



STEEL CITY SECURITIES LIMITED

(CIN : L67120AP1995PLC019521)

AN ISO 9001 : 2015 CERTIFIED COMPANY

MEMBER OF NSE, BSE, MSEI, MCX & NCDEX
CAPITAL MARKET, EQUITY DERIVATIVES,
CURRENCY DERIVATIVES & COMMODITY DERIVATIVES SEGMENTS
SEBI Regd. No. INZ000223538

POINT OF PRESENCE OF NSDL-CRA
DEPOSITORY PARTICIPANT (DP) OF
NSDL & CDSL :
SEBI Permanent Regd. No. IN-DP-231-2016

24.09.2024

To,
The Manager (NEAPS)
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G – Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400051

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”)

Ref: Regulation 30 r.w. Para A of Part A of Schedule III of LODR Regulations and SEBI Circular dated 11.07.2023 bearing no. SEBI/HO/CFD/CFD-PoD2/CIR/2023/120

Symbol: STEELCITY

ISIN: INE395H01011

In reference to Regulation 30 r.w. Para A of Part A of Schedule III of LODR Regulations, we state that the Ld. Whole Time Member, SEBI has passed an Order dated 23.09.2024 bearing no.





WTM/AN/MIRSD/MIRSD-RAC-1/30805/2024-25, whereby certain directions are issued against the Company.

Considering the materiality of the said event, the Company discloses this event.

Details of the Order required to be disclosed under Para A of Part A of Schedule III of LODR Regulations read with SEBI Circular dated 11.07.2023 bearing no. SEBI/HO/CFD/CFD-PoD2/CIR/2023/120 are mentioned below:

Sr. No.	Particulars	Details
1.	Name of the authority	Securities & Exchange Board of India
2.	Nature and details of the action(s) taken, initiated or order(s) passed	<p>This is an order passed by SEBI.</p> <p>Directions as issued by SEBI are:</p> <ol style="list-style-type: none">Steel City Securities Limited having SEBI registration no. INZ000223538 is censured and warned to be careful and diligent in the conduct of all its business.Steel City Securities Limited shall not employ/engage/associate with Mr. Satish Kumar Arya, managing director & CEO, with respect to any of its functions,





		directly or indirectly, for a period of 1 month.
3.	Date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority	The SEBI Order is received by the Company on 24.09.2024.
4.	Details of the violation(s)/contravention(s) committed or alleged to be committed	<p>1. By submitting non-genuine educational certificate to the Stock Exchange, Mr. Satish Kumar Arya, Director of our Company, failed to satisfy the criteria for 'fit and proper person' as mandated under Schedule II of SEBI (Intermediaries) Regulations, 2008 (Intermediaries Regulations) for being director of our Company.</p> <p>2. The Company allegedly failed to exercise due diligence and care in identifying inconsistencies made in submissions made by Mr. Satish Arya and in further making same submissions to the Regulatory Authorities.</p> <p>3. The Company failed to replace its director Mr. Satish Kumar Arya despite the allegations that he failed</p>





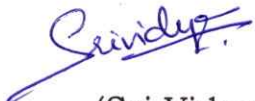
		to satisfy the criteria to continue as 'fit and proper person' as mandated under Intermediaries Regulations.
5.	Impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible.	The Company is examining the next steps to be taken in this matter and is analysing the impact, if any, of this Order on Company's financial, operation or any other activities at the moment.

A copy of SEBI's Order dated 23.09.2024 bearing no. WTM/AN/MIRSD/MIRSD-RAC-1/30805/2024-25 is enclosed herewith for dissemination of the same for information of the shareholders and investors of the Company.

Thanking You,

Yours faithfully,
For Steel City Securities Limited




(Sri Vidya)
Company Secretary

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 12(3) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT,
1992 READ WITH REGULATION 27 OF SECURITIES AND EXCHANGE BOARD OF
INDIA (INTERMEDIARIES) REGULATIONS, 2008

In respect of:

Steel City Securities Limited

(Registration No.: INZ000223538)

PAN No. AAECSS0970L

In the matter of **Steel City Securities Limited**

A. BACKGROUND

1. The case pertains to a fake / non-genuine B.com degree certificate submitted by Steel City Capital Services Pvt. Ltd. ("**SCCSPL**") of one Mr. Satish Kumar Arya (a director), to BSE Ltd., while applying to become a trading member vide application form dated August 08, 2000. In 2005, SCCSPL was amalgamated into Steel City Securities Limited ("**Noticee**" / "**Company**"). By submitting a fake / non-genuine B.com degree certificate and declaring that he was a B.com graduate, it is alleged that Mr. Satish Kumar Arya failed to satisfy the criteria for 'fit and proper person' mandated under the Intermediaries Regulations. In view of the above, it is alleged that the Noticee failed to replace its director, Mr. Satish Kumar Arya, as mandated under the Intermediaries Regulations.

2. The present matter emanates from post enquiry show cause notice (“**Post Enquiry SCN**”) dated May 02, 2024 issued to the Noticee under regulation 27(1) of the SEBI (Intermediaries) Regulations, 2008 (“**Intermediaries Regulations**”). *Vide* the above mentioned Post Enquiry SCN, the Noticee was called upon to show cause as to why action as recommended by the Designated Authority (“**DA**”) or any other direction as deemed fit should not be issued / imposed on the it in terms of the Intermediaries Regulations. The Post Enquiry SCN issued enclosed therewith the Enquiry Report of the DA (“**DA Report**”) dated March 28, 2024 submitted with respect to the Noticee.

B. DA REPORT, REPLY AND HEARING

3. The gist of the DA Report is summarized below as follows:
 - (i) DA has recommended that Mr. Satish Kumar Arya, Managing Director of Noticee, should be debarred from being employed or associated with the Noticee for a period of 1 month as per regulation 26(1)(v) of Intermediaries Regulations. Further, DA has recommended that a regulatory censure may be issued to the Noticee to be careful in future with respect to complying with the mandate of SEBI (Stock Brokers) Regulations, 1992 (“**Stock Brokers Regulations**”) and Intermediaries Regulations as per regulation 26(1)(vii) of the Intermediaries Regulations.
 - (ii) DA has observed that the “fake/ non-genuine” information/certificate pertaining to educational qualification of Mr. Satish Kumar Arya *i.e.*, B. Com from Andhra University was submitted to the stock exchange. A copy of B. Com degree certificate from Andhra University was also submitted to the Regional Passport Office (RPO). The case initiated by chargesheet dated January 02, 2023 is still pending before the competent court and no conclusion seems to have been made as yet. A person with ordinary

prudence applying reasonable diligence cannot make the same mistake more than once especially with regard to the relevant details pertaining to his own educational qualification. Accordingly, the liability of Mr. Satish Kumar Arya cannot be absolved merely on the ground that he has signed the forms without verifying the contents and it was an inadvertent mistake on his part. It is established that Mr. Arya had failed to maintained high standard of integrity, honesty, ethical behaviour, reputation, fairness and character with regard to submission of his educational qualification *i.e.* B. Com degree from Andhra University to the stock exchange. Therefore, Mr. Arya does not satisfy the criteria of “fit and proper person” by virtue of clause 3(a) of Schedule II of the Intermediaries Regulations.

- (iii) BSE during the course of examination sought clarification from the Noticee regarding the submission of “fake/ non-genuine” educational qualification by Mr. Arya to stock exchange. In response, the Noticee had stated that the submission of “fake/ non-genuine” educational qualification by Mr. Arya was an inadvertent mistake. Thus, Noticee cannot feign ignorance about the fact that Mr. Arya had submitted “fake/ non-genuine” educational qualifications to the stock exchange at the time of applying of membership.
- (iv) DA further found that no justifiable reason has been brought on record by the Noticee with regard to the violation that Noticee failed to replace its director, Mr. Arya despite the fact that he does not satisfy the criteria of “fit and proper person”. BSE during the course of examination had taken up the complaint regarding submission of “fake/ non-genuine” B. Com degree of Mr. Arya from Andhra University to the stock exchange with the Noticee. However, the Noticee failed to act as per as the mandate of the Broker Regulations and the Intermediaries Regulations.

4. The Post Enquiry SCN was delivered by email on May 02, 2024 and by post on May 06, 2024. Pursuant to the delivery of the Post Enquiry SCN, the Noticee filed replies

vide letters dated June 05, 2024 and June 11, 2024. Thereafter, an opportunity of personal hearing was given to the Noticee on July 31, 2024. On July 31, 2024, the authorized representatives (“**ARs**”) of the Noticee appeared before me in person and reiterated the submissions made *vide* the aforesaid letters. Further, Mr. Satish Kumar Arya who also appeared for the hearing *inter alia* stated that he does not know how the impugned certificate came to be placed in the records. He has also submitted that the Noticee has been a member of five exchanges. The ARs sought time of ten days to file additional written submissions which was acceded to. Subsequently, the Noticee / AR filed additional submissions vide letter dated August 07, 2024.

5. The replies filed by the Noticee vide letters dated June 05, 2024, June 11, 2024 and August 07, 2024 is summarized hereunder as follows:

5.1 **Profile of Mr. Satish Kumar Arya**

Mr. Satish Arya completed his higher secondary (equivalent to 12th standard) of the CBSE in 1977. Mr. Arya joined Indian Navy in the year 1978 and took voluntary retirement in the year 1993. Mr. Arya obtained degree of Bachelor of Alternative Systems of Medicine (BASM) from Indian Board of Alternative Medicine, Kolkata, distance mode in 2001. Mr. Arya obtained PG Diploma, an 18-month course in Business Administration (PGDBM) from Indian Institute of Management and Technology, Chennai in distance mode in 2004. He then obtained B.com degree from Kalinga University in 2005 with an intention to possess a formal degree in commerce since he is into the finance field after joining the Noticee. Thereafter, Mr. Arya obtained a Ph. D from New Age International University in 2009.

5.2 **Amalgamation of SCCSPL with Steel City Securities Ltd.**

SCCSPL had filed application forms for corporate and derivatives membership on August 08, 2000. It is alleged that with the said form, fake B.com degree certificate of Mr. Arya was submitted. SCCSPL amalgamated with Noticee pursuant to order

dated March 24, 2005 passed by Hon'ble HC of Andhra Pradesh. The status of SCCSPL on the MCA website is shown as "strike off". Thereafter, Noticee was granted registration as a stock broker in cash segment (BSE) by SEBI. Therefore, SCCSPL is no longer in existence. DA Report has completely ignored the order passed by Hon'ble HC of Andhra Pradesh dated March 24, 2005 wherein it has been recorded that all proceedings pending against transferor companies shall be continued against the transferee company. The present subject matter proceedings were not pending at the time of amalgamation. Therefore, no proceedings can be initiated against the Noticee. "Fit and proper person" is a "status" and cannot be treated as an asset or liability, therefore, the "fit and proper" status of SCCSPL cannot be passed on to the Noticee. Reliance is placed on orders passed by Hon'ble SC, Hon'ble SAT and Quasi-Judicial Authorities of SEBI.

5.3 FIR and chargesheet filed against Mr. Satish Kumar Arya

- (i) The provisions of the Intermediaries Regulations can only be applied when a FIR is filed by SEBI and not any third party. Therefore, no adverse findings can be drawn against Noticee.
- (ii) Based on a criminal complaint filed by Mr. Rajagopal Reddy Guduru, an FIR was registered by the IV Town Police Station, Visakhapatnam on January 31, 2021 against Mr. Arya (CR. No. 37/2021). The investigating officer had filed preliminary charge sheet and supplementary charge sheet before the Court of the I Additional Chief Metropolitan Magistrate. The Hon'ble Court on November 20, 2021 took cognizance of offences specified in FIR and gave charge sheet no. C.C. no. 4373/2021 without considering the supplementary charge sheet. Aggrieved by the cognizance taken by the Hon'ble Court, Mr. Arya approached Hon'ble HC of Andhra Pradesh and filed criminal petition for quashing of charge sheet in C.C. 4373/2021 (Criminal Petition No. 2369/2022). The Hon'ble High Court of Andhra Pradesh by order dated October 19, 2022 allowed the criminal petition filed by Mr. Arya and set aside the

cognizance order passed by Court of the I Additional Chief Metropolitan Magistrate in C.C. No. 4373/2021. The Court of the I Additional Chief Metropolitan Magistrate by order dated November 29, 2022 closed the proceedings in C.C. No. 4373/2021.

- (iii) Once the proceedings in the chargesheet filed by the Court of the I Additional Chief Metropolitan Magistrate is closed, the said chargesheet has no validity and no further proceedings based on the said chargesheet can be initiated against the Noticee.
- (iv) A final report (chargesheet) has been filed by the Visakhapatnam Police Station before the Court of I Additional Chief Metropolitan Magistrate at Visakhapatnam (Charge Sheet No. 3936/2023). The said charge sheet no. 3936/2023 is a new matter which is pending and no cognizance of the same ought to have been taken in the present proceedings as the same is *sub judice*. The subject matter of the final report is almost similar to the preliminary charge sheet filed and the matter pertaining to the same has already been closed by the Court of the I Additional Chief Metropolitan Magistrate.
- (v) One of the criteria for declaring a person as not “fit and proper person” is a chargesheet filed by any enforcement agency in matter concerning economic offences and the same is pending. In the instant proceedings, the chargesheet referred to by SEBI is only with respect to certain alleged degree / certificates and not any economic offence.

5.4 **Minimum educational qualification for a director of a trading member**

The basic minimum educational qualification for a director of a trading member of the exchange as per the extant process is 12th pass and no question has been raised on his 12th pass certificate. This has also been concluded by BSE in discussion with other exchanges in its report. Besides, equation of educational qualifications graduation certificate dated October 04, 2021 issued by Indian Navy has certified

that Mr. Arya is eligible for appointment where educational qualifications is essential “Graduation”. The aforesaid proves that Mr. Arya is a “fit and proper person”.

5.5 Amendment to Intermediaries Regulations is *sub judice*

Vide the SEBI (Intermediaries) (Third Amendment) Regulation, 2021, Schedule II of Intermediaries Regulations was amended with effect from November 17, 2021. In a writ petition filed before Hon’ble Bombay HC in the matter of Venkataraman Rajamani vs. SEBI (Writ Petition no. 2350 of 2023) the legality of Intermediaries Regulations has been challenged. Since the subject matter Schedule II of Intermediaries Regulations is *sub judice*, it is requested that the present proceedings be kept in abeyance till the disposal of writ petition.

5.6 Chapters I to IV of the Intermediaries Regulations are not notified

Chapter II of Intermediaries Regulations which contains the details of consideration of application and the applicability of the “fit and proper person” criteria is not notified. Therefore, the applicability of Schedule II against the Noticee with respect to “fit and proper person” criteria is untenable and unsustainable.

5.7 No allegation against Mr. G Sree Rama Murthy and Mr. Rajagopal Reddy Guduru

- (i) The subject matter of the proceedings pertains to application form submitted by SCCSPL in August 2000 and complaint filed by Mr. Rajagopal Reddy Guduru in March, 2021 i.e. after more than 20 years. From the annual report for the year 1995-1996 it can be seen that Mr. Satish Kumar Arya was not the senior most director of the Company. The senior most director of the Company were Mr. G Sree Rama Murthy (Chairman and Managing Director), Mr. G Raja Gopal Reddy (Director), Mr. K Satyanarayana (Director) and Mr. K Surayya (Whole Time Director). Mr. Satish Kumar Arya was 5th in order of the directors.

- (ii) Mr. Satish Kumar Arya was the only director (operations) of SCCSPL and was holding mere 14.17% of its total paid up capital. Mr. G Sree Rama Murthy was the managing director and Mr. Rajagopal Reddy Guduru, the complainant was executive director holding 32.73% and 22.13% of total paid up capital of SCCSPL, respectively. Being the senior most designated persons, Mr. G Sree Rama Murthy and Mr. Rajagopal Reddy Guduru had higher responsibility and must have executed due diligence at that point in time. However, in the present proceedings, there is no allegation against Mr. G Sree Rama Murthy and Mr. Rajagopal Reddy Guduru being the managing director and executive director respectively for not carrying out proper due diligence. There is no mention of their role in the DA Report or in the investigation carried out by SEBI.

5.8 Cross-examination of Mr. Rajagopal Reddy Guduru

Noticee was granted an opportunity to cross examine Mr. Rajagopal Reddy Guduru on March 14, 2024. Mr. Rajagopal Reddy Guduru has filed various complaints expressly evidencing his personal grudge, dispute and enmity with Mr. Arya. Nature of his complaints are not with regard to performance of duties and responsibility of Mr. Arya with respect to the Noticee. He has no *bonafide* intention to protect interest of any stakeholder of Noticee. On consideration of the answers given during cross examination, the complaints filed and communication provided by Mr. Rajagopal Reddy Guduru are not reliable and ought not be considered.

5.9 Affidavit filed by Mr. Rajagopal Reddy Guduru

Inspite of the affidavit reproduced below, Mr. Rajagopal on the subject matter of impugned educational certificate has filed false and frivolous complaints against Mr. Satish Kumar Arya with various regulators and authorities. This proves the level of personal grudge which Mr. Rajagopal has against Mr. Satish Kumar Arya.

“1. I was a full time Executive Director of M/ s. Steel City Securities Limited and was also a Director in M / s Steel City Commodities Private Limited upto 21.02.2012.

3. to 4

5. I hereby promise and assure that I will not disturb the Staff / Clients / Sub brokers / Franchises / Authorised Persons, other persons etc., presently dealing / working with M/s Steel City Securities Limited and Steel City Commodities Private Limited in any manner what so ever."

5.10 **Conduct of Mr. Rajagopal Reddy Guduru**

- (i) Mr. Rajagopal Reddy Guduru has filed various complaints expressly evidencing his personal grudge, dispute and enmity with Mr. Satish Kumar Arya. All his complaints are personal in nature.
- (ii) Mr. Rajagopal was never a managing director of the Noticee. However, in an interview given to a YouTube channel viz. Profit Master, he has identified himself as a managing director of the Noticee. Further, in an interview given to TVS Money uploaded on YouTube on January 01, 2021, Mr. Rajagopal has identified himself as managing director of the Noticee. The aforesaid clearly shows Mr. Rajagopal's *malafide* intention to mislead the general public and his complete disregard to law by falsely claiming himself to be managing director of the Noticee.

5.11 **Failure to exercise due diligence and care**

- (i) The word "due diligence" has not been defined in the code of conduct. Clause 4 of Schedule III of the code of conduct mandates that a stock broker shall act with due skill, care and diligence in the conduct of all its business. Such due skill, care and diligence can only mean that broker shall act in such a way that a person of ordinary prudence would act in the normal circumstances in carrying out activities and functions relating to its business.

- (ii) Mr. Arya is not declared unfit and improper person by anyone including the stock exchanges. Further, in the report submitted by BSE which was prepared in coordination with NSE and MCX, there is no finding that Mr. Arya is “unfit and improper”. They have also made an observation that Mr. Arya is qualified to become designated director of a trading member. No proceedings are initiated against Mr. Arya for not fulfilling the criteria of “fit and proper” even after 23 years from the date on which documents were allegedly submitted by SCCSPL in the year 2000. As there are no proceedings against Mr. Arya w.r.t. him being not fit and proper person, it is premature to say that Noticee have failed to exercise due diligence and care in identifying the inconsistencies in submissions made by Mr. Arya for its record.

5.12 **“Fit and proper person” criteria was mandated in March 2004**

“Fit and proper person” criteria was mandated only in March, 2004 through the SEBI (Criteria for Fit and Proper Person) Regulations, 2004. Therefore, when the application for registration was made for the first time in 2000, SCCSPL did not have to fulfil the condition of “fit and proper person” person.

5.13 **“Fit and proper person” criteria provided under Schedule II of Intermediaries Regulations**

- (i) The important criteria for being fit and proper person as provided under Schedule II of Intermediaries Regulations are integrity, honesty, ethical behaviour, reputation, fairness and character of the person. Mr. Satish Kumar Arya's integrity and honesty is demonstrated by the fact that in his standing of 3 decades, there has not been a single personal complaint against him. Except the present impugned educational certificate, integrity and honesty of Mr. Satish Kumar Arya is not questioned by any authority. Mr. Satish Kumar Arya enjoys good reputation in the society due to his integrity and honesty.

- (ii) Due to his integrity, honesty, ethical behaviour, fairness and character, he has been recipient of 3 awards from his Commanding Officers of Indian Navy. Further, the Company has also benefited from the aforesaid qualities and characteristics of Mr. Satish Kumar Arya and has grown over a period of time to become a leading retail stock broker in Southern India. Mr. Satish Kumar Arya has been a member of various committees formed by National Stock Exchange of India Limited, the BSE Limited, Multi Commodity Exchange of India Limited and Metropolitan Stock Exchange. Mr. Satish Kumar Arya was also member of Executive Committee of Association of National Exchanges of India (ANMI), Andhra Chapter.

5.14 **Caution letter issued to Mr. Rahul Kirloskar**

On the same subject matter of erroneous educational qualification, SEBI has *vide* letter dated July 04, 2019 bearing reference no. SEBI/CFD/CMD1/PR/OW/16904/1/2019 has issued a caution letter to Mr. Rahul Kirloskar. The subject matter of the said letter was “Sub: Caution Letter – Erroneous disclosure regarding your own education qualification”. The said letter also contained certain instructions to Mr. Rahul Kirloskar who had published erroneous educational qualification in public domain.

5.15 **Adjudication proceedings against the Noticee and Mr. Arya**

On the same subject matter of the present SCN, SEBI had initiated adjudication proceedings against the Noticee and Mr. Arya *vide* show cause notice dated December 28, 2022. Pursuant thereto, an adjudication order dated March 28, 2024 was passed wherein a penalty of Rs. 25,000/- was imposed on Noticee and Rs. 50,000/- was imposed on Mr. Arya. Noticee and Mr. Arya have paid the respective penalties on May 02, 2024. As Noticee and Mr. Arya have already been penalized for the allegations in the captioned subject matter, continuation of the present proceedings will cause great prejudice.

5.16 **BSE email dated July 06, 2021 sent to the Noticee**

(i) On the same subject matter of present proceedings, BSE vide email dated July 06, 2021 has sought comments from the Company. The email was forwarded to Mr. Satish Kumar Arya and comments were sought from him. In response, Mr. Satish Kumar Arya submitted:

- He was shocked and dismayed to note that his educational qualification was stated as B.com and a degree certificate from Andhra University was enclosed at the time of submitting the application.
- A period of 20 years has elapsed and it is very difficult for him to recollect as what exactly happened at that point in time.
- He does not know how the said degree certificate came into existence. He also stated that no undue advantage or benefit accrued to him or the company due to such an inadvertent misstatement.

(ii) BSE was satisfied with the submissions made by the Company.

5.17 Mr. Satish Kumar Arya has been re-appointed as Managing Director of the Company in the Annual General Meeting dated September 26, 2020 by the shareholders of the Company. Further, Mr. Satish Kumar Arya was also re-appointed as Managing Director & CEO of the Company vide Postal Ballot Notice dated January 13, 2023.

C. CONSIDERATION OF ISSUES AND FINDINGS

6. Based on the conclusions arrived in the DA Report, the following issues are to be decided upon:

- (i) **Whether the Noticee has violated regulation 5(e) of the SEBI (Stock Brokers) Regulations, 1992 read with Clause (2), Clause (3) (a) and Proviso to Clause (6) of Schedule II of Intermediaries Regulations?**
 - (ii) **Whether the recommendations made by the DA in DA Report must be accepted or whether any other order needs to be passed against the Noticee?**
7. I have examined the charges against the Noticee, the DA Report, the reply of the Noticee and other material available on record. Before proceeding, I find it appropriate to reproduce below the relevant provisions of Stock Brokers Regulations and Intermediaries Regulations alleged to have been violated by the Noticee:

Stock Brokers Regulations

Consideration of application for grant of registration.

5. The Board shall take into account for considering the grant of a certificate, all matters relating to trading, settling or dealing in securities and in particular the following, namely, whether the applicant,-

(a)

(b)

(c)

(d)

(e) is a fit and proper person based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;

(f)

.....

Intermediaries Regulations

Schedule II

(2) The 'fit and proper person' criteria shall apply to the following persons:

- (a) the applicant or the intermediary;*
- (b) the principal officer, the directors or managing partners, the compliance officer and the key management persons by whatever name called; and*
- (c) the promoters or persons holding controlling interest or persons exercising control over the applicant or intermediary, directly or indirectly:*

Provided that in case of an unlisted applicant or intermediary, any person holding twenty percent or more voting rights, irrespective of whether they hold controlling interest or exercise control, shall be required to fulfill the 'fit and proper person' criteria.

Explanation– For the purpose of this sub-clause, the expressions “controlling interest” and “control” in case of an applicant or intermediary, shall be construed with reference to the respective regulations applicable to the applicant or intermediary.

(3) For the purpose of determining as to whether any person is a 'fit and proper person', the Board may take into account any criteria as it deems fit, including but not limited to the following:

- (a) integrity, honesty, ethical behaviour, reputation, fairness and character of the person;*

.....

(6) Any disqualification of an associate or group entity of the applicant or intermediary of the nature as referred in sub-clause (b) of clause (3), shall not have any bearing on the 'fit and proper person' criteria of the applicant or intermediary unless the applicant or intermediary or any other person referred in clause (2), is also found to incur the same disqualification in the said matter:

Provided that if any person as referred in sub-clause (b) of clause (2) fails to satisfy the 'fit and proper person' criteria, the intermediary shall replace such person within thirty days from the date of such disqualification failing which the 'fit and proper person' criteria may be invoked against the intermediary:

Provided further that if any person as referred in sub-clause (c) of clause (2) fails to satisfy the 'fit and proper person' criteria, the intermediary shall ensure that such person does not exercise any voting rights and that such person divests their holding within six months from the date of such disqualification failing which the 'fit and proper person' criteria may be invoked against such intermediary.

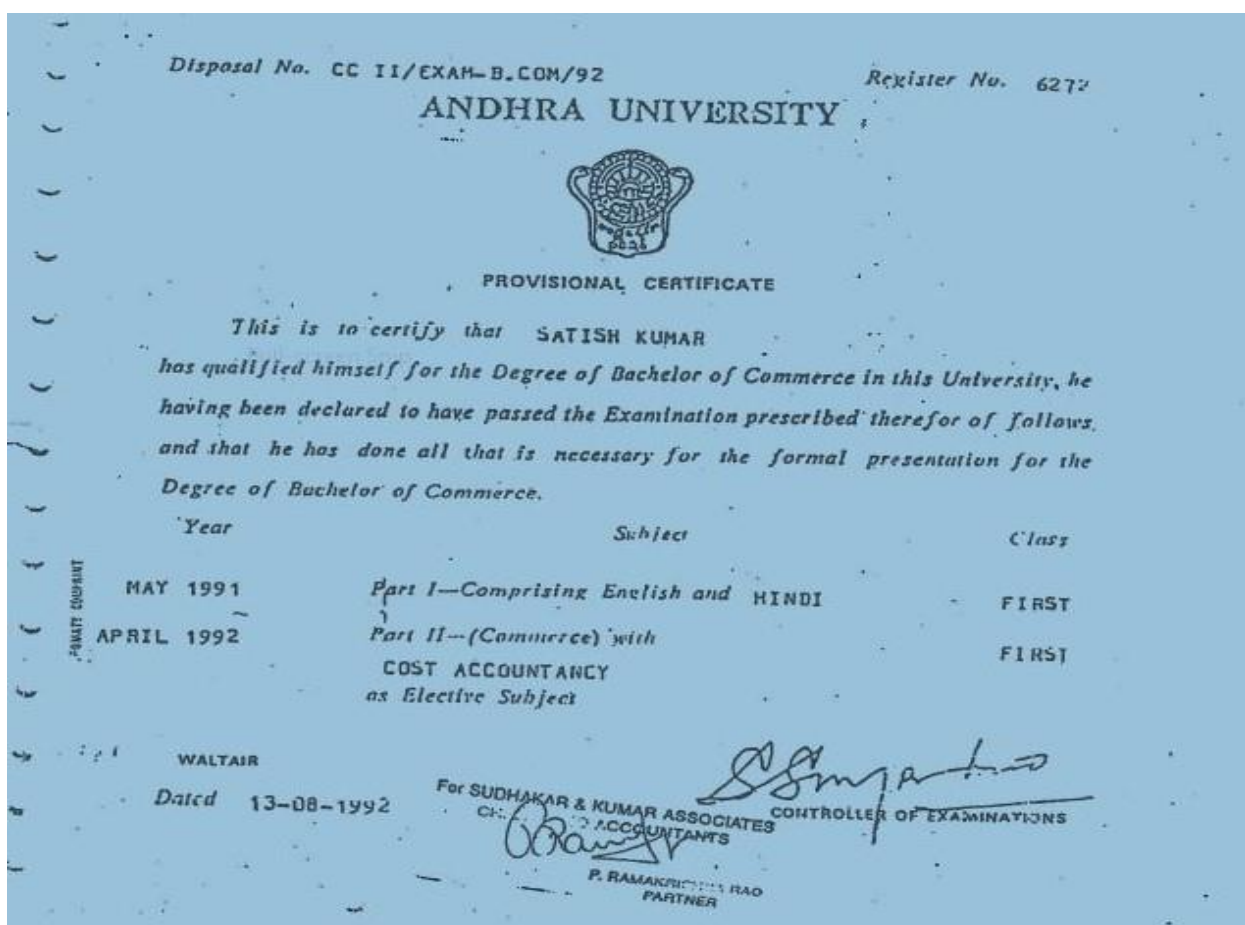
8. As can be seen above, clause (2)(b) of Schedule II of Intermediaries Regulations states that the "fit and proper person" criteria shall *inter alia* apply to a director of the intermediary. Clause 3(a) states that while determining the "fit and proper person" criteria, SEBI may *inter alia* take into account integrity, honesty, ethical behaviour, reputation, fairness and character of the person. Further, proviso to clause (6) states that if any person referred in clause (2)(b) fails to satisfy the "fit and proper person" criteria, the intermediary shall replace such person within 30 days from the date of such disqualification, failing which, the said criteria may be invoked against the intermediary. Thus, for determining violation of regulation 5(e) of the SEBI (Stock Brokers) Regulations, 1992 read with Clause (2), Clause (3) (a) and Proviso to Clause (6) of Schedule II of Intermediaries Regulations, the following sub-questions need to be answered:

- (i) Whether Mr. Satish Kumar Arya, a director of the Noticee, may be considered a "fit and proper person" taking into account: integrity, honesty, ethical behaviour, reputation, fairness and character?
- (ii) If answer to (i) is in negative, whether the Noticee has failed to comply with proviso to clause (6) of Schedule II of the Intermediaries Regulations?

Whether Mr. Satish Kumar Arya, a director of the Noticee, may be considered a "fit and proper person" taking into account: integrity, honesty, ethical behaviour, reputation, fairness and character?

9. I note from the material available on record that SCCSPL had applied for membership as a trading member with the stock exchange in the year 2000. The application is dated August 08, 2000. The form is attached to an Annexure-I dated

August 03, 2000 which reads as “To be filled in by each of the directors referred to in Rule 19A(b)(v) of the Rules of the Exchange i.e, by each of the designated directors)”. The Annexure –I contains details of one Mr. Satish Kumar Arya. It is stated in the Annexure-I under “Educational qualifications” that he attended Andhra University and obtained B.com degree of Grade 1st in the year 1992. Annexure-I at the end bears the signature of Mr. Satish Kumar Arya and reads as “I Satish Kumar Arya being a Director (Operations) of the Steel City Capital Services (P) Ltd. applying for membership of the Stock Exchange, Mumbai, do hereby solemnly declare and affirm that what is stated above is true to the best of my knowledge”. To Annexure-I, a provisional certificate (register no. 6272) is attached from Andhra University for degree of Bachelor of Commerce granted to “Satish Kumar” dated August 13, 1992 which is certified by a Chartered Accountant.



10. I note that the material available on record also includes a letter addressed by Andhra University dated January 27, 2021, which refers to the provisional B.com certificate issued to Mr. Satish Kumar bearing regd no. 6272. The letter states that *“The above particulars are not tallied with our records. Hence you are requested to send the above candidates Provisional certificate for further Verification and to take appropriate action”*.

The DA Report records that the *“Noticee denied having any connection with the said B.com Degree from Andhra University”* and stated that the same was an *“inadvertent mistake on the part of Mr. Arya”*. Even before me, during the hearing held on July 31, 2024, Mr. Satish Kumar Arya has submitted that he does not know how the impugned certificate came to be placed in the records. Thus, I find that Mr. Satish Kumar Arya has not disputed the fact that a dishonest declaration and false certificate was submitted to the stock exchange in the year 2000. In this regard, the events that reveal that the noticee was aware of Mr. Satish Kumar Arya’s fake/ non-genuine certificate are listed below:

Date	Event
January 31, 2021	FIR no. 37/2021 lodged by Mr. Guduru Rajagopal Reddy against Mr. Satish Kumar Arya
July 12, 2021	Noticee’s response to BSE email dated July 06, 2021 which reads as: <i>“Mr.Satish Kumar Arya submits that though he did not furnish the Degree Certificate and though he did not claim to be a B.Com graduate from Andhra University but since in the documents containing his signatures it is so stated, in the best interests of the company, that such an inadvertent misstatement of his about his B.Com Degree, which is not a pre-requisite for membership, should be leniently dealt with, more so considering the time lapse. Mr.Satish Kumar Arya states that such statement is neither willful nor deliberate nor made with a fraudulent intention and that the same did not harm the investor I client or deprived the investors I clients of their money.”</i>
Undated	BSE Report wherein the observation is as under: <i>“Based on the above it is observed that Satish Kumar Arya has submitted self signed BIO data and Director form which contains his educational qualification as B.Com. He has accepted having signed it but have denied having any such B.com certificate of the year 1992. The argument of Mr. Satish Kumar Arya that this is inadvertent mistake of signing form and biodata is not acceptable....</i> <i>Based on the submissions made by the Trading member and discussions with other Exchanges, we wish to inform you that as the minimum qualification</i>

Date	Event
	<i>requirement for a director of a trading member as per the extant process is 12th pass and as there is no question raised on his 12th Pass certificate, Shri Satish Kumar Arya was and is qualified to become designated director of the TM. All additional qualification whether from recognized or unrecognized institution has no bearing on his directorship of the member company as per the extant requirement. However, TM may be issued a warning to ensure proper diligence while complying with all the requirement under the regulatory framework in letter and spirit"</i>
January 02, 2023	Final report filed under section 173 (2) of Cr.P.C. in Cr. No 37/2021 for the offence under section 420, 565, 468, 471 of IPC of IV Town Police Station, Visakhapatnam City.
March 28, 2023	Email sent by SEBI to the Noticee attaching copy of Andhra University letter dated January 27, 2021 regarding the B.com degree certificate of Mr. Satish Kumar Arya.

11. In view of the above, it becomes important to delve into the defences furnished by the Noticee vide its replies. The submissions of the Noticee are dealt with below:

11.1 Amalgamation of SCCSPL with Noticee

(i) Noticee has submitted that the application form for membership of stock exchange along with provisional degree certificate of Mr. Satish Kumar Arya was filed by Steel City Capital Services Pvt. Ltd. ("**SCCSPL**") in the year 2000. Pursuant to order of Hon'ble HC of Andhra Pradesh dated March 24, 2005, SCCSPL amalgamated with the Noticee ("**Amalgamation Order**") and SCCSPL was struck-off. Thereafter, Noticee was granted registration. The Amalgamation Order records that all proceedings pending against transferor companies shall be continued against the transferee company. The present subject matter proceedings were not pending at the time of amalgamation. Therefore, no proceedings can be initiated against the Noticee. "Fit and proper person" is a "status" and cannot be treated as an asset or liability, therefore, the "fit and proper" status of SCCSPL cannot be passed on to the Noticee.

(ii) In this regard, I note that the DA Report records the following:

16.3 Here, I find it appropriate to refer to the Section 394 of the Companies Act 1956 which reads as under:

“394. PROVISIONS FOR FACILITATING RECONSTRUCTION AND AMALGAMATION OF COMPANIES

(1) Where an application is made to the Court under section 391 for the sanctioning of a compromise or arrangement proposed between a company and any such persons as are mentioned in that section, and it is shown to the Court –

(a) that the compromise or arrangement has been proposed for the purposes of, or in connection with, a scheme for the reconstruction of any company or companies, or the amalgamation of any two or more companies; and

(b) that under the scheme the whole or any part of the undertaking, property or liabilities of any company concerned in the scheme (in this section referred to as a "transferor-company") is to be transferred to another company (in this section referred to as "the transferee-company");

The Court may, either by the order sanctioning the compromise or arrangement or by a subsequent order, make provision for all or any of the following matters:

(i) the transfer to the transferee-company of the whole or any part of the undertaking, property or liabilities of any transferor-company;”

- 16.4 Similarly, in the case of **Saraswati Industrial Syndicate v. C.I.T.** [Judgment dated September 04, 1990], cited by the Noticee, Hon'ble Supreme Court, *inter alia*, held that “the true effect and character of the amalgamation largely depends on the terms of the scheme of merger. But there cannot be any doubt that when two companies amalgamate and merge into one the transferor company loses its entity as it ceases to have its business. **However, their respective rights and liabilities are determined under scheme of amalgamation** but the corporate entity of the transferor company

ceases to exist with effect from the date the amalgamation is made effective.” (Emphasis Supplied)

16.5 *With regard to the amalgamation of Steel City Capital Services Private Limited with the Noticee, the Hon’ble High Court of Andhra Pradesh, in its order dated March 24, 2005, inter-alia, held as under:*

“1. that this court doth hereby sanction the scheme of amalgamation and doth hereby declare the same to be binding on the transferor companies and the transferee company i.e. viz., M/s Steel City Holdings Ltd., and M/s Steel City Capital Services Pvt. Ltd., (Transferor Companies) with M/s Steel City Securities Limited (transferee company)

.....

3. that all the liabilities and duties of the transferor companies be transferred without further act or deed to the transferee company and accordingly the same shall pursuant to section 394(2) of the Companies Act 1956 be transferred to and become the liabilities and duties of the transferee company.”

16.6 *Further, from the Scheme of Amalgamation pertaining to the amalgamation of Steel City Capital Services Private Limited with Noticee, I, inter alia, note as under:*

“1.7 Undertaking of the Transferor Company means

b. all the debts, liabilities, duties and obligations of the respective Transferor Companies as on the Appointed Date of whatsoever kind....

3. TRANSFER OF UNDERTAKING

With effect from the Appointed Date, the entire undertaking of the respective Transferor Companies more fully described under Para 1.7 supra, shall, without any further act, deed or order be transferred to and vested in or deemed to have been transferred to or vested in the

Transferee Company in accordance with and pursuant to Section 394 of the Act.”

- 16.7 *I note that in terms of paragraphs 1.7 and 3 of the abovementioned Scheme of Amalgamation, all the debts, liabilities, duties and obligations of Steel City Capital Services Private Limited have been transferred to the Noticee pursuant to the sanction of amalgamation. Accordingly, I note that the Noticee is liable for all the debts, liabilities, duties and obligations of Steel City Capital Services Private Limited prior to amalgamation.*
- 16.8 *In this context, the issue that now arises for consideration is whether the present proceedings regarding ‘fit and proper person’ status can be continued against the Noticee for the violations committed by Steel City Capital Services Private Limited prior to amalgamation.*
- 16.9 *In this regard, it is noted that ‘fit and proper person’ is a “status” and cannot be considered in pari materia with assets, debts, liabilities, duties or obligations. Hence, I note that when a transferor company amalgamates with the transferee company, the “fit and proper person” status of the transferor company does not pass on to the transferee company. Therefore, as submitted by the Noticee, ‘fit and proper person’ status of Steel City Capital Services Private Limited cannot devolve upon the Noticee. It is pertinent to note that, although ‘fit and proper person’ criteria as discussed in previous paragraph 15 is applicable, **“fit and proper person” status of Steel City Capital Services Private Limited does not pass on to Steel City Securities Ltd. on account of amalgamation. The “fit and proper” status of Steel City Securities Ltd. needs to be assessed separately.***
- 16.10 *I, also, note that the Whole Time Member/Quasi- Judicial Authority, SEBI in the matter of Smart Commodity Brokers Pvt. Ltd., Prudent*

Comder Pvt. Ltd., Tradebulls Commodities Broking Pvt. Ltd., Aasma Commodities Pvt. Ltd., Aditya Birla Commodities Broking Ltd., Choice Merchandise Broking Pvt. Ltd., cited by the Noticee, have taken a similar view with regard to passing of 'fit and proper person' criteria pursuant to amalgamation.

- (iii) As submitted by the Noticee, the Amalgamation Order also reads “*that all proceedings now pending by or against the transferor companies be continued by or against the transferee company*”. However, the allegation is not that SCCSPL submitted a fake / non-genuine certificate and therefore, it is in violation of regulatory provisions. The allegation is that the Noticee by failing to replace Mr. Satish Kumar Arya within 30 days of disqualification, violated regulation 5(e) of the SEBI (Stock Brokers) Regulations, 1992 read with Clause (2), Clause (3) (a) and Proviso to Clause (6) of Schedule II of Intermediaries Regulations. Therefore, the violation alleged is against the Noticee and not SCCSPL. Since the violation alleged pertains to an act of Noticee and not SCCSPL, the aforesaid clause in the Amalgamation Order stating that only pending proceedings to continue against the Noticee does not help the case of the Noticee.
- (iv) Further, in line with the cited precedents¹, I agree with the assessment of the DA that “fit and proper person” criteria cannot be considered in *pari materia* with assets, debts, liabilities, duties or obligations. Therefore, “fit and proper person” status of SCCSPL does not pass on to the Noticee on account of amalgamation. However, as stated above, the present proceedings are concerned with the “fit and proper person” status of Mr. Satish Kumar Arya, and the consequent obligation on the Noticee to replace him. The subject matter of

¹ Order passed by SEBI: (i) In respect of Smart Commodity Brokers Pvt. Ltd. in the matter of NSEL dated March 01, 2023; (ii) In respect of Pruder Comder Private Limited in the matter of NSEL dated July 04, 2023; (iii) In respect of Tradebulls Commodities Broking Private Limited in the matter of NSEL dated July 20, 2023; (iv) In respect of Aasma Commodities Pvt. Ltd. in the matter of NSEL dated September 28, 2023 (v) In respect of Aditya Birla Commodities Broking Limited in the matter of NSEL dated November 06, 2023; (vi) In respect of Choice Merchandise Broking Pvt. Ltd. in the matter of NSEL dated November 06, 2023.

present proceeding does not pertain to “fit and proper person” status of SCCSPL. Therefore, Noticee’s argument that “fit and proper person” criteria does not pass on from SCCSPL to Noticee, is not relevant.

11.2 FIR and chargesheet filed against Mr. Satish Kumar Arya

- (i) Noticee has submitted that one of the criteria for declaring a person as not “fit and proper person” is a chargesheet filed by any enforcement agency in matter concerning economic offences which is pending.
- (ii) I note that Vishakapatnam Police had registered an FIR no. 37/2021 dated January 31, 2021 and charge sheet no. 4373/2021 with 1st Additional Chief Metropolitan Magistrate. The said chargesheet stated that “...*prima facie case was established against the accused as he has cheated the public and share holders of Steel city Securities limited with a fraudulent and dishonest intention by utilizing the said fake/ forged graduation certificate i.e., BACHELOR OF COMMERCE OF ANDHRA UNIVERSITY...*”. Thereafter, cognizance was taken on November 20, 2021, treating the preliminary chargesheet as a charge sheet. However, vide order dated October 19, 2022 in criminal petition no. 2369 of 2022, Hon’ble HC of Andhra Pradesh, passed the following order:

“..it must be held that the order of cognizance passed by the Magistrate on 20.11.2021 was not taken on a final report specified under Section 190(1)(b). As such, the said order of cognizance is set aside leaving it open to the Magistrate to await the filing of a final report meet the requirements of Section 2(r), 173(2) and 191(b) of Cr.P.C before considering the said final reports for the purposes of taking cognizance or not.

Accordingly, the Criminal Petition is allowed.”

It is noted that another chargesheet was filed by the Vishakapatnam Police no. 3936/2023, which states, *“However, as the oral evidence adduced from LWs 1 to 3 coupled with the documentary evidence regarding commission of offence, the prima facie case was established against the accused as he intentionally cheated the public and share holders of Steel City Securities Limited with a fraudulent and dishonest intention by utilizing the said fake / forged educational certificates i.e., BACHELOR OF COMMERCE OF ANDHRA UNIVERSITY.....*

...

Hence this charge sheet is filed.”

- (iii) The status of the case no. 3936/2023 on the website of Vishakapatnam District Court as on September 19, 2024 is as under:
“Accused called absent. Petition filed and allowed. Sri M. Ravi, Advocate filed memo of appearance for accused. For furnishing copies and examination, call on 16-04-2025.”
- (iv) I note that clause 3(b)(ii) which reads as *“charge sheet has been filed against such person by any enforcement agency in matters concerning economic offences and is pending”* has not been invoked against the Noticee in the present case. Therefore, this chargesheet has no conclusive bearing on the instant proceedings.

11.3 Minimum educational qualification for a director of a trading member

- (i) Noticee has submitted that the basic minimum qualification required for a director of a trading member is 12th pass and no questions have been raised on his 12th pass certificate. The same was also concluded by BSE Ltd. in its report. Further, the equation of educational qualifications graduation certificate dated October 04, 2021 issued by Indian Navy has certified that Mr. Arya is eligible for appointment where educational qualifications is essential “Graduation”. The aforesaid proves that Mr. Arya is a “fit and proper person”.

- (ii) I note that the present proceedings do not pertain to whether Mr. Satish Kumar Arya was eligible to be a director of a trading member, rather, the proceedings are concerned with the Noticee's failure to replace him in light of the alleged fake certificate submitted by him, an act that brings to question his integrity and hence his fit-and-proper status. Thus, the conclusion of the report of BSE Ltd. and the certificate issued by the Indian Navy dated October 04, 2021 does not aid the Noticee's argument that he was in fact 'fit and proper'.

11.4 Amendment to Intermediaries Regulations is *sub judice*

- (i) The Noticee has submitted that in a writ petition filed before Hon'ble Bombay HC in the matter of Venkataraman Rajamani vs. SEBI (Writ Petition no. 2350 of 2023) the legality of Intermediaries Regulations has been challenged. Since the subject matter *i.e.*, Schedule II of Intermediaries Regulations is sub judice, it is requested that the present proceedings be kept in abeyance till the disposal of writ petition.
- (ii) In this regard, I have not been made aware of any direction passed by the Hon'ble Bombay HC with respect to clause (2), clause (3)(a) and proviso to clause (6) of Schedule II of Intermediaries Regulations which have been invoked in the present case. The website of Hon'ble Bombay HC also does not refer to any such order. Therefore, reliance on the aforesaid writ petition does not aid the Noticee.

11.5 Chapters I to IV of the Intermediaries Regulations are not notified

- (i) The Noticee has submitted that Chapter II of Intermediaries Regulations which contains the details of consideration of application and the applicability of the "fit and proper person" criteria is not notified. Therefore, the applicability of Schedule II against the Noticee with respect to "fit and proper person" criteria is untenable.

- (ii) In this regard, I note that the Noticee has been granted registration certificate dated August 12, 2005 under the Brokers Regulations. Regulation 5 of the Brokers Regulations has been notified and regulation 5(e) provides that for the propose of grant of certificate of registration, the applicant has to be a 'fit and proper person' in terms of Schedule II of the Intermediaries Regulations. I note that Schedule II of Intermediaries Regulations is relied upon for granting registration certificate under the Brokers Regulations. Thus, this argument of Noticee is not tenable.

11.6 No allegation against Mr. G Sree Rama Murthy and Mr. Rajagopal Reddy Guduru

- (i) Noticee has submitted that at the time the alleged fake certificate was submitted by the Noticee, Mr. G Sree Rama Murthy and Mr. Rajagopal Reddy Guduru being the managing director and executive director respectively had higher responsibility. However, in the present proceedings there is no allegation against them.
- (ii) In this regard, allegation(s) against any other entity apart from the Noticee is beyond the purview of the present proceedings. Therefore, this contention does not hold any merit.

11.7 Cross-examination, affidavit filed and conduct of Mr. R Rajagopal Reddy Guduru

- (i) The Noticee has submitted that on cross-examining Mr. Rajagopal Reddy Guduru on March 14, 2024, the answers given by him show that the complaints filed and communication provided by him are not reliable and ought not be considered. In this regard, I have perused the record of cross-examination held on March 14, 2024. I note that Noticee has not drawn my attention to any specific reply of Mr. Mr. Rajagopal Reddy Guduru which demonstrates that the complaints filed by him and the communication

provided by him are not reliable. Further, SEBI has conducted an examination in the matter. Present proceedings were initiated against the Noticee and the DA SCN was issued based on the examination conducted by SEBI. Thus, the present proceedings have not been initiated solely relying on the complaints filed by Mr. Rajagopal Reddy Guduru.

- (ii) Noticee has also referred to an affidavit signed by Mr. Rajagopal Reddy Guduru which *inter alia* states that he will not “disturb” the staff working with the Noticee in any manner whatsoever. As stated before, this case is regarding the decision of Noticee to not replace Mr. Satish Kumar Arya in light of the fake certificates. Any affidavit signed by Mr. Rajagopal Reddy Guduru has no bearing on the present proceedings.
- (iii) Noticee has also made a reference to Mr. Rajagopal Reddy Guduru identifying himself as a Managing Director of the Noticee in certain YouTube videos to mislead the public. Again, this has no relevance to the present proceedings.

11.8 Failure to exercise due diligence and care

- (i) Noticee has submitted that as no proceedings are pending or concluded with respect to the “fit and proper person” criteria of Mr. Satish Kumar Arya. Thus, it is premature to say that Noticee has failed to exercise due diligence and care in identifying the inconsistencies in submissions made by Mr. Satish Kumar Arya.
- (ii) In this regard, an important distinction to be highlighted is that BSE Ltd. did not find that Mr. Satish Kumar Arya committed any violation in terms of their own regulations / circulars / bye- laws, and not as per SEBI regulations. I am required to determine whether Noticee committed any violation basis the

applicable SEBI regulations. Thus, the legal basis on which the report by BSE Ltd. is prepared is different from the legal basis of the present proceedings.

11.9 “Fit and proper person” criteria was mandated in March 2004

- (i) The Noticee has submitted that the “fit and proper person” criteria was mandated only in March, 2004 through the SEBI (Criteria for Fit and Proper Person) Regulations, 2004. Therefore, when the application for registration was made for the first time in 2000, SCCSPL did not have to fulfil the condition of “fit and proper person” person.

- (ii) I note that pursuant to the amalgamation, the Noticee received a fresh registration certificate dated August 12, 2005 under the Brokers Regulations. By then, SEBI (Criteria for Fit and Proper Person) Regulations, 2004 had come into force. Therefore, Noticee was required to comply with the “fit and proper person” criteria. Further, the “fit and proper person” criteria is not a onetime condition applicable only at the time of seeking registration. Rather, the provisions governing the criteria show that this a condition which each and every registered intermediary is required to fulfil on a continuous basis as long as the entity remains associated with the securities market. Thus, as and when the “fit and proper person” criteria changes, the Noticee will be required to comply with the revised criteria.

11.10 Mr. Satish Kumar Arya fulfils the “Fit and proper person” criteria provided under Schedule II of Intermediaries Regulations

- (i) The Noticee has submitted that except the present impugned educational certificate, integrity and honesty of Mr. Satish Kumar Arya is not questioned by any authority. Mr. Satish Kumar Arya enjoys good reputation in the society due to his integrity and honesty.

- (ii) I note that Noticee and Mr. Satish Kumar Arya have not disputed the fact that the above mentioned certificate was submitted to the stock exchange in the year 2000. The DA Report records that the Noticee denied having any connection with the B.com degree certificate and stated that the same was an “*inadvertent mistake*” on the part of Mr. Satish Kumar Arya. I also note that the DA Report records the complainant’s allegation of a similar submission of the impugned B.Com degree certificate to the Regional Passport Office (RPO) and Satish Kumar Arya’s response that he had “*never submitted AU B.Com to the agent or passport office.*” I am in agreement with the DA’s observation that Satish Kumar has not disputed that the impugned certificate was placed with the passport application. This observation also raises a doubt about whether infact Satish Kumar Arya had submitted such a false certificate to the Passport Office as well. However, since this allegation has not been separately corroborated or verified with the RPO, I am not inclined to solely rely on the DA’s observation with respect to the RPO filings to determine Satish Kumar Arya’s fit and proper status. In any case, it is very difficult to believe that a fake provisional certificate was placed along with the application form for membership as a trading member with BSE due to an “inadvertent mistake”. It is common to commit mistakes where inadvertently information is missed out. But, to place a patently fake certificate suggests deliberate intention to mislead others. In this specific situation, Mr. Satish Kumar Arya cannot be said to have displayed integrity, honesty or ethical behaviour.

11.11 Caution letter issued to Mr. Rahul Kirloskar

- (i) Noticee has submitted on the same subject matter of erroneous educational qualification, SEBI vide letter dated July 04, 2019 bearing reference no. SEBI/CFD/CMD1/PR/OW/16904/1/2019 has issued a caution letter to Mr. Rahul Kirloskar. The subject matter of the said letter reads as “Sub: Caution Letter – Erroneous disclosure regarding your own education qualification”.

The said letter also contained certain instructions to Mr. Rahul Kirloskar who had published erroneous educational qualification in public domain.

- (ii) In this regard, the facts which led to the issuance of the said letter are unknown to me and they are not relevant for determining the present issue. However, one difference which I have observed from the contents of the said letter is reproduced below:

*“1. **Please refer to your letter dated January 21, 2019** wherein you had inter alia stated that your educational qualifications have been erroneous stated in the public domain.”*

(emphasis supplied)

- (iii) Thus, it appears that Mr. Rahul Kirloskar had voluntarily made the disclosure to SEBI regarding his erroneous educational qualification in public domain. However, in the present case, the examination began due to a complaint filed by Mr. R Rajagopal Reddy Guduru dated March 17, 2021.

11.12 Adjudication proceedings against the Noticee and Mr. Arya

- (i) Noticee has submitted that on the same subject matter of the present SCN, SEBI had initiated adjudication proceedings against the Noticee and Mr. Arya vide show cause notice dated December 28, 2022. Pursuant thereto, an adjudication order dated March 28, 2024 was passed wherein a penalty of Rs. 25,000/- was imposed on Noticee and Rs. 50,000/- was imposed on Mr. Arya. Noticee and Mr. Arya have paid the respective penalties on May 02, 2024. As Noticee and Mr. Arya have already been penalized for the allegations in the captioned subject matter, continuation of the present proceedings will cause great prejudice.
- (ii) In this regard, I find that the correct position has been aptly summarized by Hon'ble Securities Appellate Tribunal, in the case of Grishma Securities Private Limited and Ors. vs. SEBI (Appeal No. 151 of 2013) dated October

28, 2013. In this case it was argued by the appellant that initiation of adjudication and enquiry proceedings on the same set of facts and evidence is impermissible in law. In context of the above, Hon'ble SAT held the following:

“Therefore, keeping in view the scheme of the SEBI Act, 1992, we have no hesitation in holding that a subjective decision as to when and where regulatory intervention is required is the sole prerogative of the regulator. Undoubtedly, such a decision has to be rational and is to be based on a prima facie and bonafide satisfaction as to the existence of certain alleged irregular or illegal facts/happenings or circumstances supposedly taking place or prevailing in the affairs of a company.....

(emphasis supplied)

....It is pertinently noted that the adjudication proceedings may lead to monetary penalty or even exoneration of the appellants. Whereas, the enquiry proceedings have the potential of leading to appropriate disciplinary action against the appellants in case the charges are proved in the enquiry. There is no categorical challenge to such parallel proceedings.....

.....Once an Inquiry Officer or an Adjudicating Officer is appointed as per law to conduct an enquiry into the alleged misconduct of a company or a market player, as the case may be, he or she acts as an independent, neutral and impartial umpire despite being on the rolls of the SEBI. As long as he holds such responsibility, he or she is supposed to perform a quasi-judicial task dispassionately. However, he or she has to conform to the principles of natural justice and also discharge the said functions within the parameters prescribed by the rules and regulations or an Act of Parliament failing which alone his or her findings or conduct may be questioned and not otherwise..... ”

Thus, I find that passing of orders in the adjudication proceedings, does not come in the way of continuation of the present enquiry proceedings.

11.13 BSE email dated July 06, 2021 sent to the Noticee

- (i) On the same subject matter of present proceedings, BSE vide email dated July 06, 2021 has sought comments from the Company. The email was forwarded to Mr. Satish Kumar Arya and comments were sought from him wherein he has submitted that he does not know how the said degree certificate came into existence. He also stated that no undue advantage or benefit accrued to him or the company due to such an inadvertent misstatement. Noticee has submitted that BSE was satisfied with the submissions made by the Company.
- (ii) The present proceedings are separate from any action that may or may not be taken by BSE Ltd. Thus, this contention is without any merit. Further, I note that BSE Ltd. in an undated report has recorded the following:

“Based on the submissions made by the Trading member and discussions with other Exchanges, we wish to inform you that as the minimum qualification requirement for a director of a trading member as per the extant process is 12th pass and as there is no question raised on his 12th Pass certificate, Shri Satish Kumar Arya was and is qualified to become designated director of the TM. All additional qualification whether from recognized or unrecognized institution has no bearing on his directorship of the member company as per the extant requirement. However, TM may be issued a warning to ensure proper diligence while complying with all the requirement under the regulatory framework in letter and spirit” (emphasis supplied)

The above paragraph means that while some aspects of the examination may have found no wrongdoing, there are still unresolved issues or lingering doubts for which a warning may be issued to the Noticee.

From the above, none of the defences furnished by the Noticee are sustainable. Therefore, given the letter dated January 27, 2021 provided by Andhra University available on record, I find that Mr. Satish Kumar Arya, a director of the Noticee, failed

the test of being a “fit and proper person” on grounds of integrity, honesty and ethical behaviour.

If answer to (i) is in negative, whether the Noticee has failed to comply with proviso to clause (6) of Schedule II of the Intermediaries Regulations?

12. Noticee has submitted that Mr. Satish Kumar Arya has been re-appointed as Managing Director of the Company in the Annual General Meeting dated September 26, 2020 by the shareholders of the Company. Further, Mr. Satish Kumar Arya was also re-appointed as managing director & CEO of the Company vide Postal Ballot Notice dated January 13, 2023. I note from minutes of board meeting dated March 07, 2023 that Mr. Satish Kumar Arya has been re-appointed as Managing Director & CEO for a period of 5 years w.e.f April 01, 2023. Thus, as on date, Mr. Satish Kumar Arya, while not being a “fit and proper person” is continuing as a managing director & CEO of Noticee. Therefore, Noticee has failed to replace Mr. Satish Kumar Arya despite being fully aware on multiple occasions of his dishonest and unethical behaviour as discussed in paragraph 11 above.

13. The securities market relies heavily on transparency, honesty, and the credibility of individuals involved. When someone submits a fake / non-genuine certificate, it not only questions their qualifications but also raises concerns about their ethical standards and decision-making abilities. Ensuring authenticity and integrity in all professional credentials is crucial for maintaining a stable and trustworthy securities market.

DIRECTIONS

14. While considering whether or not to accept the measures recommended by the DA and what directions are required to be passed in the present case, I am required to consider any aggravating or mitigating factors as well. I have taken note of the following:

- (i) Over 24 years has elapsed since the fake / non-genuine certificate was submitted to the stock exchange.
 - (ii) There was no legal requirement for the broker to possess a degree certificate for grant of membership, as stated in the BSE report.
(The report *inter alia* stated – “Based on the submissions made by the Trading member and discussions with other Exchanges, we wish to inform you that as the minimum qualification requirement for a director of a trading member as per the extant process is 12th pass and as there is no question raised on his 12th Pass certificate, Shri Satish Kumar Arya was and is qualified to become designated director of the TM. All additional qualification whether from recognized or unrecognized institution has no bearing on his directorship of the member company as per the extant requirement”)
 - (iii) Adjudication order dated March 28, 2024 was passed (*with respect to the same cause of action involved in this Order*) against the Noticee as well as against Mr. Satish Kumar Arya and they have paid the penalty imposed by the said order.
 - (iv) The examination forming the basis of this Order has not revealed any other defaults/ deficiencies on the part of the Noticee or Mr. Satish Kumar Arya.
15. In SEBI vs. Bhavesh Pabari (2019), Hon’ble SC held that when period of limitation is not prescribed, such power must be exercised within a reasonable time. Reasonable time depends on facts of case, nature of default etc. In cases such as Suresh Hegde and Anr. vs. SEBI (2023), wherein investigation was conducted in 2011, SCN was issued in 2017, and order was passed in 2021, Hon’ble SAT observed as follows:
- “In view of the aforesaid, we are of the view that there has been a delay in the issuance of the show cause notice and in deciding the matter. However, in our opinion, in the peculiar facts of the case, the proceedings cannot be quashed on this*

ground. But we are of the opinion that the **delay would be a mitigating factor while considering the quantum of penalty for the possible violation.**”

(emphasis supplied)

Similarly, in KSS Ltd. vs. SEBI (2021), the transaction had taken place in 2009-2010, and the SCN was issued in 2017, Hon'ble SAT has observed as follows:

“Admittedly, there has been delay in the initiation of the proceedings and, consequently, **this delay has to be taken as a mitigating factor for imposition of penalty.** The fact that there has been a delay in initiation of the proceedings which resulted in not giving an appropriate reply by the appellant has been admitted by the AO in para 34 of the impugned order.”

(emphasis supplied)

16. One may argue that directors of intermediaries who are not fit and proper must be removed permanently. However, in the interest of proportionality of punishment, in deference to the aforesaid decisions of the Hon'ble Tribunal, the much delayed nature of this case and other mitigating factors cited above lead me to conclude that this is not a fit case to direct the Noticee to replace the director permanently.
17. In view of the foregoing, I, in exercise of the powers conferred upon me under sections 12(3) and 19 of SEBI Act read with regulation 27(5) of Intermediaries Regulations, hereby issue the following directions taking into account the aforesaid mitigating factors:
 - (a) Steel City Securities Limited having SEBI registration no. INZ000223538 is censured and warned to be careful and diligent in the conduct of all its business.
 - (b) Steel City Securities Limited shall not employ/ engage/ associate with Mr. Satish Kumar Arya, managing director & CEO, with respect to any of its functions, directly or indirectly, for a period of 1 month.

18. This Order comes into force with immediate effect.
19. A copy of this Order shall be forwarded to the Noticee, Mr. Satish Kumar Arya and all the exchanges where the Noticee is a member.

DATE: September 23, 2024

PLACE: MUMBAI

**ANANTH NARAYAN G.
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**