

**Before the
Member and Core Settlement Guarantee Fund Committee
("MCSGFC"/ "COMMITTEE")
of
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400051
held on December 21, 2022**

In the matter of Ms. Riddhi Kalapi Shah

CORAM:

Mr. K Narasimha Murthy - Chairman
Mr. Ashishkumar Chauhan - Committee Member

ALSO PRESENT:

Ms. Priya Subbaraman - Chief Regulatory Officer
Dr. Dinesh Kumar Soni - Senior Vice President - Regulatory

BACKGROUND

1. Ms. Riddhi Kalapi Shah ("**Noticee**") is the Director/Promoter of M/s. Teji Mandi Analytics Private Limited ("**Teji Mandi**") since August 27, 2008. On account of the regulatory concerns noted in the matter of Anugrah Stock & Broking Pvt. Ltd. ("**Anugrah**"), and its Authorised Person ("**AP**") Teji Mandi, MCSGFC ("Member and Core Settlement Guarantee Fund Committee") in its meeting held on November 24, 2020, expelled Anugrah and declared it a defaulter vide order dated November 26, 2020.
2. On account of the assured return schemes operated by Teji Mandi and a large number of investor complaints against Teji Mandi, MCSGFC found Teji Mandi and its Directors- Mr. Anil Gopal Gandhi and Ms. Riddhi Kalapi Shah, not fit and proper person to carry on their business as an Authorised person or be associated with a Member of the Exchange. In view of the same, MCSGFC in its meeting held on November 24, 2020, restrained Teji Mandi and its Directors - Mr. Anil Gopal Gandhi and Ms. Riddhi Kalapi Shah from associating with any Trading Member of the Exchange, directly or indirectly, in any capacity including as an Authorised Person, as a director, shareholder or compliance officer of any Authorised Person or Trading Member for a period of 3 years from the date of order November 30, 2020.
3. Noticee filed an appeal against the MCSGFC order dated November 30, 2020, before the Hon'ble Securities Appellate Tribunal ("SAT"). Hon'ble SAT vide its order dated August 03, 2021, set aside the MCSGFC order in so far as it relates to the Noticee and opined that in the absence of the Show Cause Notice (SCN) being issued against the Noticee and without giving an opportunity of hearing, the order insofar as it relates to Noticee was not in accordance with the principles of natural justice. Accordingly, Hon'ble SAT granted liberty to the Exchange to issue an SCN to the Noticee.

4. Subsequent to Hon'ble SAT order, SCN was issued to the Noticee on November 11, 2021, seeking an explanation as to why necessary disciplinary action should not be initiated for the acts of Teji Mandi, which were observed from the complaints filed by the complainants relating to offering assured/fixed returns through the scheme namely "Option Advisory Services"/ "Option Advisory Strategy" ("Scheme"). The SCN was issued to the Noticee both on the email id and the address available in the Exchange records. The physical letter was returned undelivered with a remark "office shifted". Since there was no response from the Noticee for a considerable time, the SCN was published in both national and regional newspapers on April 14, 2022.
5. Thereafter, the Exchange placed the matter before MCSGFC on July 25, 2022, wherein the Noticee has failed to appear before the Committee. Accordingly, the Committee directed the Exchange to resend the SCN to the Noticee, on her registered email address as per Exchange records, thrice, at regular intervals and to serve the SCN on Noticee through her advocate on record. Therefore, Exchange vide its email dated August 22, 2022, served notice to the Noticee and her representative at their registered email addresses. The Noticee replied to the said SCN vide letter dated September 01, 2022. The Exchange, thereafter, placed the matter before MCSGFC on November 28, 2022, wherein the Committee directed the Noticee to appear before the Committee for personal hearing. Since the Noticee did not appear for the personal hearing, the matter was adjourned.
6. At the outset, produced below are the relevant legal provisions including circulars that are violated by the Noticee:

Exchange/SEBI Circulars and Provisions of Exchange Byelaws/Rules/Regulations.

- a) SEBI circular no. MIRSD/DR-1/Cir-16/09 dated November 06, 2009, and Exchange circular no. NSE/MEMB/13429 dated November 09, 2009 "

"5 (c) The authorized person shall not receive or pay any money or securities in its own name or account. All receipts and payments of securities and funds shall be in the name or account of stockbroker"

6 (b) on being satisfied that the continuation of authorized person is detrimental to the interest of investors or securities market or the authorized person at a subsequent date becomes ineligible under clause 4 above.

7 (f) Authorised Person may provide administrative assistance in the procurement of documents and settlement but shall not issue any document to the client in its own name. No funds/securities of clients shall go to the account of the authorized person."

- b) Section 12(1B) of the SEBI Act, 1992 states that

".....(1B) No person shall sponsor or cause to be sponsored or carry on or caused to be carried on any venture capital funds or collective investment schemes including

mutual funds, unless he obtains a certificate of registration from the Board in accordance with the regulations....”

- c) Regulation 3 of the Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999 states that

“..... 3. No person other than a Collective Investment Management Company which has obtained a certificate under these regulations shall carry on or sponsor or launch a collective investment scheme...”

- d) Regulation 2.2.1.3 and 2.211.3 of NSEIL (Capital Market and Future & Option Segment) Regulation states that

“Without prejudice to the generality of the above, the Capital Market segment of the Exchange may withdraw any approval granted to such authorised person after giving an opportunity, if

(a) he fails to abide by the Byelaws, Rules, Regulations and the guidelines or circulars thereunder,

(b) he violates / contravenes any statute, or the Rules or Regulations made thereunder...”

7. PRESENT PROCEEDINGS BEFORE MCSGFC

The Exchange, vide its email dated December 16, 2022, provided the Noticee with an opportunity for a personal hearing before the Committee scheduled on December 21, 2022. Mr.Nikhil Sakhardande, Mr. Jaikishan Lakhwani and Ms.Tanvi Gupta appeared before the Committee and made the following oral submission

- a. The Noticee is a namesake director and has not been involved in the day-to-day affairs/management of the Company.
- b. Teji Mandi.com is the sole proprietary concern of Mr.Anil Gandhi. Since the husband of Mrs.Riddhi Kalapi is a foreign national and hence cannot be a Director in an Indian Company, Mrs.Riddhi Kalapi was made a Director of Teji Mandi.
- c. Mr. Anil Gandhi is solely responsible for all activities of Teji Mandi.
- d. The Noticee was unaware about the fraud that happened in Teji Mandi
- e. The Noticee has never visited the office of Teji Mandi, not accessed any emails, never drawn any salary and never attended any meeting of Teji Mandi.
- f. The Noticee merely being a director of Teji Mandi is not vicariously liable for all the acts.

- g. The Noticee never interacted with Mr. Anil Gandhi except in social occasions.
- h. The Noticee received Rs.3 lakhs once in a joint bank account maintained in the name of the Noticee and her husband.
- i. The forensic auditor did not observe any violations on the part of the Noticee.
- j. The Noticee's name is not included in the chargesheet filed by the police.
- k. The Noticee's family members had also opened accounts with Anugrah through Teji Mandi. Therefore, they are also a victim of the fraud.

CONSIDERATION AND FINDINGS

8. The observation/violation, the reply of the Noticee and the findings of the Committee are as under:
- a. Upon verification of option advisory strategy document, email communications, client complaints, the Exchange observed that Teji Mandi has collected money from investors/ clients and provided assured/fixed returns to its clients.
 - b. The Noticee in its reply dated September 01, 2022, submitted as under:
 - i) The Noticee was namesake director in Teji Mandi and was never involved, engaged or even aware of the business of Teji Mandi.
 - ii) The Noticee is only aware of the fact and submission as informed by her husband Mr. Kalapi Shah, who worked under the instructions of Mr. Anil Gandhi.
 - iii) The Noticee has been arraigned merely because of her classification as a Director in Teji Mandi despite the fact that the Noticee had absolutely no involvement or any role whatsoever in the day-to day affairs, management and operation of Teji Mandi.
 - iv) The Noticee herself is a victim of the fraud perpetrated by Anugrah Stock and Broking Pvt. Ltd. where the funds of her and her relatives have been misappropriated.
 - v) The Noticee is engineering graduate and a housewife. Mr. Kalapi Shah is the husband of the Noticee, and Mr. Kalapi Shah is a citizen of USA. Mr. Kalapi Shah and Mr. Anil Gandhi worked together in a company till 2005.
 - vi) In 2007, Mr. Anil Gandhi proposed to start a company under the name of Teji Mandi and offered the position of director to Mr. Kalapi Shah in Teji Mandi. Since there was a restriction on the directorship of foreign citizen, Mr. Gandhi requested the Noticee to be the Director of Teji Mandi.

- vii) The Noticee became director in Teji Mandi but was a namesake director in Teji Mandi as the Noticee had no knowledge of securities market and was also never involved, engaged or even aware of the business of Teji Mandi.
- viii) The Noticee also submitted that the Noticee was only aware of the facts and submissions as informed by Mr. Kalapi Shah, husband of the Noticee who worked under the instruction of Mr. Anil Gandhi and was arraigned merely because of her classification as director in Teji Mandi.
- ix) During the entire tenure of directorship, the Noticee did not interfere or look into the affairs of Teji Mandi, and it was on handful occasions visited the office of Teji Mandi.
- x) The Noticee had not drawn any salary remuneration from Teji Mandi apart from a sum of Rs. 3 Lakh in 2016 which was paid to Mr. Kalapi Shah which was deposited in the joint account of Noticee and Mr. Kalapi Shah. The Noticee had never received/paid any funds from/to any clients of Anugrah as the Noticee was never involved in the day-to-day operations of Teji Mandi.
- xi) The Noticee was informed that Teji Mandi was associated as a facilitator between the clients of Anugrah and for which Teji Mandi received commission from Anugrah. Mr. Gandhi was engaged in regular discussion with the representatives of Anugrah who was assured great potentials in getting associated as a sub broker/AP and also that the funds to the tune of Rs.800 Crores of Anugrah were deployed in the stock market.
- xii) Being lured with the assurance and trading pattern of Anugrah, the husband of the Noticee also reached out to his relatives to invest in Anugrah and narrated the assurance and strategy of Anugrah. In retrospect, it is now clear that the strategy of Anugrah was to first induce the sub-broker/AP to invest their funds along with their relatives and then make the sub-broker/APs reach out and advertise about their investments and communicate the strategy and ideas of Anugrah.
- xiii) Various investor reaching out to Mr. Kalapi Shah demanding funds back from Anugrah. The harassment meted out to the Noticee is so grave that the Noticee and her husband had to move out of their own house.
- xiv) Mr. Gandhi and Mr. Kalapi Shah also clarified this position in the complaint filed before Economic Offense Wing, Mumbai police inter alia stating that the Noticee had no role in the matter and that the Noticee was not involved in the day-to-day affairs of Teji Mandi.
- xv) The report submitted by the forensic auditor does not mention the name of the Noticee.

- xvi) The Noticee was never involved or engaged in any business decisions or any issue regarding Teji Mandi, and Mr. Anil Gandhi was running the Business and affairs of Teji Mandi.
- xvii) With reference to paragraph no.1 of the Show Cause Notice, the Noticee submitted that the Noticee was a namesake director and had no role in the control, management or operation of Teji Mandi in any manner whatsoever.
- xviii) With reference to paragraph no.2 of the Show Cause Notice, the Noticee submitted that the Noticee was not in any manner involved with the day-to-day operation or any trading activities or even any communication/correspondence with any client. The Noticee is not aware of the complaints/the alleged unauthorised trading as mentioned in SCN.
- xix) With reference to paragraph no.3 of the Show Cause Notice, the Noticee submitted that the Noticee was never aware and had knowledge of any assurances/ promises being made to the persons in relation to assured/fixed returns as Mr. Anil Gandhi were the one who was in control of Teji Mandi. The Noticee was also not aware about and not accessed the email id tejimandi@anugrahsb.com. The Noticee submitted that the similar assurances of high return and low risks were also made to the Noticee and the Noticee's family members, which lured the Noticee and the Noticee's family to invest huge amounts of money in securities market through Anugrah.
- xx) With reference to paragraph no.4 of the Show Cause Notice, the Noticee reiterated that the Noticee cannot be held responsible for decision act or omissions and commission by Teji Mandi at all times, only on account of being a director of Teji Mandi.
- xxi) With reference to paragraph no.6 of the Show Cause Notice, the Noticee reiterated that the Noticee was not in-charge or even aware of affairs/operation of Teji Mandi.
- xxii) With reference to paragraph no.7 of the Show Cause Notice, the Noticee reiterated that the Noticee denies that she did not exercise requisite due care and diligence and not involved in day-to-day affairs of Teji Mandi. The Noticee had no role to play in the alleged violation committed by Teji Mandi and cannot be held vicariously liable/responsible for the same.
- xxiii) With reference to paragraph no.8 of the Show Cause Notice, the Noticee denies acted in violation of any Rules, Byelaws and Regulations of NSE.

- c. The Noticee in her additional submission dated December 21, 2022, in addition to earlier submission further submitted as under:
- i) The Noticee was not at all involved in the activities and was not aware of the business of Teji Mandi. Therefore, the basis on which the Show Cause Notice is issued is incorrect and misplaced.
 - ii) Based on Mr. Gandhi's representations, the Noticee and her relatives also invested over Rs. 100 crores through Anugrah, by diluting all their other investments. The Noticee herself is a victim of the alleged fraud perpetrated by Anugrah, and has lost not only all her invested funds, but also all relations with her family due to this
 - iii) The Noticee has never interacted with Mr. Gandhi at any point of time and may have met him only a handful of times in social gatherings. The Noticee was assured by Mr. Kalapi and Mr. Gandhi that her name would never be involved in any proceedings as the Noticee had nothing to do with the dealing of Teji Mandi.
 - iv) Mr. Anil Gandhi in his statement before the EOW, stated that the Noticee was never involved in the affairs of Teji Mandi and not even a WhatsApp chat over a year.
 - v) The Noticee had no email ID, contact number, office space/cabin, laptop/ desktop in the office of Teji Mandi, clearly indicating that the Noticee had no role in the company. Even the biometrics of the office show that the Noticee did not come to the office of Teji Mandi. The Noticee not even aware of the legal proceeding initiated against Teji Mandi.
 - vi) In a chargesheet filed in Telangana and the FIR registered in Amravati, the Noticee's name is never involved as an accused. Even in written statement of multiple investors do not mention any role of the Noticee and specifically mentioned the name of Mr. Anil Gandhi.
 - vii) Forensic audit report submitted by the Noticee does not mention any role of the Noticee. Even the email deletion allegations are made under the forensic auditor mentioned the name of Mr. Anil Gandhi and not the Noticee.
 - viii) The Noticee further submitted the compilation of judgements SEBI and Supreme court
 - ix) The Noticee alleged that the Committee was unwilling to hear the submissions and felt that the members of the Committee were not aware of the facts and the Committee did not permit the representative of the Noticee to make any submissions.

- d. The Noticee in her additional submission dated February 06, 2023, in addition to the above further submitted as under.
- i) EOW Amravati has now filed a chargesheet in the matter of Anugrah and in this chargesheet, Noticee's named as a witness and the role of actual preparator and the person in-charge of Teji Mandi and Tejimandi.com has been highlighted.
- e. The Noticee in her further additional submission dated February 23, 2023, submitted the translated copy of the Chargesheet filed by Amravati police.
- f. The Noticee in her submission dated March 02, 2023, in addition to earlier submissions submitted as under.
- i) the Noticee, was just a "namesake" director of Teji Mandi and was never involved in the day-to-day affairs or management of Teji Mandi. It was Mr. Anil Gandhi who owned, controlled and managed the affairs of Teji Mandi and the Noticee was made the Director by Anil Gandhi. Mr. Kalapi Shah (husband of Riddhi Shah and former employee of Anil Gandhi) could not to be the Director because of his citizenship as a result of which Mr. Anil Gandhi convinced Mr. Kalapi Shah to bring the name of Ms. Riddhi Shah, the Noticee, on record as Director.
 - ii) the Noticee, a software engineer and working in a software company, lent her name as Director although she continued her employment and could never have been involved in affairs of Teji Mandi as the Noticee neither had any investment or interest in the market nor had any knowledge of the securities market.
 - iii) Teji Mandi is nothing but an extended entity of Tejimandi.com which is the sole proprietorship of Anil Gandhi which has been established during the investigation by the Economic Offences Wing, Amravati Police (hereinafter referred to as "Amravati EOW") and Telangana Central Crime Police Station (hereinafter referred to as "CCPS") during their investigation. But for the requirement of a private limited company to have two directors, Anil Gandhi was compelled to bring on board another individual whose name will be used as a namesake director and that was Riddhi Shah.
 - iv) Further, wide our letters dated February 06, 2023, and February 23, 2023, submitted a copy of the charge sheet filed by Amravati EOW in which the Noticee has been given a clean chit and has been named as a witness and not an accused.
 - v) Securities and Exchange Board of India (hereinafter referred to as "SEBI") had also initiated proceedings against our client in the matter of Anugrah Stock & Broking Limited. The Hon'ble Whole Time Member of SEBI has passed an order bearing reference no. WTM/SM/MIRSD/MIRSD_DPIEA/24256/2022-23 dated February 28, 2023 (hereinafter referred to as "**SEBI Order**") in the matter and has disposed of the proceedings against Ms. Riddhi Shah without any adverse

orders. The Noticee stated that the proceedings before SEBI were ongoing on the same set of facts and findings and similar submissions were made by the Noticee before SEBI and NSE.

9. Findings of the Committee:

- a) Undisputedly Teji Mandi was involved in collecting money from investors/ clients, providing assured/fixed returns to its clients and the same is well established under the order of the Committee dated November 30, 2020. Insofar as the Noticee is concerned, the said order of the Committee dated November 30, 2020 was set aside by the Hon'ble SAT vide order dated August 03, 2021 stating that *"Action in whatever capacity could be taken against the Company but if any action is required to be taken against its Director in their personal capacity in which case it was incumbent upon the respondent to issue a show cause notice to the Directors which admittedly in the instant case was not done."*
- b) Subsequent to the Hon'ble SAT directions, the SCN was issued to the Noticee and the Noticee made various submissions as recorded under paragraph no.8 above.
- c) The Noticee's contention that the role of Noticee as a namesake director and that the Noticee was never involved in the day-to-day operations, management of Teji Mandi is not acceptable. The Committee observed from the shareholding pattern of Teji Mandi as on February 28, 2019, that the Noticee was a 50% shareholder in Teji Mandi and acting as a Director of the Company. Further, the Noticee in a capacity as a Director had executed various documents at the time registration of AP with Anugrah including Trading Member and Authorised Person agreement thereby agreed that the AP shall not receive or pay any money or securities in its own name or account, etc. among the other terms and conditions, certificate of incorporation etc. Further, there is no such concept of a namesake director under the Companies Act and under any law. Being a director and shareholder of Teji Mandi, and by entering into an agreement, the Noticee is vicariously and equally liable for all the acts and omissions of Teji Mandi, who is juristic person acting through its members.
- d) The contention of the Noticee about the Noticee was being lured by the assurance and trading pattern of Anugrah and herself a victim of the fraud perpetrated by Anugrah, is not acceptable. The Noticee was aware about such illegal scheme at the time of introducing her relative to open an account as the husband of the Noticee also reached out to his relatives to invest in Anugrah and narrated the assurance and strategy of Anugrah. The Noticee now cannot claim innocence. Being a Director of the Company the Noticee had certain responsibilities and obligation towards the Company and towards its customers. Even after knowing such illegal scheme, the Noticee decided to remain silent.
- e) Furthermore, upon perusal of email dated March 16, 2020, sent to email id. aayush.toshniwal@gmail.com from tejimandi@anugrahsb.com enclosing a file name "option 50" containing a "Option Advisory Strategy" highlighting the features of

the Strategy, annualized return of 142 months at 19.60% and absolute return at 216.58% among the other features etc. and the Strategy documents including the audited performance report of Teji Mandi certified by M/s. Kamdar Desai & Patel, Chartered accountant showing the Average amount under management (AUM), total profit for the year, return for year and monthly option turnover, clearly establish that Teji Mandi was also involved in scheme in connivance with Anugrah and cannot now claim that the Noticee was a victim of the fraud perpetrated by Anugrah. Thus, the Noticee's contention that the Noticee was never aware and had no knowledge of any assurances/ promises being made to the persons in relation to assured/fixed returns are observed to be incorrect.

- f) The contention of the Noticee that the Noticee was made as a Director since the Noticee's husband was US citizen, had no knowledge of securities market, not aware of the facts and submissions as made by Mr. Kalapi Shah, husband of the Noticee, who worked under the instruction of Mr. Anil Gandhi, not involved in business decisions and not responsible for the decision act or omission and commission by Teji Mandi is also not acceptable. The Noticee being a Director of the Company had every right to know and is responsible for the affairs of the Company and allegedly not involved in day-to-day affair of the Company is by choice of the Noticee. The Noticee cannot now claim negligence towards its responsibilities being a Director of the Company and cannot claim ignorance of laws. The Noticee was not the non-executive or independent director but was Director of Teji Mandi which is a private limited Company. Therefore, the Noticee being an educated person and associated as Directed for long time cannot claim that the Noticee was not involved in day-to-day affair of the Company and had no knowledge of securities market. The act of the Noticee indicates the lack of integrity, while acting as a director.
- g) The Noticee's contention that the Noticee had not drawn any salary remuneration from Teji Mandi apart from a sum of Rs. 3 Lakh in 2016 which was paid to Mr. Kalapi Shah and was deposited in the joint account of Noticee and Mr. Kalapi Shah and the Noticee had never received/paid any funds from/to any clients of Anugrah does not establish that she was not involved in day-to-day activity of Teji Mandi. Admittedly remuneration was received in joint account, where the Noticee is one of the holders.
- h) The contention of the Noticee that the Noticee's name was not involved as an accused in the chargesheet filed by Telangana and Amravati Police is not relevant as the Committee is of the opinion that the civil and criminal proceedings are different from each other and depends upon the facts and circumstances of each case. Therefore, whether the name of the Noticee involved in chargesheet or not does not have any bearing on the present proceedings.
- i) The Noticee's allegations that the Committee was unwilling to hear the submissions and that the members of the Committee were not aware of the facts and not permitted the representative of the Noticee to make any submissions is not acceptable. The Committee noted that three opportunities have been given to the Noticee to represent her matter. However, the Noticee did not appear before the Committee on two

occasions and the third meeting was represented by the Noticee's authorized representatives, wherein the Noticee's representatives were heard at length. The oral submissions made by the Noticee are mentioned under paragraph No.7 above, which establish that the Noticee was given sufficient opportunity to represent her matter.

- j) The Noticee's contention that a similar proceeding before Whole Time Member (WTM) of SEBI, WTM Member has disposed of the proceedings against Ms. Riddhi Shah without any adverse orders is not acceptable as the WTM of SEBI after taking note of various facts and material documents executed by the Noticee, pronounced that there is no position called 'namesake director' under any law including the provisions of the Companies Act, 2013. Further, with respect to other proceedings, WTM also recorded that it is a trite law that each proceeding has to be disposed of on its own merit based on the appreciation of materials and evidence on record and by granting benefit of doubt, the Noticee was strongly warned to be careful in her activities pertaining to dealings in securities market or while getting associated with any entity in any manner that deals in securities market.
- k) Given the findings above and further taking a note of the fact that out of total 2,213 clients complaint against Anugrah as on November 23, 2020, 1,191 complaints with claim value amounting to approximately Rs.772 crores have been filed by the clients who are mapped to AP i.e., Teji Mandi and considering the hardship and losses suffered by the investor at large, the acts of the Noticee does not fit the criteria prescribed under clause 3 of Schedule II of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hence, the Committee decided that the Noticee be restrained from associating with any trading member of the Exchange, directly or indirectly, in any capacity including as an Authorised Person, as a Director, shareholder or compliance officer of any Authorised Person or Trading Member for a period of 6 months from the date of this order.

Sd/-
K Narasimha Murthy
(Chairman)

Sd/-
Ashishkumar Chauhan
(Committee Member)

Date: May 25, 2023