Mr. Prakash Kumar Shah is the cousin of Neeru Jaichand Shah at whose request herself and her husband became directors of Aryaman.
• Mr. Prakash Kumar Shah is the father of one of the promoters viz., Nikitha Jain. As mentioned earlier Nikitha Jain is the daughter-in-law of Arvind Kumar B Shah.
• Also, from the Annual Reports of ARL, it is observed that Prakash Kumar shah was one of the directors of ARL.</td></tr>
<tr><td>Juniper Vinimay Private Limited (Noticee no. 17)
Marina Dealcom Private Limited (Noticee no. 18)</td><td>a) Aruna Rajasekar (DIN 2615749) was the common director between Juniper and Shreyanse Finance Ltd (name changed Arvind Bio Wellness Limited) who is the promoter of ARL.
b) Rajasekar Parthasarathy (DIN 2615744) was the common director between Marina and Sankeshwara Credit & Investments Limited who is the promoter of ARL.
c) Therefore, Juniper and Marina are connected to promoter entities.
d) It is also observed that Juniper and Marina had two common directors viz., Krishna Halder (DIN 2635828) and Prasenjit Biswas (DIN</td></tr>
</table>

Name of the promoter	Connections / Relationships
	2650510). e) Also, *Juniper* received shares in off-market from promoters of the *Company*.

52. From the above table, I note the following:

a. *Notice no. 6* is the Managing Director of *ARL* and is a connected person and insider as per regulation 2(c) and (e) of the *PIT Regulations, 1992*.

b. *Noticees no. 8 to 11 and 15* comprise relatives of Arvind Kumar B Shah (*Noticee no. 6*), who is the Promoter and Managing Director of *ARL* and therefore, become connected persons and insiders as per regulation 2 (c), (e) and (h) of the *PIT Regulations, 1992*.

c. As per KYC details of Arvind Health Care Private Limited *(Noticee no. 13)* submitted by Stock Holding Corporation of India Limited, it was observed that *Noticees no. 6 and 10* were the only persons / initial shareholders whose names were mentioned in the Memorandum of Association of *Noticee no. 13*. Further, *Noticee no. 6* was also the authorised signatory of the demat and trading account of *Noticee no. 13*. By virtue of that, *Noticee no. 6* is a connected person and is also reasonable expected to have access to UPSI. In view of the same *Noticee no. 13* becomes an insider as per regulation 2 (c) and (e) of the *PIT Regulations, 1992*.

d. *Noticee no. 6* along with relatives (*Noticee no. 8 to 11 and 15*) held more than 10% of shareholding in Shreyanse Finance Ltd (*Noticee no. 14)*, making *Noticee no. 14*, as deemed connected with *ARL* as per regulation 2 (c), (e) and (h) of the *PIT Regulations, 1992*.

e. *Noticee no. 13* and *Noticee no. 14* (who are considered as connected persons above) held more than 10% of shareholding in Narit Tradecom Private Limited (*Noticee no. 7)*, who is also a promoter group entity of *ARL* consequently making *Noticee no. 7* an entity reasonably expected to have access to UPSI and is deemed to be a connected person and an insider as per regulation 2 (c), (e) and (h) of the *PIT Regulations, 1992*.

f. Sankeshwara Credit and Investments Limited (*Noticee no. 12)* is part of the promoter group of *ARL* and had also transferred shares in off market to Juniper Vinimay Private Limited (*Noticee no. 16*) during the same time (August 2014) when other promoter group entities (including Arvind Kumar B Shah) had transferred their shares to *Noticee no. 16*. Thereafter, *Noticee no. 16* sold these shares in on market. Since *Noticee no. 12* is part of the promoter group of *ARL* and its trading / offloading pattern in the scrip of *ARL* is similar to that of other promoter entities (who were privy to UPSI), *Noticee no. 12* was reasonably expected to have access to the UPSI and hence, considered to be a connected person and as such as insider as per regulation 2(c) and (e) of the *PIT Regulations, 1992.*

g. As mentioned in the table above, *Noticees no. 16 to 18* being the promoter connected entities and considering the connection between the promoters and the three entities (*Noticees no. 16 to 18*) and the manner in which they aided the promoters in off-loading their shares (dealt in subsequent paragraphs of this Order), they were reasonably expected to have access to UPSI and hence, deserve to be considered as connected persons and as insiders as per the provisions of the *PIT Regulations, 1992.*

53. Now moving on to the trades executed by the promoter *Noticees i.e. Noticees no. 6 to 15* during the UPSI period, I note that the SCN has alleged that the shareholding of the promoter *Noticees* was reduced by 2,23,13,256 shares (2.23 crores) in FY 2014-15 through 3 modes viz. (i) transfer of shares in off market (ii) sale of shares in secondary market (iii) invocation of pledge by the pledgee. *Noticee* wise details of transaction in the shares of *ARL* through the afore-mentioned different modes during the UPSI period are tabulated below:

<u>**Table no. 12**</u>

Name of the promoter	Number of shares offloaded by promoters during 2014-15							
	In off market			In secondary market			Invocation of pledge by the pledgee.	Total off-loading during FY 2014-15
	Transfer*	Receipt*	Net transfer	Sale	Purchase	Net Sale		
Arvind Kumar B Shah *(Noticee no. 6)*	61,05,000	30,23,000	30,82,000				91,86,000	**1,22,68,000**
Narit Tradecom Private Limited *(Noticee no. 7)*	50,50,000		50,50,000	6,66,612	1,49,456	5,17,156		**55,67,156**
Anand Kumar A Shah *(Noticee no. 9)*	24,19,000	17,07,000	7,12,000	7,07,000		7,07,000		**14,19,000**
Baby Rani *(Noticee no. 10)*	10,63,000		10,63,000					**10,63,000**
Shreyanse Finance Ltd *(Noticee no. 14)*	8,92,000		8,92,000					**8,92,000**
A Deepthi Kumari Shah *(Noticee no. 8)*	1,60,000		1,60,000					**1,60,000**
Arvind Kumar and Sons HUF *(Noticee no. 11)*	5,81,000		5,81,000	9,428	9,428			**5,81,000**
Nikitha Jain *(Noticee no. 15)*			0	90,945	80,845	10,100		**10,100**
Sankeshwara Credit and Investments Limited *(Noticee no. 12)*	1,90,000		1,90,000					**1,90,000**
Arvind Health Care Private Limited *(Noticee no. 13)*	1,63,000		1,63,000					**1,63,000**

Name of the promoter	Number of shares offloaded by promoters during 2014-15							
	In off market			In secondary market			Invocation of pledge by the pledgee.	Total off-loading during FY 2014-15
	Transfer*	Receipt*	Net transfer	Sale	Purchase	Net Sale		
	1,66,23,000	**47,30,000**	**1,18,93,000**	**14,73,985**	**2,39,729**	**12,34,256**	**91,86,000**	**2,23,13,256**
% to the total capital			**17.46**			**1.81**	**13.48**	**32.75**

54. From the table above, I note that the promoter *Noticees* have off loaded 1,18,93,000 shares during the FY 2014-15 through off market transfers. It was also noted that the entities (*Noticees no. 19 to 43)* who received shares from promoters *Noticees* in off market deals have subsequently sold those shares on market during the Investigation Period at an average price of INR 39.98 per share. I also note from the records available before me that after selling the shares of *ARL* on exchange platform, 21 *Noticees* have transferred the sale proceeds of those shares of *ARL* to the tune of INR 31.08 crore, back to the *promoter connected entities*. Details of such transfers by such selling entities (*Noticees no. 19 to 43)* to the *promoter connected entities* (*Noticees no. 16 to 18*), as fetched from the bank account statements of the *Noticees* (copies of which have been provided to the *Noticees* through annexure 17 of the SCN) are tabulated below:

<u>Table no. 13</u>

Name of the *Noticee*	*Noticee no.*	Amount transferred (INR)
Santhe M V	20	2,08,09,144
V Murali	21	4,81,19,831
Sheila Shekar	22	3,32,30,776
Shem Raja Sudhakar	23	3,04,18,651
Sathish Kumar N	24	2,33,51,297
Murali Prakash Naidu	25	2,37,09,669
Varalakshmi P	26	2,14,57,064
Solomon Y	27	79,88,511
S Nagarajan	29	74,10,036
A H Geetha	30	1,64,37,043

Nandakumar P	31	1,54,19,592
K Manikandan	32	1,76,66,470
Subhalakshmi M S	33	1,54,21,682
S Sengol Ancy Beaula	34	4,41,335
M Sasikala	35	22,41,760
M Hema Sairam	36	9,44,670
M Sethujanani	37	62,08,656
N V Devkumar	38	62,40,000
Sasikumar V	39	84,96,023
P Ramaswamy	40	24,17,500
Pattabiraman	41	24,17,500
Total		**31,08,47,210**

55. Considering the aforesaid factual position surrounding the shares transactions made by the above named *Noticees* and the manner in which the shares first transferred through off-market mode were finally sold on the stock exchange the proceeds of which were ploughed back to the accounts of these *promoter connected entities* (*Noticees no. 16 to 18*), it can be safely deduced that the promoter *Noticees (Noticees no. 6 to 15)* have in reality, off-loaded the 1,18,93,000 shares at an average price of INR 39.98 during the said period which also falls in the UPSI period. I further note that during the FY 2014-15, the promoter *Noticees* sold 12,34,256 shares (on net basis) on the stock exchange platform and such shares were sold by the promoters at an average price of INR 41.51 per share. The details relating to those trades executed, promoter wise, are presented in the table below:

Table no. 14

Name of the promoter	Sell volume	Buy volume	Net Sell volume	Sale value in INR	Buy Value in INR
Narit Tradecom Private Limited *(Noticee no. 7)*	6,66,612	1,49,456	5,17,156	2,73,41,455	37,55,789
Arvind Kumar and Sons HUF *(Noticee no. 11)*	9,428	9,428	-	4,12,004	4,08,232
Anand Kumar A	7,07,000	-	7,07,000	3,07,63,890	-

Shah *(Noticee no. 6)*					
Nikitha Jain *(Noticee no. 15)*	90,945	80,845	10,100	26,64,195	22,19,881
Grand Total	**14,73,985**	**2,39,729**	**12,34,256**	**6,11,81,544**	**63,83,902**
Average sale price per share sold	**INR 6,11,81,544÷ 14,73,985 shares = INR 41.51 per share**				

56. As already mentioned in this Order, the shares pledged by the *Noticee no. 6* with two pledgees viz., The Karur Vysya Bank Limited and L&T Finance Ltd., were sold by the pledgees during the FY 2014-15 after the invocation of the pledge. The pledgees together have sold 91,86,000 shares at an average price of INR 35.36. The detail of the same are placed below:

Table no. 15

Name of pledgee	**Sell volume**	**Sale value**	**Sale price per share**
L&T Finance Limited	16,86,000	5,13,42,353	30.45
The Karur Vysya Bank Ltd	75,00,000	27,34,81,027	36.46
Total	**91,86,000**	**32,48,23,380**	**35.36**

57. I note that none of the promoter *Noticees* i.e. *Noticees no. 6 to 15* has disputed the aforesaid sales of shares of *ARL*. Infact, *Noticee no. 6* in his submissions has taken the responsibility of the trades executed by his family relatives i.e. *Noticees no. 8 to 11* and *15*. Considering the fact and the observations recorded earlier based on concrete data and supporting evidences , it leads me to hold that the *Noticees no. 6 to 15* were having access to the UPSI (about the incorrect and falsified financial statements being filed by the *Company* to the stock exchange) about which they had advance knowledge and the trades in their accounts were executed by none other than the *Noticee no. 6*, the MD of the *Company* who is required to have knowledge of every detail of the affairs of the *Company*, not to mention about its misleading and false accounts being prepared for many consecutive years. Further, no defense has been brought by such *Noticees* even to justify their trades in such huge quantities in the scrip of the *Company* during the period when the actual financials and true state of affairs of the *Company* were not known to the outsiders or investors, and there is no explanation before me as to what propelled these promoting entities and connected persons to divest their shareholding in such large quantities during the UPSI period. Under these compelling facts and preponderant circumstantial evidences I have no hesitation in recording that the trades executed by the promoter *Noticees* i.e. *Noticees no. 6 to 15* in the scrip of *ARL* during the FY 2014-15 have indeed resulted in violation of Section 12A (d) & (e) of the *SEBI Act, 1992* read with regulation 3(i) and 4 of the *PIT Regulations 1992* r/w regulation 12 of the *PIT Regulations, 2015*.

58. Considering that the UPSI was of negative nature (i.e. if published, it would have negatively impacted the price of scrip of *ARL*), the promoter *Noticees* i.e. *Noticees no. 6 to 15* have successfully averted losses by disposing off their shareholdings in *ARL* evidently when in possession of UPSI. In this regard, the consolidated details of shares sold by such *Noticees* during the UPSI period are tabulated below:

Table no. 16

Name	Share off-loaded through off market transfers			Share off-loaded through on market sale			Share off-loaded through on pledge invocation			Total no. of shares off loaded	Value of shares off-loaded in INR
	Qty	price per share	Value	Qty	price per share	Value	Qty	price per share	Value		
Arvind Kumar B Shah	30,82,000	39.98	12,32,18,360				91,86,000	35.36	32,48,16,960	1,22,68,000	44,80,35,320
Narit Tradecom Private Limited	50,50,000	39.98	20,18,99,000	5,17,156	41.51	2,14,67,146				55,67,156	22,33,66,146
Anand Kumar A Shah	7,12,000	39.98	2,84,65,760	7,07,000	41.51	2,93,47,570				14,19,000	5,78,13,330
Baby	10,63,000	39.98	4,24,98,740							10,63,000	4,24,98,740

Name	Share off-loaded through off market transfers			Share off-loaded through on market sale			Share off-loaded through on pledge invocation			Total no. of shares off loaded	Value of shares off-loaded in INR
	Qty	price per share	Value	Qty	price per share	Value	Qty	price per share	Value		
Rani											
Shreyanse Finance Ltd	8,92,000	39.98	3,56,62,160							8,92,000	3,56,62,160
A Deepthi Kumari Shah	1,60,000	39.98	63,96,800							1,60,000	63,96,800
Arvind Kumar and Sons HUF	5,81,000	39.98	2,32,28,380							5,81,000	2,32,28,380
Nikitha Jain	0	39.98	-	10,100	41.51	4,19,251				10,100	4,19,251
Sankeshwara Credit and Investments Limited	1,90,000	39.98	75,96,200							1,90,000	75,96,200
Arvind Health Care Private Limited	1,63,000	39.98	65,16,740							1,63,000	65,16,740
Total	**1,18,93,000**		**47,54,82,140**	**12,34,256**		**5,12,33,967**	**91,86,000**		**32,48,16,960**	**2,23,13,256**	**85,15,33,067**

59. It is further observed that the trading in the scrip was suspended w.e.f. June 14, 2016 due to non-compliance with Clause 41 of the Listing Agreement by *ARL*. As on June 13, 2016, the closing price of the scrip was INR 4.65 on NSE. As already held above, that as a result of their sale transactions of their shareholding during the UPSI period, these promoters *Noticees* have avoided losses by off-loading the shares at higher prices while in the possession of UPSI. Therefore, the quantum of losses avoided by the promoters, which can be determined with reference to the price at which the shares were off-loaded vis-à-vis the price of the scrip post publication of UPSI in the public domain are presented below:

Table no. 17

S. No.	Name	Total no. of shares off loaded	Value of shares off-loaded in INR	Value of shares at the time of suspension of trading the scrip (in INR)	Losses averted (in INR)
	A	**B**	**C**	**D=B * INR 4.65 per share**	**E=C-D**
1.	Arvind Kumar B Shah	1,22,68,000	44,80,35,320	5,70,46,200	39,09,89,120
2.	Narit Tradecom Private Limited	55,67,156	22,33,66,146	2,58,87,275	19,74,78,870
3.	Anand Kumar A Shah	14,19,000	5,78,13,330	65,98,350	5,12,14,980
4.	Baby Rani	10,63,000	4,24,98,740	49,42,950	3,75,55,790
5.	Shreyanse Finance Ltd	8,92,000	3,56,62,160	41,47,800	3,15,14,360
6.	A Deepthi Kumari Shah	1,60,000	63,96,800	7,44,000	56,52,800
7.	Arvind Kumar and Sons HUF	5,81,000	2,32,28,380	27,01,650	2,05,26,730
8.	Nikitha Jain	10,100	4,19,251	46,965	3,72,286
9.	Sankeshwara Credit and Investments Limited	1,90,000	75,96,200	8,83,500	67,12,700
10.	Arvind Health Care Private Limited	1,63,000	65,16,740	7,57,950	57,58,790
	Total	**2,23,13,256**	**85,15,33,067**	**10,37,56,640**	**74,77,76,426**

60. In view of the above, having considered and held that the true and fair picture of the financials of the *Company* was not disclosed to the investors or public at large while the said information pertaining to the actual truth about accounting manipulations behind those falsified and misleading financial statements (filed in public domain) were very well known to the above *Noticees* either by virtue of them occupying their respective positions in the *Company* or having close connection with the *Noticee no. 6* directly or indirectly, there is no doubt in my mind that the above stated *Noticees* have traded in the scrip of the *Company* while in possession of sensitive information pertaining to the *Company* and its true financial soundness which was not available otherwise to the public for their consumption. The said fact of poor financials of the *Company* came in the public domain only after SEBI first detected them and passed an *interim order* dated February 16, 2017 however, by that time the promoter *Noticees* and *promoter connected entities* had already taken undue advantage of the said UPSI and had off leaded their shares while in possession of such UPSI and consequently, successfully averted losses to the tune of **INR 74,77,76,426 (INR 74.77 crores)**

61. While on the issue of the allegation of violation of insider trading during the UPSI period by the *promoter connected entities* (*Noticees no. 16 to 18*), I also note that during the Investigation Period, the *Company* had made 3 preferential allotments to the *promoter connected entities*, details of which are as under:

Table no. 18

S.NO.	Date of preferential allotment	Name of the preferential allottees	No. of shares allotted	Details
1.	January 05, 2011, i.e., before consolidation of shares (consolidation of shares happened on May 15, 2012)	Aryaman Commerce Private Limited *(Noticee no. 16)*	6,66,60,000	Issued at INR 2.25 per share (including premium of INR 1.25)
2.	August 31, 2013, i.e., after consolidation of shares.	Juniper Vinimay Private Limited *(Noticee no. 17)*	22,51,900	Issued at INR 25 per share (including premium of INR 15)
		Marina Dealcom Private Limited *(Noticee no. 18)*	26,58,600	
		Total	**49,10,500**	
3.	September 30, 2013, i.e., after consolidation of shares.	Juniper Vinimay Private Limited *(Noticee no. 17)*	64,96,100	Issued at INR 25 per share (including premium of INR 15)
		Marina Dealcom Private Limited *(Noticee no. 18)*	60,89,400	
		Total	**1,25,85,500**	

62. It has been alleged that the *Noticees no. 16 to 18* have sold the shares allotted to them on preferential basis as well during the Investigation Period at higher prices, while they were in the possession of UPSI. It is also noted that at the end of the Investigation Period, the *Noticees no. 16 to 18* did not have any significant holding of the shares of *ARL* and most of the shares allotted to them by *ARL* were off-loaded by them during the UPSI period. Details of shares of *ARL* sold by *Noticees no. 16 to 18* during the UPSI period and profits earned by them are indicated in the following paragraphs of this Order.

Noticee no. 16

63. *Noticee no. 16* had received 6,66,60,000 (6.66 crores) shares of *ARL* in the preferential allotment. I also note that during the Investigation Period, 10 equity shares each of face value of INR 1 of the *Company* were consolidated to 1 equity shares of face value of INR 10 w.e.f. May 15, 2012. It was observed that the *Noticee no. 16* had transferred 1,35,42,000 shares in off market and purchased 19,43,305 shares on net basis on market before shares of the *Company* were consolidated. Therefore, in total, the *Noticee no. 16*, out of allotted 6,66,60,000 had off-loaded 1,15,98,695 (1,35,42,000 less 19,43,305) shares during the period before shares of the *Company* were consolidated. The remaining 5,50,61,305 shares (6,66,60,000 - 1,15,98,695) effectively became 55,06,130 shares after consolidation of shares. I further note that after the consolidation of shares of *ARL, Noticee no. 16* off loaded 54,57,142 shares (net basis) through off market and on market transactions. Thus, the entity has off loaded most of the shares allotted on the preferential basis and was left with a holding of only 48,988 shares (55,06,130 – 54,57,142) at the end of Investigation Period. The transaction details of the entity after consolidation of shares are given below:

Table no. 19

Off market transactions			On Market			Total shares off-loaded
Received	Transferred	Net Shares transferred	Sale	Purchase	Net Sale	
1,43,76,800	1,09,86,412	(33,90,388)	1,27,49,613	39,02,083	88,47,530	54,57,142

64. As tabulated above, *Noticee no. 16* had bought 39,02,083 shares and sold 1,27,49,613 shares of *ARL* on market during the Investigation Period (after consolidation of shares). Thus, the entity has effectively sold 88,47,530 shares on net basis. The trading details of the entity are given below:

Table no. 20

Sell volume	Buy volume	Net Sell volume	Sale value in INR	Buy Value in INR
1,27,49,613	39,02,083	88,47,530	47,64,33,191	13,79,91,521
Average share price per share sold			**INR 47,64,33,191 ÷ 1,27,49,613 shares = INR 37.37 per share**	

65. I note that the *Noticee no. 16* has not disputed the aforesaid factual details pertaining to his dealing in shares of *ARL*. Considering the fact already held by me, that the *Noticee no. 16* was having access to UPSI and the alleged trades were executed by it in the scrip of *ARL* during the UPSI period, such trades executed by the *Noticee no. 16* in the scrip of *ARL* has resulted into the violation of Section 12A (d) & (e) of the *SEBI Act, 1992* read with regulation 3(i) and 4 of the *PIT Regulations 1992* r/w regulation 12 of the *PIT Regulations, 2015*. As already mentioned that the UPSI was of negative nature, it becomes obvious that *Noticee no. 16* by off-loading the shares before the true financials of the *Company* came to be exposed by the *interim order* of SEBI and consequently become public, has succeeded in averting losses by disposing off almost its entire shareholdings in *ARL* when it was in fact was in possession of the UPSI. In this regard, the losses averted by *Noticee no. 16* by executing afore-stated trades in scrip of *ARL* while in the possession of UPSI are calculated as follows:

Table no. 21

S. No.	Particulars	
1	Total no. of shares off loaded	54,57,142
2	Average price per share sold	INR 37.37
3	Value of shares off-loaded in INR (a X b)	INR 20,39,33,397
4	Closing price of the scrip on NSE at the time of suspension of trading in the scrip	INR 4.65
5	Value of shares at the time of suspension of trading the scrip (in INR)	INR 2,53,75,710
6	Losses averted in INR	**INR 17,85,57,687**

66. In view of the above, it is now *prima facie* evident that the *Noticee no. 16* by off-loading shares of *ARL* when in the possession of UPSI has successfully averted losses to the tune of **INR 17,85,57,687 (INR 17.85) crores.**

67. SCN has also alleged that the *Noticees no. 17 and 18* while dealing in shares of *ARL*, have violated *PIT Regulations, 1992.* In this regard, I note from the SCN that subsequent of receipt of shares of *ARL* through preferential allotment, *Noticees no. 17 and 18* have cumulatively off-loaded 37,93,200 shares (on net basis) through off market transfers and 1,37,02,799 shares (on net basis) through on market sale. The details of trading in the shares of *ARL* by *Noticees no. 17 and 18* during the Investigation Period are presented below:

Table no. 22

Name	**Off market transactions**			**On Market**			**Total shares off-loaded, i.e., equal to preferential shares allotted**
	Received*	**transferred***	**Net Shares transferred in off market**	**Sale**	**Purchase**	**Net Sale**	
Juniper	11,20,000	29,20,000	18,00,000	1,22,48,286	53,00,286	69,48,000	87,48,000
Marina	8,06,800	28,00,000	19,93,200	1,18,71,835	51,17,036	67,54,799	87,47,999
Total	**19,26,800**	**57,20,000**	**37,93,200**	**2,41,20,121**	**1,04,17,322**	**1,37,02,799**	**1,74,95,999**

68. I note that none of the two *Noticees* viz. *Noticees no. 17 and 18* has put forth any defense that they were not in possession of UPSI nor have they produced any evidence to refute the trades executed by them in the scrip of *ARL* during the UPSI period. Therefore, as already held above that the *Noticees no. 17 and 18* were having access to UPSI, the act of executing trades by them in scrip of *ARL* has to be held in violation of section 12A (d) & (e) of the *SEBI Act, 1992* read with regulations 3 (i) and 4 of the *PIT Regulations, 1992*.

69. Now moving on to the allegation of averting losses by *Noticees no. 17 and 18* by dealing in shares of *ARL* during UPSI period, I note that these 2 *Noticees* off-loaded 37,93,200 shares of *ARL* during the Investigation Period through off market transfers. I also note from the records available before me that the entities who received shares from *Juniper* and *Marina* in off-market have subsequently sold those 37,93,200 shares of *ARL* on market at an average price of INR 39.63. Further, it was also revealed during the investigation that the *Noticees no. 17 and 18* have sold 1,37,02,799 shares on net basis at an average sale price of INR 47.35 per share. The details relating to on market trades of such *Noticees* are given in the table below:

Table no. 23

Name	Sell volume	Buy volume	Net Sell volume	Sale value in INR	Buy Value in INR
Juniper (Noticee no. 17)	1,22,48,286	53,00,286	69,48,000	57,11,89,498	23,34,08,712
Marina (Noticee no. 18)	1,18,71,835	51,17,036	67,54,799	57,09,19,374	23,45,29,513
Total	**2,41,20,121**	**1,04,17,322**	**1,37,02,799**	**1,14,21,08,872**	**46,79,38,225**
Average sale price per share sold	**INR 114,21,08,872 ÷2,41,20,121shares = INR 47.35 per share**				

70. As already explained above that the UPSI was of negative nature, *Noticee no. 17 and 18* are therefore found to have averted losses by disposing off their shareholdings in *ARL* evidently when they were in possession of UPSI. In this regard, the losses averted by *Noticees no. 17 and 18* by executing trades in scrip of *ARL* while in the possession of UPSI is calculated as follows:

Table no. 24

Name	Share off-loaded through off market transfers			Share off-loaded through on market sale			Total no. of shares off loaded	value of shares off-loaded in INR	Value of shares at the time of suspension of trading the scrip (in INR)	Losses averted in INR
	Qty	price per share	Value	Qty	price per share	Value				
Juniper	18,00,000	39.63	7,13,34,000	69,48,000	47.35	32,89,87,800	87,48,000	40,03,21,800	4,06,78,200	35,96,43,600
Marina	19,93,200	39.63	7,89,90,516	67,54,799	47.35	31,98,39,733	87,47,999	39,88,30,249	4,06,78,195	35,81,52,054
Total	**37,93,200**		**15,03,24,516**	**1,37,02,799**		**64,88,27,533**	**1,74,95,999**	**79,91,52,049**	**8,13,56,395**	**71,77,95,654**

71. Thus, from the above table it may be seen that *Noticees no. 17 and 18* by off-loading shares of *ARL* when in the possession of UPSI through on market and off-market transactions have averted losses to the tune of INR **71,77,95,654.**

72. For the purpose of clarity and presenting a full picture about the transactions carried out during UPSI period by the *Noticees*, I am presenting hereunder that the promoters (*Noticees no. 6 to 15*) and promoter connected entities (*Noticees no. 16 to 18)* by off-loading 4,52,66,397 shares of *ARL* while in possession of UPSI have averted losses to the tune of INR 164.41 crores. *Noticee* wise details of off-loaded shares and loss averted are tabulated below:

Table no. 25

Name and *Noticee no.*	No. of shares off-loaded	Losses averted in INR
Promoters:		
Arvind Kumar B Shah *(Noticee no. 6)*	1,22,68,000	39,09,89,120
Narit Tradecom Private Limited *(Noticee no. 7)*	55,67,156	19,74,78,870
A Deepthi Kumari Shah *(Noticee no. 8)*	1,60,000	56,52,800
Anand Kumar A Shah *(Noticee no. 9)*	14,19,000	5,12,14,980
Baby Rani *(Noticee no. 10)*	10,63,000	3,75,55,790
Arvind Kumar And Sons HUF *(Noticee no. 11)*	5,81,000	2,05,26,730
Sankeshwara Credit and Investments Limited *(Noticee no. 12)*	1,90,000	67,12,700

Name and *Noticee no.*	No. of shares off-loaded	Losses averted in INR
Arvind Health Care Private Limited *(Noticee no. 13)*	1,63,000	57,58,790
Shreyanse Finance Ltd *(Noticee no. 14)*	8,92,000	3,15,14,360
Nikitha Jain *(Noticee no. 15)*	10,100	3,72,286
Total – promoters	**2,23,13,256**	**74,77,76,426**
Promoter connected entities:		
Aryaman Commerce Private Limited *(Noticee no. 16)*	54,57,142	17,85,57,687
Juniper Vinimay Private Limited *(Noticee no. 17)*	87,48,000	35,96,43,600
Marina Dealcom Private Limited *(Noticee no. 18)*	87,47,999	35,81,52,054
Total – promoter connected entities	**2,29,53,141**	**89,63,53,341**
Grand Total – promoters and promoter connected entities	**4,52,66,397**	**1,64,41,29,767**

Issue 4: Whether the acts of Noticees no. 2 to 43 in the scrip of ARL have resulted in violations of the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 and regulation 3, (b), (c), (d) and regulation 4 (1) of SEBI (PFUTP) Regulations, 2003?

73. I note that the SCN has alleged that the management of the *Company* (*Noticees no. 2 to 6)*, promoters of *ARL* (*Noticees no. 6 to 15)* alongwith other *promoter connected entities (Noticees no. 16 to 18) have* devised and executed a scheme in which the promoter entities have offloaded the shares in a fraudulent manner when in possession of UPSI and the management of the *Company* have also aided and abetted the promoters in off-loading their shares in a fraudulent manner so as to defraud the genuine/gullible investors by concealing from them, the true and correct picture about the poor financials of the *Company* and instead, by disclosing incorrect and misleading/manipulated financial statements as well as misleading information pertaining to promoters shareholding to the stock exchanges. SCN has further alleged that (*Noticees no. 19 to 43*) have aided and abetted the *promoters and promoter connected entities* in helping them to off-load their shares in a fraudulent manner. Through this scheme, it is alleged that the promoters of *ARL* were able to avert the losses to the tune of INR 74.77 crores. In this connection the role played by the board of directors of the *Company*, promoters of the *Company* and *promoters connected entities* has already been dealt with in the previous issues. I now proceed to deal with the role played *Noticees no. 19 to 43*. I note that the SCN has narrated that *Noticees no. 19 to 43* have received shares from *promoters and promoter connected entities* (*Noticees no. 6 to 18)*) and subsequently *Noticees no. 19 to 43* have sold such shares on market. Therefore, to start with, it is important to look at the number of shares received by *Noticees no. 19 to 43 from the promoter connected entities (Noticees no. 6 to 18),* through off-market transactions the details of which are placed below:

Table no. 26

Noticee no.	**Name of the entity**	**Shares received from promoters (on net basis)**	**Shares received from *Aryaman (Noticee no-16)* (on net basis)**	**Shares received from *Juniper (Notice no. 17) and Marina (Noticee no. 18)* (on net basis)**	**Total shares received in off market**
19	Jem Fiscal Pvt. Ltd.		12,50,000		12,50,000
20	Santhe M V	4,50,000	50,000	7,00,000	12,00,000
21	V Murali	2,50,000	1,00,000	8,00,000	11,50,000
22	Sheila Shekar	2,50,000	-	5,00,000	7,50,000
23	Shem Raja Sudhakar	2,50,000	-	5,00,000	7,50,000
24	Sathish Kumar N	2,05,000	2,10,000	3,00,000	7,15,000
25	Murali Prakash Naidu		2,00,000	5,00,000	7,00,000
26	Varalakshmi P		2,25,000	4,00,000	6,25,000
27	Solomon Y	1,30,000	2,75,000	1,00,000	5,05,000
28	Byju C Nair		5,00,000		5,00,000
29	S Nagarajan	3,00,000	2,00,000		5,00,000
30	A H Geetha		2,25,000	2,00,000	4,25,000
31	Nandakumar P		2,25,000	2,00,000	4,25,000
32	K Manikandan		1,00,000	3,00,000	4,00,000
33	Subhalakshmi M S		1,50,000	2,00,000	3,50,000
34	S SengolAncyBeaula	1,50,000	1,50,000		3,00,000
35	M Sasikala		1,90,000		1,90,000

Noticee no.	Name of the entity	Shares received from promoters (on net basis)	Shares received from *Aryaman (Noticee no-16)* (on net basis)	Shares received from *Juniper (Noticee no. 17) and Marina (Noticee no. 18)* (on net basis)	Total shares received in off market
36	M HemaSairam		1,90,000		1,90,000
37	M Sethujanani			1,50,000	1,50,000
38	N V Devkumar			1,50,000	1,50,000
39	Sasikumar V	-1,65,000	1,00,000	2,00,000	1,35,000
40	P Ramaswamy		5,000	1,00,000	1,05,000
41	Pattabiraman.		5,000	1,00,000	1,05,000
42	Radhakrishnan.		50,000		50,000
43	Raja P	13,000			13,000

74. Further, the details of trades executed by the *Noticees no. 19 to 43* in the scrip of *ARL* on the stock exchange platform, subsequent to the receipt of shares in off-market from the promoters and *promoter connected entities* are placed below:

Table no. 27

Noticee no.	Name of the entity	Sum of Gr Buy Vol	Sum of Gr Sell Vol	Sum of Gr Buy Value	Sum of Gr Sell Value	Sum of Net Sell Vol	Amount transferred to *promoter connected entities* (*Noticees no. 16 to 18*)
19	Jem Fiscal Pvt. Ltd.	-	12,50,000	-	4,89,18,251	12,50,000	-
20	Santhe M V	31,99,714	41,79,714	12,51,57,870	16,45,29,953	9,80,000	2,08,09,144
21	V Murali	46,50,645	60,00,145	18,51,25,215	24,16,05,599	13,49,500	4,81,19,831
22	Sheila Shekar	5,25,000	12,75,000	2,11,18,448	5,51,38,895	7,50,000	3,32,30,776
23	Shem Raja	16,43,057	23,92,697	6,43,95,029	9,80,60,354	7,49,640	3,04,18,651

Noticee no.	**Name of the entity**	**Sum of Gr Buy Vol**	**Sum of Gr Sell Vol**	**Sum of Gr Buy Value**	**Sum of Gr Sell Value**	**Sum of Net Sell Vol**	**Amount transferred to *promoter connected entities* (*Noticees no. 16 to 18*)**
	Sudhakar						
24	Sathish Kumar N	46,61,406	53,03,407	17,50,13,160	20,61,51,764	6,42,001	2,33,51,297
25	Murali Prakash Naidu	68,23,372	77,23,372	27,67,80,561	30,88,73,346	9,00,000	2,37,09,669
26	Varalakshmi P	14,50,450	20,75,450	5,74,19,971	7,98,48,176	6,25,000	2,14,57,064
27	Solomon Y	38,37,056	41,22,134	14,69,11,832	15,62,90,291	2,85,078	79,88,511
28	Byju C Nair	5,01,795	10,01,795	1,87,24,760	3,74,02,626	5,00,000	-
29	S Nagarajan	52,88,989	55,88,989	18,32,51,814	19,83,31,453	3,00,000	74,10,036
30	A H Geetha	16,20,085	20,45,085	6,32,10,190	8,04,75,076	4,25,000	1,64,37,043
31	Nandakumar P	12,31,745	16,56,745	4,75,93,083	6,36,22,957	4,25,000	1,54,19,592
32	K Manikandan	8,58,042	12,58,042	3,60,21,114	5,42,03,517	4,00,000	1,76,66,470
33	Subhalakshmi M S	40,12,521	45,62,521	15,10,21,152	17,32,96,141	5,50,000	1,54,21,682
34	S SengolAncyBeaula	48,04,693	49,04,693	18,13,80,688	18,40,79,372	1,00,000	4,41,335
35	M Sasikala	12,66,183	14,56,183	5,59,55,785	6,35,39,361	1,90,000	22,41,760
36	M HemaSairam	9,51,043	11,41,043	4,24,06,629	4,91,44,474	1,90,000	9,44,670
37	M Sethujanani	1,34,800	2,84,800	58,69,653	1,21,70,579	1,50,000	62,08,656
38	N V Devkumar	1,33,700	2,83,700	58,44,548	1,21,80,569	1,50,000	62,40,000
39	Sasikumar V	34,01,710	37,32,710	13,33,10,477	14,45,10,163	3,31,000	84,96,023
40	P Ramaswamy	9,32,870	10,36,970	3,86,41,273	4,23,30,357	1,04,100	24,17,500
41	Pattabiraman.	10,38,131	11,43,131	4,36,31,474	4,69,32,059	1,05,000	24,17,500
42	Radhakrishnan.	2,84,768	3,34,768	1,20,18,063	1,35,15,235	50,000	-
43	Raja P	5,05,178	5,18,178	1,87,73,473	1,90,03,220	13,000	-
Total							**31,08,47,210**

75. From the aforesaid tables (table no. 26 and 27), I note that there is no dispute to the facts that the *Noticees no. 19 to 43* received shares of *ARL* through off-market transactions from the *promoter connected entities* (*Noticees no. 16 to 18*) and subsequently such shares of *ARL* were sold by them on the stock exchange platform by these entities, i.e. *Noticees no. 19 to 43.* I also note from the aforesaid tables that after selling the shares of *ARL* on exchange platform, 21 *Noticees* out of 25 *Noticees* (*Noticees no. 19 to 43)* have transferred the sale proceeds of the shares of *ARL* back to the *promoter connected entities*. These 21 *Noticees*, in total have transferred INR 31.08 crore to *promoter connected entities*. For instance, *Noticee no. 20* has transferred INR 2.08 crores, *Noticee no. 21* has transferred INR 4.81 crores, *Noticee no. 26* has transferred INR 2.14 crores to the *promoter connected entities*. I note that none of these *21 Noticees* has given any explanation worth-considering to justify their transactions starting from the receipt of shares of *ARL* in off-market from *promoter connected entities,* selling of such shares of *ARL* on the stock exchange platform and further transferring of funds from the proceeds of sale of such shares to the bank accounts of *promoter connected entities*. Submissions made by these *Noticees* in this regard are being dealt in the detail in the subsequent paragraphs of this Order.

76. I note that *Noticee no. 19* has submitted that the *Noticee* company is in the business of acting as a facilitator for arranging loans to other companies against securities listed on BSE and NSE. In this respect, a loan of INR 5 crores was provided by Aim Finserv LLP (*Lender*) to *Noticee no. 16* (*Borrower*) by securing 25 lakhs shares of *ARL* being held by *Noticee no. 16* as collateral and *Noticee no. 19* acted as a facilitator in the afore-stated loan deal. It has further been submitted that out the aforementioned 25 lakh shares of *ARL*, 12.5 lakh shares were transferred by the borrower to the *Lender* through BOLT system and the amount of 5 crores as loan was provided through BOLT system. Remaining 12.5 lakh shares were transferred by *Borrower (Noticee no. 16)* to *Noticee no. 19* through off-market and the same were kept by *Noticee no. 19* as margin. It has further submitted that subsequent to the dishonoring of bank cheques drawn towards repayment of loan by *Borrower* (*Noticee* *no. 16)*, the shares kept as collateral by *Noticee no. 19* were sold to the *Lender* through the stock exchange mechanism and the proceeds of such sale were transferred by *Noticee no. 19* to the lender after deducting the facilitation fee for the loan transaction.

77. Before I deal with the submissions of the *Noticee no. 19* regarding lending and borrowing of shares and money paid/received through the BOLT system, it is pertinent to mention here that BOLT (BSE's Online Trading System) is the trading system of Bombay Stock Exchange, which facilitates the traders to manage placing modification of the orders. As already mentioned that the BOLT system is used for trading of shares, wherein the seller sells the shares and receives consideration for the said shares from the buyer who receives the shares. Therefore, the submissions of *Noticee no. 19* regarding acting as a facilitator between *Lender* and the *Borrower* using BOLT mechanism is factually an erroneous claim. It is important to state here that SEBI has laid down the guidelines for Securities Lending and Borrowing (SLB) framework, wherein the market participants can lend and borrow shares at certain lending fees. It is an automated screen based trading platform with online matching of trades based on price- time priority, which enables lending of idle securities held by the investors through the clearing corporation/clearing house of stock exchanges so as to earn a return through the said lending transaction of their shares. It is pertinent to note that in the SLB scheme, a lender lends its shares to a borrower, however, in the said mechanism, a fixed fee for lending such shares is paid to the lender by the borrower and not full consideration of shares as wrongfully mentioned by the *Noticee no. 19*. Further, in the SLB framework, unlike what has been submitted by the *Noticee no. 19*, appropriate quantities of securities as collateral is actually taken from borrower and kept with the clearing corporation as margin so as to deal with a situation where the borrower defaults to return the shares on time to the lender. Therefore, the explanation put forth by the *Noticee no. 19* regarding the lending of shares of *ARL* and borrowing of money through the BOLT system is not factually correct or in line with the rules governing the mechanism of BOLT system of Bombay Stock Exchange (BSE) which is duly regulated by SEBI. Further, with regard to the claim of sale of the shares of *ARL* by *Noticee no. 19* received from *Noticee no. 16* through off-market mechanism, I note that no logical explanation has been offered by *Noticee no. 19* to justify as to why such shares were sold by it instead of the lender (Aim Finserv LLP) who had lent money to the *Noticee no. 16.* As per the version of Noticee no. 19, Noticee no. 16 defaulted in repayment of the money borrowed by it. In such a scenario, it was supposed to be the *Lender* who should have sold the shares of *ARL* and recovered its money and not the *Noticee no. 19.* Since, it has been canvassed that the *Noticee* entity (*Noticee no. 19*) is in the business of arranging and facilitating loan against the pledge of shares, the *Noticee no. 19* was asked to further authenticate its submissions by providing details with respect to any other such loan transactions facilitated by it for any other entity. However, it has failed to provide any such evidence in support of the aforesaid claim made by it with respect to its business activities. It is important to note here that all the allegations in the instant proceedings are being examined in the backdrop of the facts that were unearthed during the investigation exposing that the persons who were responsible for managing the affaires of the *Company* had in fact mis-managed and manipulated the books of account of *Company*, have made false, wrong and concocted disclosures about the *Company's* financial affairs , and have also indulged in a fraudulent scheme through which shares of *ARL* were disposed of by them through layering of transactions during the period of UPSI when the investors and public were unaware about the true affairs of the *Company* and thereby have committed deceit on the investors of the *Company* at large, over a long period of time. Under the circumstances, considering the materials on record, I am of the view that the *Noticee no. 19* has neither been able to justify its line of business as claimed by it, nor has been able to substantiate the genuineness of the alleged transactions entered into by it through which, it had first received shares of *ARL* in off-market from the *promoter connected entity* (*Noticee no. 16*) and then sold those shares on the stock exchange platform. Based on the aforesaid factual evidence, it is observed that the *Noticee no. 19* has not brought any evidence to even remotely lay credence to the submission made by it claiming that it was only acting as a facilitator and had nothing to do with the fraudulent acts of the promoter and promoter related entities. There is also no explanation from it as to how, it came in contact with the *Noticee no. 16*, a promoter related entity and under what circumstances, the acts of retaining 12.5 lakh shares in its demat account and later on the act of selling of those shares, proceeds of which finally travelled back to the promoter or its related entities, could be justified within the four corners of law. Therefore, I am constrained to hold that based on the facts of the case as available before me the charges against the *Noticee no. 19* for aiding and abetting the *Company*, its promoters and promoter connected entities and helping them in off-loading their shares in a fraudulent manner especially when they were in possession of the UPSI about the company, thereby perpetrating fraud upon the shareholders of *ARL* as well as upon the market participants in general, are found to be established.

78. I note that the *Noticee* no. 20 has submitted that she has no idea about the trades executed in her name and has no idea about the securities market and one person named Mr. Prakash approached her for providing consent to deal in share market. She has further submitted that she is a widow with two children and she hails from a lower middle class family. In this regard, I note that though the *Noticee no. 20* has attempted to take a plea that her consent was misused by one Mr. Prakash, however, she has not denied that the consent was provided by her own volition without any force and coercion put on her. Further, upon realizing that her name was illegally used without her knowledge, she has shown no evidence that she had taken legal steps viz. filing any FIR, etc. against such wrongdoers to prove her innocence. Therefore, by giving consent to use her account, which was used to receive and off-load shares of *ARL, Noticee no. 20* has made herself party to the fraud.

79. Similarly, I note that *Noticees no. 40 and 41* have submitted that their accounts were misused by their broker i.e. Steel City Securities Ltd. and the money received from the sale of shares of *ARL* as alleged in the SCN was debited from their bank accounts by their broker by using the blank cheques given by them to the stock broker for meeting emergency needs. In this regard, I note that apart from making such bald claims, none of the 2 *Noticees* i.e. *Noticees no. 41 and 42* has given any evidence to suggest that they have taken any legal recourse against their stock broker Steelcity Securities Ltd., upon knowing the misuse of their trading accounts or even after the receipt of the SCN. They have also not provided any evidence to show and substantiate their claim that their trading accounts were indeed misused by the stock broker. Under the circumstances, it is evident that they were part of the fraudulent scheme referred to above, devised by *ARL*, its promoters and promoter connected entities.

80. I further note that *Noticees no. 22, 23, 24, 25, 29, 30, 32, 33, 35, 36, 37, 38, 42 and 43* have submitted identical replies vide which, *inter alia*, it has been claimed that in order to meet the margin requirements for trading in F&O market, these *Noticees* had taken loans of the shares of *ARL* from the respective *promoter connected entities* accounts'. They have further submitted that the shares of *ARL* received as a loan were subsequently sold by them in the market and the consideration received from sale of such shares was paid to the respective *promoter connected entities* who lent those *ARL* shares to them. It has been canvassed by these *Noticees* that they were regular traders of the securities market, however on account of facing financial liquidity problems, they were not able to meet their margin requirements to continue to remain as traders in the securities market. At this stage of their financial crisis, the *Noticees* came in contact of the respective *promoter connected entities* who volunteered to provide their respective shares of *ARL* to these *Noticees* to be kept or used as margin security. Having gone through the record and the defense advanced by them, I find absolutely no merit to be convinced by these explanations as none of the aforesaid *Noticees* has been able to produce any supporting documentation to explain as to how first of all they came in contact with the *promoter connected entities* and why the *promoter connected entities* would at all agree to offer their shares in their own *Company* i.e. *ARL* to these stranger entities free of cost for using these shares towards their margin money requirement without any expectation of return. Further, there is no explanation from anyone as to why the *promoter connected entities* (*Noticees no. 16 to 18*) have agreed to give their valuable assets (shares of *ARL*) on loan to these *Noticees* without asking for any collateral. Further, the aforesaid *Noticees* have not able to explain as to why and under what circumstances such shares were sold and money was paid to the lenders (*promoter connected entities*) since, if at all those shares were needed to be sold, the shares could have been returned to the *promoter connected entities* who were the rightful owners for selling them in the market. There is also no justification to the fact that if the shares of *ARL* were lent to these *Noticees* to be used to fulfill their margin requirement only, how these *Noticees* have got the authority to sell the said shares of *ARL*. The pattern of trading exhibited by the *Noticees no. 22, 23, 24, 25, 29, 30, 32, 33, 35, 36, 37, 38, 42 and 43* and their subsequent replies shrouded in ambiguities and absurdities, raises strong suspicion about the intent of these *Noticees* with respect to the trades executed by them in the scrip of *ARL.*

81. I further note that in addition to the aforesaid unsubstantiated replies, *Noticee no. 22* has submitted an additional reply before me. Unlike the other *Noticees* who had authorized *Noticee no. 25* to appear on their behalf during the personal hearing before me, the *Noticee no. 22* appeared before me in person and made arguments on her behalf as well as on behalf her brother-in-law i.e. *Noticee no. 23.* She has submitted that she was an employee of *ARL* since last 27 years and when the *Company* was in huge financial crises, *Noticee no. 25* approached her for permitting to use her demat account to deal in the shares of *ARL* for the betterment of all as the *Company* was going through very difficult phase. Having got convinced and considering the long association she had with the *Company*, she had permitted the *Noticee no. 25* to use her the trading and demat account of her as well as of her brother-in-law i.e. *Noticee no. 23*. Therefore, the alleged trades executed from the accounts of *Noticees no. 22 and 23* were carried out by *Noticee no. 25*. She further requested me to ignore the submissions of the letter dated 15.09.202 earlier filed before me by her, as the said letter addressed to SEBI was drafted by *Noticee no. 25,* who convinced her to reply in the same manner as other *Noticees* were replying.

82. I also note from the submission of various other *Noticees*, that it was *Noticee no. 25*, who had brought them on board for opening of trading and demat account so as to trade in the scrip of *ARL*. Such submissions are further reinforced from the submissions of *Noticee no. 25* himself, who has admitted that he was working as Regional head (operations) in M/s Steel City Securities Ltd and his work was related to new client's acquisition. As a part of business promotion, he had approached and opened new accounts for some of his friends and relatives. I also note that certain relevant queries such as, (i) why the above named *Noticees* received shares from promoter and promoter connected entities of *ARL* (through the off-market); (ii) why such shares were sold by these *Noticees* and sales proceeds thereof was returned to *promoter connected entities* of *ARL,* etc. were asked to *Noticee no. 25* who appeared on behalf of all the aforesaid *Noticees* during the personal hearing before me but surprisingly, he couldn't offer any tangible explanation to the aforesaid queries . This is despite the fact that it was he, who had admittedly opened the trading and demat accounts for those *Noticees* and was representing them before me, hence ought to have been aware of the entire truth behind the transactions in shares of *ARL* done in the demat and trading accounts of these *Noticees*. From a conjoint reading of the aforesaid discussions, perusal of submissions of *Noticee no. 22, 25* and other *Noticees* and the fact that all such *Noticees* have replied in a similar fashion and further the fact that *Noticee no. 25* appeared on behalf of all such *Noticees*, I cannot close my eyes to the fact that *Noticee no. 25* had played a very crucial role in executing the scheme devised by the *Company*, its promoters and *promoter connected entities*. While performing his role in onboarding various accounts (trading , demat and bank) on behalf of these *Noticees*, it now clearly emerges that the accounts of the *Noticees no. 22, 23, 24, 25, 29, 30, 32, 33, 35, 36, 37, 38, 42 and 43* were opened and facilitated by *Noticee no. 25* for being used for off-loading the shares of *ARL* received through promoters and *promoters connected* *entities* (*Noticees no. 16 to 18*) and consequently, the demat and trading accounts of *Noticees no. 22, 23, 24, 25, 29, 30, 32, 33, 35, 36, 37, 38, 42 and 43* were actively facilitated by *Noticee no. 25* for being used for aiding and abetting the malafide intention of *Noticee Company* (*ARL*) and its promoters in off-loading their shareholding in a fraudulent manner during the UPSI period on the background of manipulated and misleading financial statements being filed by the *Company* for many years to deceive the investors and public at large.

83. I have already recorded somewhere earlier in this Order that *Noticees no. 21, 26, 27, 31, 34, 39* have neither submitted any reply to SCN nor have attended the personal hearing. In this respect, I find it apt to refer and rely on the observation of the Hon'ble SAT in the case of *Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003, DoD-08/12/2006)* has *inter alia*, observed that "*…....the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show-cause notice were admitted by them."* Therefore, there is nothing available on record contrary to the allegations labelled against such *Noticees* in the SCN and considering the fact that the trading pattern of these *Noticees* i.e. receipt of shares of *ARL* in off-market from the promoters of *ARL* and *promoter connected entities*, off-loading such shares on the stock exchange platform and transferring sale proceeds received from off-loading of such shares to the *promoter connected entities,* is suspicious and malafide as already observed and held qua other similarly placed *Noticees* whose transactions have been dealt with in the preceding paragraphs of this Order, I am convinced to record that these *Noticees* were also a part of the above narrated fraudulent scheme devised by *ARL* and its promoters to defraud the gullible investors.

84. I note that the *Noticee no. 28* has submitted that the shares of *ARL* (5 lakh shares) were received by him (from *Noticee no. 16*) in lieu of money (INR 1.5 crores) that one Mr. Shridhar Iyer (business associate of the *Noticee no. 28*) owed to the *Noticee no. 28*. He has further submitted that he was not aware that the shares were transferred by *Noticee no. 16* to him, but has stated that within 5 days from the receipt of shares, the same were sold by *Noticee no. 28* on the stock exchange and the money that was owed to him by Mr. Shridhar Iyer was recovered. In this regard, it is pertinent to note that though the *Noticee no. 28* has claimed that the shares of *ARL* were received by him in lieu of the dues owed to him by Mr. Shridhar Iyer, however the above statement is neither supported of any cogent evidence nor is backed by any sound rationale which can lend any credibility to his claim of having recovered his dues in such a peculiar manner. There is nothing on record in the form of documentary evidence viz; bank account transfers, any agreement, ITR, even a statement from Shri Shridhar Iyer etc. to support this claim which ultimately led to recovery of the said dues through the off market receipt of shares of *ARL* and subsequent sale of such shares. There is also no justifiable explanation as to why he agreed to receive shares in his demat account when he was not even aware of the transferor of such shares as per his claim. It has also been not clarified as to why he sold those shares (received from unknown sources) in a few days later and assumed that the sale proceeds have to be off-set against the dues receivable from Shri Shridhar Iyer and therefore did not ask Mr. Shridhar Iyer to pay the outstanding amount. In view of lack of any clarity, supporting documents, such a submission appears to be a blatantly specious after-thought explanation and does not require further consideration. Therefore, the acts of the *Noticee no. 28* of receiving shares of *ARL* in off-market from *promoter connected entities*, selling those shares on stock exchange immediately after receipt clearly falls under the category of fraud as per *PFUTP Regulations, 2003*.

85. While dealing this issue, it is pertinent to understand the scheme or artifice that was devised by the *Company*, its board of directors, its promoters and *promoter connected entities* as clearly discernible from the facts, evidences and my observations recorded in the preceding paragraphs of this Order. In my view, the execution of the scheme practically started with the manipulation of the books of accounts of the *Company* by *Noticee no. 6* alongwith other board of directors of the *Company* by inflating sales / purchase without having any underlying actual movement of goods. Such manipulated books of accounts were filed with the stock exchanges thereby published in public domain. Thus, wrong and untrue picture about the financial condition of the *Company* was informed to the market participants. Meanwhile, *Noticee no. 6* alongwith other promoters (*Noticees no. 7 to 15*) and *promoter connected entities* (*Noticees no. 16 to 18*) started off-loading their shares in *ARL* through off-market and on market transactions as discussed in details earlier in this Order. Shares of *ARL* off-loaded through off-market mode were transferred to *Noticees no. 19 to 43* who in turn sold those shares on stock exchange platform and thereafter, the most of the sale proceeds out of such sales of *ARL* shares were transferred back to the *promoter connected entities* from whom *Noticees no. 19 to 43* had received the shares of *ARL*. This information regarding off-loading of shares of *ARL* by the promoters and *promoter connected entities* were and selling those shares through the conduits of *Noticees no. 19 to 43*, and all such transactions happening during the UPSI period, was not revealed to the market participants. Therefore, the *Noticees no. 19 to 43* are seen to have clearly aided and abetted the *Company* per se, as well as its promoters, *promoters connected entities* and other directors of the *Company* in fructifying the said fraudulent scheme and artifice in a manner to commit fraud and deceit on the shareholders of the *Company* and all the investors of securities market at large who were kept in dark about all these transactions happening behind their back.

86. I further note that the SCN has also alleged that the promoter shareholding of the *Company* was disclosed incorrectly to the stock exchanges from quarter ending March 2010 to quarter ending September 2014. In this regard, it is pertinent to mention here that the quarterly promoter shareholding filed with the stock exchanges as mandated under various rules and regulations of *SEBI Act, 1992*, is an essential information about a company and it has significant impact on the decision making of investors qua the company. The disclosure of quarterly shareholding to the stock exchanges is to be made by the company, but this responsibility is vested with the compliance officer of a company under overall supervision of the board of directors. However, I note that in the instant case, the quarterly shareholding of the promoters was disclosed incorrectly to the stock exchanges for which the SCN proceeds against the Compliance Officer (*Noticee no. 2*) of the *Company*. In this regard, the *Noticee no. 2* has submitted that his role was limited to act based on the information, direction and records given and provided by the *Company* / board of directors, like any other employee. Regarding the allegation of non-disclosures of true shareholding pattern of the promoters' holdings in *ARL* to the stock exchanges, he has submitted that such data of shareholding patterns were hidden from him by the management of *ARL* and there was no mechanism at his end to verify the authenticity of such data. The system which was prevalent in the *Company* was that all these information was first received by MD of *ARL* and its office and was subsequently provided to *Noticee no. 2*. In the instant case, the information was used to be provided by the office of MD of *ARL* i.e. *Noticee no. 6.* To support his aforesaid contention *Noticee no. 2* has relied upon the regulation 7 (2) of *PIT Regulations, 2015* stating that it is bounden duty of the Managing Director, Director, Designated Person or Promoter of a company to disclose the information regarding transfer of shares and hence, the role of the company secretary begins subsequent to the receipt of such information from the management of the company. It is pertinent to state here that the role of a compliance officer of a company comes with a lot of responsibilities and it is the compliance officer who is responsible under the overall supervision of the Board of the listed company for the timely disclosure to the stock exchanges as prescribed by SEBI. In this regard, regulation 6 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (for short "LODR Regulations, 2015") has laid down the responsibilities and obligations of a compliance officer of a company listed on a stock exchange. Same are reproduced below for convenience:

"6 (2) The compliance officer of the listed entity shall be responsible for-

a) ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.

b) *co-ordination with and reporting to the Board, recognised stock exchange(s) and depositories with respect to compliance with rules, regulations and other directives of these authorities in manner as specified from time to time.*

c) *ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.*

d) *monitoring email address of grievance redressal division as designated by the listed entity for the purpose of registering complaints by investors."*

87. There is no dispute to the fact that the incorrect disclosures regarding the promoter shareholding of *ARL* were disseminated to the market through the stock exchanges. From the above listed obligations of a compliance officer, it is observed that a compliance officer has to, *inter alia*, ensure co-ordination with recognized stock exchange(s) and depositories with respect to compliance with rules and regulations of SEBI. Further, there are mechanisms available with a compliance officer of a listed company to check and verify the authenticity of the promoter's shareholding date from the depositories and RTA's, however, in the instant case, there is no single piece of evidence which is brought on record by the *Noticee no. 2* to demonstrate that he has taken the required steps in order to ensure that the correct disclosures are being made to the stock exchanges. In my opinion, a compliance officer has to play the role of watchdog for the company and ensure that the disclosures are handled with utmost diligence and made in a time bound manner to the stock exchanges. Nevertheless, in this case I also cannot close my eyes to the fact that information regarding quarterly shareholding pattern was received by *Noticee no. 2* from *Noticee no. 6* and there is nothing available on record that shows that *Noticee no. 2* was in receipt of data regarding beneficiary positions in the scrip of *ARL* from the depositories. Further, after observing in the preceding paragraphs of this order as to how it is *Noticee no. 6* who has played a very pivotal in all aspects of the *Company* and having held him to be undoubtedly the kingpin of the entire scheme of fudging of books of accounts of *ARL*, non-disclosure of clean accounts of the *ARL* to the market participants, off-loading of promoter shares through its *connected entities* and other *Noticees* etc., I am willing to give to the *Noticee no. 2* who was apparently working under complete dominance & control of *Noticee no. 6*, benefit of doubt from the charge made in the SCN.

<u>Issue 5: Whether the Noticee no. 6 is not compliant to the directions of the interim order by not depositing INR 8.11 crores to the escrow account?</u>

88. I note that the *interim order* has, *inter alia*, observed that *Noticee no. 6* wrongfully earned managerial commission amounting to ₹8.11 Crores on account of sales of *ARL*, which were manipulated by way of recording fictitious sales and purchase in the books of accounts of *ARL*. Accordingly, i*nterim order* directed impounding of the unlawful earnings of ₹8.11 Crores earned by the *Noticee no. 6* out of sale by *ARL* and further directed *Noticee no. 6* to deposit the said amount in an escrow account. However, it is noticed from the averments in the SCN that *Noticee no. 6* has not complied with the aforesaid directions and therefore alleged as to why penalty by not imposed under Section 15HB of the SEBI Act. Before proceeding further, I note that the details of commission as alleged to have been received by the *Noticee no. 6* over the period from FY 2011-12 to FY 2013-2014 as ascertained from the Annual Reports of *ARL* that the *Company* had paid the commission on sales is 6 as tabulated below:

<u>Table no. 28</u>

FY	**Amount of Commission (in INR crores)**
2011-12	1.56
2012-13	2.80
2013-14	3.75
Total	8.11

89. To the above, it is noticed that the *Noticee no. 6* has contended that he not received the entire amount alleged as commission having paid on account of sale and further submitted that INR 4.7 crores received by him as commission was returned to the *Company* in the form of unsecured loans. He has also submitted that the balance amount of INR 3.75 crores of commission payable to him was foregone by him as the *Company* was going through difficult financial stress. In support of the above, he has provided copy of a letter dated April 01, 2014 addressed to the *Company* stating that he forgoes the commission of INR 3.75 crores for the year 2013-14 as the *Company* is under financial stress. He has further contended that since he has not benefitted from the aforesaid amounts, there is no requirement to comply with the directions of disgorgement as mentioned in the *interim order.* In this regard, I note that there is nothing mentioned in the Annual Report of FY 2014-15 of *ARL* that the managerial commission of INR 3.75 crores as shown in the Annual Report of FY 2013-14 was subsequently forgone by the *Noticee no. 6* and no further evidence of mention of such entries in Balance Sheets, P&L statements, etc. of *Company* has been brought forward by the *Noticee no. 6* to further underpin his contention. However, at the same time, I cannot close my eyes to the fact that the SCN has not put forth any evidence in the form of bank entries or otherwise, to support that payment of INR 3.75 crores was actually made by the *ARL* to *Noticee no. 6* during the said period. Further, the veracity of the above statement of having foregone the balance commission can't be tested in the instant proceeding, more so considering that constraining factors viz; the Company is in liquidation, non-cooperation from the kay managerial persons including the *Noticee no. 6* in sharing information etc. in my view, a benefit of doubt may be given to *Noticee no. 6* regarding non receipt of managerial commission of INR 3.75 crores considering the limited evidence available on record.

90. Regarding the contention of repayment of commission of INR 4.7 crores by *Noticee no. 6* to the *Company* in forms of unsecured loans, it is important to note that though the *Noticee no. 6* has claimed that above amount earned as commission has been invested in the Company itself in the form of unsecured loan, however, the above claim remains a bare bald statement as not been found to have support of credible evidence. From a conjoint reading of this admission of *Noticee no. 6* of having received INR 4.7 crores as commission from the *Company* with my observations made earlier in this Order regarding fudging of the books of accounts of *ARL* by *Noticee no. 6* by way of creating fictitious sale entries, it can be safely held that the managerial commission was earned by *Noticee no. 6* through manipulative sales of *ARL*. Therefore, it can be very well concluded that the *Noticee no. 6* has not complied with the directions of *interim order* by depositing even the undisputed amount of INR 4.70 crores in the escrow account which he had earned from the *Company (ARL)* as a commission from sale.

<u>Summary</u>

91. To sum up the instant proceedings, it is now evident beyond doubt that in this case, a scheme was conceived as well as craftily implemented in the *Company*, whereby the scheme first started with the *Company* disclosing its wrong and fudged books of account / financials through its Board of Directors, followed by off-loading of the promoter shareholding by promoters through the *promoter connected entities* and other *Noticees* coupled with off-loading of shares by promoters at higher prices during FY 2014-15 (all part of UPSI period) and wrong disclosures about the promoter shareholding to keep the investors and other shareholders in dark about the financials and promoter stake in the *Company*. The roles played by different *Noticees* in the aforesaid fraudulent scheme are summed up below:

a) As held by me in this Order, the said scheme was mainly devised by the *Noticee no. 6* who was the MD and CEO of the *Company*, with the power and authority that he had in his command, he got the books of accounts / financials of the *Company* manipulated by showing fictitious sales / profit and with the help of other *Noticee Directors (Noticees no. 3 to 5)* also managed to disclose a very healthy but misleading picture about the financial affairs of the *Company* to the investors of *ARL* and other market participants at large by filing such manipulated and inflated financial statements to the stock exchanges.

b) Aforesaid financial statements were decidedly price sensitive in nature under law which remained unpublished to the public at large. *Noticee no. 6* alongwith other promoters (*Noticees no. 7 to 15*) and *promoter connected entities*

(*Noticees no. 16 to 18*) was having access to the said UPSI more so when it was *Noticee no. 6* who was responsible for creating such UPSI (manipulated books of accounts). It has been held that all such promoters of *ARL* (*Noticees no. 6 to 15*) and *promoter connected entities* (*Noticees no. 16 to 18*) have traded in the scrip of *ARL* by off-loading their shareholding during such UPSI period and thereby have violated *PIT Regulations, 1992*. As the UPSI was of negative in nature (i.e. if published, it would likely to have adversely impacted the price of scrip of *ARL*), the promoters of *ARL* (*Noticees no. 6 to 15*) and *promoter connected entities* (*Noticees no. 16 to 18*) by disposing off their shareholdings when in possession of UPSI have also avoided financial loss in the scrip of *ARL* to the tune of INR 164.41 crores.

c) The aforesaid off-leading of shares of *ARL* by promoters (*Noticees no. 6 to 15*) and *promoter connected entities* (*Noticees no. 16 to 18*) were done with active assistance of 25 *Noticees* (*Noticees no. 19 to 43)*, who had received shares of *ARL* from the promoters (*Noticees no. 6 to 15*) and *promoter connected entities* (*Noticees no. 16 to 18*) through off-market mechanism and subsequently sold such shares through stock exchange platform. Further, after selling the shares on exchange platform so received from the promoters and *promoter connected entities*, 21 *Noticees* out of the aforementioned 25 *Noticees* have transferred the sale proceeds of the shares of *ARL* back to the *promoter connected entities* apparently as per a pre-meditated plan and in total, have transferred INR 31.08 crore to the *promoter connected entities. Noticee no. 25* is seen to have played a very crucial role in arranging the trading accounts, demat accounts and bank accounts of most of these *25 Noticees* apparently only for being used for the purpose of off-loading of shares of *ARL* by promoters (*Noticees no. 6 to 15*) and *promoter connected entities* (*Noticees no. 16 to 18*) and so as to avert huge amount of losses as indicated above. *Noticees no. 19 to 43* have with a motive or otherwise, but voluntarily allowed their trading accounts to be used for the aforesaid pre-planned transactions involving *ARL* shares only for the benefit of promoters and *promoter connected entities* of *ARL*. Therefore, these 25 *Noticees* (*Noticees no. 19 to 43)* by giving their consent to open the trading accounts in their names and also to do trades in their names from their trading accounts in *ARL* shares, are held to *have* willingly aided and abetted the *Company*, its promoters and *promoter connected entities* to off-load their shares and to perpetrate a fraud upon the shareholders of *ARL* and public at large.

d) While the aforesaid scheme to defraud the investors was being implemented secretly, it was also ensured by the *ARL*, promoter entities and *promoter connected entities* that no such information of off-loading shares by promoters and *promoter connected entities* would be disclosed to the market. Therefore, such *Noticees* have also deliberately made incorrect disclosure to the stock exchanges regarding the promoters shareholding and pledge of shares by *Noticee no. 6.*

92. At this juncture, I find apt to reply upon the following observations of Hon'ble Supreme Court in its Order dated April 26, 2013 in the matter of *N. Narayanan Vs. Adjudicating Officer, SEBI* as under:

"*Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The* *statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the creation of artificiality".*

93. Keeping in view the discussions and my observations in the foregoing paragraphs and all the facts & evidences that have been mustered in the SCN against the *Noticees* which could not be assailed by the *Noticees* with any credible explanation or evidence to prove the contrary , I have no hesitation to hold that the acts of the *Noticees no. 1, 3 to 43* in the scrip of *ARL*, as discussed in this Order, have resulted in gross violation of the *Section 12A (a), (b), (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d) and 4(1) of the PFUTP Regulations, 2003.*

94. Having made the observation qua the role and liability of the *Noticees*, it is also noticed that the instant proceedings also call upon for imposing of monetary penalty in terms of relevant provisions of laws for the violation alleged in the SCN. Extracts of these penalty provisions are provided hereunder for facility:

Section 15A of SEBI Act, 1992:

"Penalty for failure to furnish information, return, etc.

15A. If any person, who is required under this Act or any rules or regulations made thereunder, –

(a)…………

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations 66[or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to penalty [which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]."

Section 15G of SEBI Act, 1992:

"Penalty for insider trading.

15G. If any insider who, –

(i) either on his own behalf or on behalf of any other person, deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price-sensitive information; or

(ii) communicates any unpublished price-sensitive information to any person, with or without his request for such information except as required in the ordinary course of business or under any law; or

(iii) counsels, or procures for any other person to deal in any securities of any body corporate on the basis of unpublished price-sensitive information,

shall be liable to a penalty (which shall not be less than ten lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher).

Section 15HA of SEBI Act, 1992:

"Penalty for fraudulent and unfair trade practices.

If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher."

Section 15HB of the SEBI Act, 1992

"Penalty for contravention where no separate penalty has been provided

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be [liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees/."

Section 15J of the SEBI Act, 1992:

"Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section."

95. Upon a consideration of the above penalty provisions, as already held by me in this Order, the *Noticees no. 6* has devised a scheme to manipulate the books of accounts / financials of the *Noticee no. 1* with the help of *Noticees no. 3 to 5* and mislead other market participants by filing such manipulated and inflated financial statements of ARL to the stock exchanges. Further, promoters of *Noticee no. 1* (*Noticees no. 6 to 15*) and *promoter connected entities* (*Noticees no. 16 to 18*) off-loaded shares of *ARL* with the active assistance of *Noticees no. 19 to 43*, who had received shares of *ARL* from the promoters (*Noticees no. 6 to 15*) and *promoter connected entities* (*Noticees no. 16 to 18*) through off-market mechanism and subsequently sold such shares through stock exchange platform. Such acts of the *Noticees no. 1 and 3 to 43* have been found to be violative of *PFUTP Regulations, 2003 and* consequently resulted into attracting penalty under Section 15 HA of the *SEBI Act, 1992*. While the aforesaid scheme to defraud the investors was being implemented secretly, it was also ensured by the promoter entities *(Noticees no. 6 to 14*) that no such information of off-loading shares by promoters and *promoter connected entities* would be disclosed to the market. Further, *Noticee no. 6* has also deliberately made incorrect disclosure to the stock exchanges regarding the pledge of shares to the Financial Institutions. Such acts of non-disclosures to the stock exchanges by *Noticees no. 6 to 14*, in my considered view deserve penalty under Section 15 A (b) of the *SEBI Act, 1992*. Further, keeping in view my categorical observations made while dealing Issue 3 in this Order regarding the indulgence of *Noticees no. 6 to 18* in serious acts of insider trading in the shares of *ARL*, I find that such acts attract penalty under Section 15G of the *SEBI Act, 1992*. I also find that the non- compliance of the direction of the *interim order* by *Noticee no. 6* regarding opening of escrow and depositing INR 4.70 crores in the said escrow account, attract penalty under Section 15HB of the *SEBI Act, 1992.*

96. The aforesaid scheme floated by *Noticee no. 6* alongwith other promoters (*Noticees no. 7 to 15*) and *promoter connected entities* (*Noticees no. 16 to 18*) have helped them in avoiding losses to the tune of INR 164 crores (approximate) as established earlier in this Order. I also cannot lose sight of the fact that the aforesaid scheme of manipulating / inflating sales of the *Company* by the board of Directors (*Noticee no. 3 to 5*) of the *Company* and then off-loading of shares of promoters and *promoter connected entities* with the assistance of *Noticees no. 19 to 43* was carried out in the scrip of the *Company* by the *Noticees* for a period of five to six years (Investigation Period) thereby operating against the interest of the investors of the securities market apart from acting against the market equilibrium. The facts enumerated in this Order have adequately indicated that the gravity of violations have been committed repeatedly by the *Noticees* over a period of time by using the aforesaid peculiar modus operandi, and such violations have resulted into disproportionate and unfair advantage to the *Noticees*. I light of the aforesaid acts of the *Noticees*, I have considered the factors enumerated under Section 15J of the *SEBI Act, 1992* while considering the monetary penalty to be imposed on the Noticees, which is stated in the subsequent paragraphs of this Order.

Directions and Monetary Penalties

97. In view of the aforesaid discussions and findings by me with respect to the violations of various provisions of *SEBI Act, 1992* and regulations thereunder by the *Noticees* as found established, I in exercise of powers conferred upon me under Sections 11(1),11(4),11B (1), 11B (2) read with Section 19 of the *SEBI Act, 1992*, in order to protect the interest of investors and the integrity of the Securities Market and to meet the ends of justice, hereby issue the following directions:

a) The *Noticees*, as listed out in the table below, are hereby restrained from accessing the securities market, and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, and associating with the securities market in any manner for the periods as indicated against the names of corresponding *Noticees* in the table:

Table no. 29

Noticee no.	**Name of the *Noticee***	**Whether debarred by the *Interim Order* or not ?**	**Number of years / Months Debarment**
1.	Arvind Remedies Limited (*ARL*)	Yes	8 years
3.	Mr. Raghuveer	No	1 year
4.	Chandra Ravindran	No	1 year
5.	Ankur Agarwal	No	1 year
6.	Arvind Kumar B Shah	Yes	8 years
7.	Narit Tradecom Private Limited	No	3 years
8.	A Deepthi Kumari Shah	No	3 years
9.	Anand Kumar A Shah	No	3 years
10.	Baby Rani	No	3 years
11.	Arvind Kumar and Sons HUF	No	3 years
12.	Sankeshwara Credit and Investments Limited	No	3 years
13.	Arvind Health Care Private Limited	No	3 years
14.	Shreyanse Finance Ltd	No	3 years
15.	Nikitha Jain	No	3 years
16.	Aryaman Commerce Private Limited	No	3 years
17.	Juniper Vinimay Private Limited	No	3 years
18.	Marina Dealcom Private Limited	No	3 years
19.	Jem Fiscal Pvt. Ltd.	No	6 months
20.	Santhe M V	No	6 months
21.	V Murali	No	6 months

22.	Sheila Shekar	No	6 months
23.	Shem Raja Sudhakar	No	6 months
24.	Sathish Kumar N	No	6 months
25.	Murali Prakash Naidu	No	3 years
26.	Varalakshmi P	No	6 months
27.	Solomon Y	No	6 months
28.	Byju C Nair	No	6 months
29.	S Nagarajan	No	6 months
30.	A H Geetha	No	6 months
31.	Nandakumar P	No	6 months
32.	K Manikandan	No	6 months
33.	Subhalakshmi M S	No	6 months
34.	S SengolAncyBeaula	No	6 months
35.	M Sasikala	No	6 months
36.	M HemaSairam	No	6 months
37.	M Sethujanani	No	6 months
38.	N V Devkumar	No	6 months
39.	Sasikumar V	No	6 months
40.	P Ramaswamy	No	6 months
41.	Pattabiraman	No	6 months
42.	Radhakrishnan	No	6 months
43.	Raja P	No	6 months

b) It is clarified that while calculating the period of debarment as directed above, the period already undergone by the respective *Noticees*, in pursuance of the

Interim Order shall be taken into consideration and the same shall be set-off to give effect to the directions of restraint and prohibition, as directed above.

c) It is further clarified that during the period of restraint the existing holding of securities of the *Noticees*, including the units of mutual funds, shall remain under freeze.

d) It is clarified that obligation of the aforementioned *Noticees*, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, can take place irrespective of the restraint/prohibition imposed by this Order, in respect of pending transactions, if any. Further, all open positions, if any, of the aforesaid *Noticees* in the F&O segment of the stock exchange, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order

e) Further, *Noticees no. 6, 8, 9, 10 and 15* shall also be restrained from holding any position of Director or Key Managerial Personnel in any listed company or any intermediary registered with SEBI, or associating themselves with any listed public company or a public company which intends to raise money from the public or any intermediary registered with SEBI for the respective periods as provided in the table no. 29 above.

f) In light of my above observation and considering the factors mentioned under Section 15J of the *SEBI Act, 1992*, following *Noticees* are hereby imposed with, the monetary penalties, as specified hereunder:

Table no. 30

Noticee No.	**Name of the *Noticee***	Penal provision	Amount of Penalty (INR)
1.	Arvind Remedies Limited (*ARL*)	15HA	10 Lakhs

Noticee No.	Name of the *Noticee*	Penal provision	Amount of Penalty (INR)
3.	Mr. Raghuveer	15HA	5 Lakhs
4.	Chandra Ravindran	15HA	5 Lakhs
5.	Ankur Agarwal	15HA	5 Lakhs
6.	Arvind Kumar B Shah	15HA	25 Lakhs
		15HB	10 Lakhs
		15G	60 Lakhs
		15A(b)	5 Lakhs
7.	Narit Tradecom Private Limited	15HA	5 Lakhs
		15G	10 Lakhs
		15A(b)	2 Lakhs
8.	A Deepthi Kumari Shah	15HA	5 Lakhs
		15G	10 Lakhs
		15A(b)	2 Lakhs
9.	Anand Kumar A Shah	15HA	5 Lakhs
		15G	10 Lakhs
		15A(b)	2 Lakhs
10.	Baby Rani	15HA	5 Lakhs
		15G	10 Lakhs
		15A(b)	2 Lakhs
11.	Arvind Kumar and Sons HUF	15HA	5 Lakhs
		15G	10 Lakhs
		15A(b)	2 Lakhs
12.	Sankeshwara Credit and Investments Limited	15HA	5 Lakhs
		15G	10 Lakhs

***Noticee* No.**	**Name of the *Noticee***	Penal provision	Amount of Penalty (INR)
		15A(b)	2 Lakhs
13.	Arvind Health Care Private Limited	15HA	5 Lakhs
		15G	10 Lakhs
		15A(b)	2 Lakhs
14.	Shreyanse Finance Ltd	15HA	5 Lakhs
		15G	10 Lakhs
		15A(b)	2 Lakhs
15.	Nikitha Jain	15HA	5 Lakhs
		15G	10 Lakhs
16.	Aryaman Commerce Private Limited	15HA	5 Lakhs
		15G	15 Lakhs
17.	Juniper Vinimay Private Limited	15HA	5 Lakhs
		15G	15 Lakhs
18.	Marina Dealcom Private Limited	15HA	5 Lakhs
		15G	15 Lakhs
19.	Jem Fiscal Pvt. Ltd.	15HA	5 Lakhs
20.	Santhe M V	15HA	5 Lakhs
21.	V Murali	15HA	5 Lakhs
22.	Sheila Shekar	15HA	5 Lakhs
23.	Shem Raja Sudhakar	15HA	5 Lakhs
24.	Sathish Kumar N	15HA	5 Lakhs
25.	Murali Prakash Naidu	15HA	5 Lakhs
26.	Varalakshmi P	15HA	5 Lakhs
27.	Solomon Y	15HA	5 Lakhs

Noticee No.	**Name of the *Noticee***	Penal provision	Amount of Penalty (INR)
28.	Byju C Nair	15HA	5 Lakhs
29.	S Nagarajan	15HA	5 Lakhs
30.	A H Geetha	15HA	5 Lakhs
31.	Nandakumar P	15HA	5 Lakhs
32.	K Manikandan	15HA	5 Lakhs
33.	Subhalakshmi M S	15HA	5 Lakhs
34.	S SengolAncyBeaula	15HA	5 Lakhs
35.	M Sasikala	15HA	5 Lakhs
36.	M HemaSairam	15HA	5 Lakhs
37.	M Sethujanani	15HA	5 Lakhs
38.	N V Devkumar	15HA	5 Lakhs
39.	Sasikumar V	15HA	5 Lakhs
40.	P Ramaswamy	15HA	5 Lakhs
41.	Pattabiraman	15HA	5 Lakhs
42.	Radhakrishnan	15HA	5 Lakhs
43.	Raja P	15HA	5 Lakhs

g) The *Noticees* mentioned in the table no. 30 above shall remit/pay the said amount of penalties within 45 days from the date of receipt of this order. The *Noticees* shall remit / pay the said amount of penalties 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 Chairman/ Members -> PAY NOW. In case of any difficulties in online payment of penalties, the said *Noticees* may contact the support at portalhelp@sebi.gov.in. The demand draft or the details/ confirmation of e-payment should be sent to "The Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai -400 051" and also to e-mail id:- tad@sebi.gov.in in the format as given in table below:

Case Name	
Name of Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Payment is made for : (like penalties /disgorgement /recovery/settlement amount/legal charges along with order details)	

h) Further, *Noticees no. 6 to 18* are hereby directed to disgorge the amount of wrongful gains made by them as mentioned in the respective column in table no. 25 of this Order, alongwith interest at the rate of 8% per annum from June, 2016 till the date of actual payment. In addition to the above, *Noticee no. 6* is hereby directed to disgorge the amount of INR 4.7 crore for wrongfully earned managerial commission on manipulated sales of *ARL* (as discussed under Issue 5 of this Order), alongwith interest at the rate of 8% per annum to be calculated from February 16, 2017 till the date of actual payment. The above *Noticees i.e. Noticees no. 6 to 18* shall disgorge the respective amounts within 45 days from the date of this Order.

i) The afore-stated disgorgement amounts alongwith interest shall be paid through by way of Demand Draft in favour of "SEBI –Investor Protection and Education Fund", payable at Mumbai. The demand draft should be sent to "The Division Chief, IVD, Securities and Exchange Board of India, SEBI

Bhavan II, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai -400 051.

j) *Noticees no. 6* is directed to not dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge in any of such assets including money lying in bank accounts except with the prior permission of SEBI. The banks are directed to ensure that no debits are made in the bank accounts held jointly or severally by the *Noticee no. 6* except for the purpose of compliance of direction stated at sub- paragraph (h) above.

k) *Noticees no. 6 to 18* are directed to provide SEBI an updated list of 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 as on the date of this Order, immediately but not later than 10 working days from the date of receipt of these directions.

98. The proceedings qua the *Noticee no. 2* are disposed of with a cautionary advice to be careful while dealing on securities market, in view of the discussion in paragraph 87 of this Order.

99. The Order shall come into force with the immediate effect.

100. A copy of this Order shall be forwarded to all the *Noticees*, all the recognized Stock Exchange, depositories, registrar and transfer agents and banks for ensuring compliance with the above directions.

–Sd-

DATE: AUGUST 24, 2022 **S. K. MOHANTY**

PLACE: MUMBAI **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA