

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

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

In the matter of Sharepro Services (I) Pvt. Ltd.

In respect of:

Sr. No.	NOTICEE(S)	PAN
1.	Sharepro Services (I) Pvt. Ltd.	AAICS5500L
2.	Govind Raj Rao	AGAPR1557P
3.	Indira Karkera	ADUPK3802B
4.	Balram Mukherjee	CIGPM5834A
5.	Prashant Karkera	AANPK8238K
6.	Akhil K Dalal	AAEPD5406D
7.	Anil Jathan	ADCPJ1922H
8.	Bhavani Jathan	AOTPJ8562P
9.	Chetan Shah	ALWPS9006K
10.	Dayanand Jathan	ACDPJ8303J
11.	Dina Bhalakiya	AKZPB1073H
12.	Jayshree Shah	AVGPS5623L
13.	Mohit Karkera	AUWPK6144M
14.	Sujitkumar Amarnath Gupta	N.A.
15.	Pradeep Rathode	AADPR5838A
16.	Rajesh Bhagat	AHZPB1387P
17.	Chandrakant Pawar	AGUPP7075N
18.	Ganesh Nimbalkar	AHLPN3882D
19.	Krishna M. Ghosh	ALOPG9555D
20.	Nagesh Karkera	BPYPK6412A

21.	Narayan Devadiga	BWTPD3249L
22.	Raju Landge	N.A.
23.	Ratnakar Loku Poojary	AMEPP0543K
24.	Sadashiv Poojary	AOQPP2826K
25.	Sukhdev S. Bhosale	BUHPB1708E
26.	Sunanda Jathan	ABSPJ9617R
27.	Suresh Unavane	AAXPU3881C
28.	Swapnil Sutar	EKZPS4710N
29.	Bhagyalakshmi Rao	AEGPR6549K
30.	Shrikant Bhalakia	AGJPB6222E
31.	Anand S. Bhalakia	AABPB9293K

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**BACKGROUND:**

1. The Securities and Exchange Board of India (SEBI), had received an anonymous complaint dated October 20, 2015 with respect to Sharepro Services (I) Pvt. Ltd. (Noticee no. 1 / Sharepro / the RTA), a SEBI registered registrar to an issue and share transfer agent, alleging *inter alia* misappropriation of unclaimed dividend which were to be transferred to IPEF, misappropriation of shares belonging to deceased shareholders and tampering of accounts. SEBI conducted an investigation in the matter. While the investigation was in progress, an *ex-parte* ad-interim order dated March 22, 2016 (**Interim Order**) was passed against Sharepro and certain Noticees whereby they were *inter alia* restrained from buying selling or dealing in the securities market or associating themselves with securities market, either directly or indirectly, in any manner, till further directions. SEBI, vide order dated November 03, 2017 (**Confirmatory Order**) confirmed the directions issued in the Interim Order.
2. On the basis of the findings of the investigation, a total of three show cause notices (SCNs) were issued to the abovementioned Noticees i.e. SCN dated September 27,

2018 was issued to Noticee nos. 1 to 28, SCN dated January 31, 2018 was issued to Noticee no. 29 and SCN dated January 30, 2018 was issued to Noticee nos. 30 and 31. A synopsis of the findings of investigation is given below in paras 3 to 21 of this order. From a perusal of the SCNs, I note that the entire details of the alleged fraudulent transfer of dividends, misappropriation of shares, the movement of funds, details of bank accounts involved, the relevant evidences and records considered by the investigation etc. have already been provided to the Noticees, at length. As the abovementioned SCNs are quite voluminous running to close to 300 pages without the annexures, and contain all the relevant details pertaining to the findings of the investigation, this order does not duplicate the entire details and refers to only sample instances with respect to each Noticee to consider the roles of the entities for a focused adjudication.

3. Sharepro Services (India) Private Limited (**Sharepro / Noticee 1**) is a SEBI Registered Category I Registrar to Issues and Securities Transfer Agent (CIN: U67120MH2004PTC148994; SEBI Registration No-INR000001476). Sharepro as a company is controlled by Govind Raj Rao (**G.R. Rao / Noticee 2**) and his wife Ms. Bhagyalaxmi Rao. Shri G.R. Rao is the Managing Director. Indira Karkera (**Indira / the Noticee 3**) is Vice President and Client Manager for a number of client companies of Sharepro. A Client Manager acts as the interface between the RTA and the listed company which avails the services of the RTA. All communications between the company and the RTA generally happen through the Client Manager. As per the statement of **Noticee 2 – G R Rao** dated December 04, 2015, all dividend related functions viz. payment of dividend, re-issue of dividend, transfer of unpaid dividend to IEPF etc were handled by client managers who directly reported to MD himself i.e **Noticee 2 – G R Rao**. Further **Noticee 2** explained that there was no formal work allocation order or delegation of work within Sharepro.
4. Investigation revealed that Sharepro and its top management in collusion with various other entities have facilitated diversion of assets (securities and dividend) belonging to genuine and rightful shareholders to entities related to management of

Sharepro. Investigation further revealed that records were not maintained properly and there was deliberate falsification of records to blur the audit trail. Internal checks and balances were compromised to a high degree in Sharepro. Various entities actively connived with the top management of Sharepro and had also substantially benefitted from the scheme of fraud. Based on the transaction patterns, various information received from brokers/DPs/Banks, documents collected, statements of various entities recorded etc. a group of entities were found to be linked with each other and the management of Sharepro. The relationship among them is given in a tabular form below:

<b>Sr. No.</b>	<b>Name</b>	<b>Related to</b>	<b>Details of connection</b>
1	Ms. Indira Karkera / <b>Noticee 3</b>	Sharepro / <b>Noticee 1</b>	Vice President. Client Manager of majority of the client companies of Sharepro
2	G.R.Rao/ <b>Noticee 2</b>	Sharepro/ <b>Noticee 1</b>	Managing Director of Sharepro
3	Bhagyalaxmi Rao / <b>Noticee 29</b>	Sharepro / <b>Noticee 1</b>	Director of Sharepro
4	G.R.Rao/ <b>Noticee 2</b>	Bhagyalaxmi Rao/ <b>Noticee 29</b>	Husband of Bhagyalaxmi Rao
5	Ms. Indira Karkera/ <b>Noticee 3</b>	Prashant Karkera/ <b>Noticee 5</b>	Wife of Prashant Karkera
6	Ms. Indira Karkera/ <b>Noticee 3</b>	Mohit Karkera / <b>Noticee 13</b>	Mother of Mohit Karkera
7	Ms. Indira Karkera/ <b>Noticee 3</b>	Anil Jathan / <b>Noticee 7</b>	Sister of Anil Jathan
8	Ms. Indira Karkera/ <b>Noticee 3</b>	Bhavani Jathan / <b>Noticee 8</b>	Daughter of Bhavani Jathan
9	Ms. Indira Karkera/ <b>Noticee 3</b> and Prashant Karkera/ <b>Noticee 5</b>	Suresh Unavane / <b>Noticee 27</b>	Servant of Indira/Prashant. Bank/Demat account transactions. Accounts of Suresh Unavane are opened and operated by Indira/Prashant.
10	Ms. Indira Karkera/ <b>Noticee 3</b> and Prashant Karkera / <b>Noticee 5</b>	Raju Landge / <b>Noticee 22</b>	Driver of Indira/Prashant. Bank account transactions. Accounts of Raju Landge are opened and operated by of Indira/Prashant.
11	Prashant Karkera / <b>Noticee 5</b>	Nagesh Karkera / <b>Noticee 20</b>	Brother of Nagesh Karkera. Bank account transactions. Accounts of Nagesh Karkera are opened and operated by of Indira/Prashant.
12	Prashant Karkera / <b>Noticee 5</b>	Narayan Devadiga / <b>Noticee 21</b>	Servant of Prashant Karkera. Bank account transactions. Accounts of Narayan Devadiga

Sr. No.	Name	Related to	Details of connection
			are opened and operated by of Indira/Prashant.
13	Prashant Karkera / <b>Noticee 5</b>	Satyam Brush Industries	Proprietary Firm of Prashant Karkera
14	Shrikant Bhalakia / <b>Noticee 30</b>	Anand Bhalakia/ <b>Noticee 31</b>	Father of Anand Bhalakia. Accounts of Anand are operated by Shrikant.
15	Shrikant Bhalakia/ <b>Noticee 30</b>	Dina Bhalakia/ <b>Noticee 11</b>	Husband of Dina Bhalakia
16	Shrikant Bhalakia/ <b>Noticee 30</b> and Anand Bhalakia/ <b>Noticee 31</b>	Raju Landge / <b>Noticee 22</b> , Suresh Unavane / <b>Noticee 27</b> , Nagesh Karkera, Narayan / <b>Noticee 20</b> , Devadiga, Balram Mukherjee	Bank account transactions. Shrikant admitted transferring funds to them on the instruction of Indira.
17	Shrikant Bhalakia/ <b>Noticee 30</b>	Jayshree B Shah / <b>Noticee 12</b>	Sister of Shrikant Bhalakia.
18	Shrikant Bhalakia/ <b>Noticee 30</b>	Indira / <b>Noticee 3</b>	Both admitted knowing each other.
19	Rajesh Bhagat / <b>Noticee 16</b>	Ganesh Nimbalkar / <b>Noticee 18</b>	Brother-in-law of Rajesh Bhagat. Demat transactions. Accounts of Ganesh Nimbalkar are opened and operated by Rajesh Bhagat.
20	Rajesh Bhagat / <b>Noticee 16</b>	Swapnil Sutar / <b>Noticee 28</b>	Rajesh knows Swapnil as neighbor of Ganesh Nimbalkar. His accounts are opened and operated by Rajesh Bhagat.
21	Rajesh Bhagat / <b>Noticee 16</b>	Sukhdev Bhosale / <b>Noticee 25</b>	Rajesh and Sukhdev are friends. His accounts are opened and operated by Rajesh Bhagat.
22	Rajesh Bhagat / <b>Noticee 16</b>	Chandrakant Pawar / <b>Noticee 17</b>	Rajesh Bhagat knows Chandrakant as neighbor of Ganesh Nimbalkar. Demat transactions. His accounts are opened and operated by Rajesh Bhagat.
23	Chandrakant Pawar / <b>Noticee 17</b>	Prashant Karkera / <b>Noticee 5</b> and Nagesh Karkera / <b>Noticee 20</b>	Demat Transactions
24	Chandrakant Pawar / <b>Noticee 17</b>	Ganesh Nimbalkar / <b>Noticee 18</b>	Neighbour. Demat transactions
25	Dayanand Jathan / <b>Noticee 10</b>	Sharepro / <b>Noticee 1</b>	Employee of Sharepro
26	Dayanand Jathan/ <b>Noticee 10</b>	Sunanda Jathan / <b>Noticee 26</b>	Wife of Dayananad Jathan

Sr. No.	Name	Related to	Details of connection
27	Dayanand Jathan / <b>Noticee 10</b>	Ratnakar Loku Poojary / <b>Noticee 23</b>	Cousin of Sunanda Jathan
28	Ratnakar Loku Poojary / <b>Noticee 23</b>	G.R.Rao / <b>Noticee 2</b>	Neighbour. Demat Transactions
29	Sunanda Jathan / <b>Noticee 26</b>	G.R.Rao/ <b>Noticee 2</b>	Demat Transactions
30	Prashant Karkera / <b>Noticee 5</b>	G.R.Rao/ <b>Noticee 2</b>	Funds Transactions
31	Akhil Dalal / <b>Noticee 6</b>	Indira Related entities viz. Nagesh Karkera / <b>Noticee 20</b>	Funds transactions
32	Pradeep Rathod / <b>Noticee 15</b>	Indira / <b>Noticee 3</b> Related entities viz. Raju Landge / <b>Noticee 22</b> and Anil Jathan / <b>Noticee 7</b>	Admitted dealing with Indira. Funds transfer with Indira Related entities.

#### IRREGULARITIES WITH REGARD TO DIVIDEND PAYMENTS:

5. The investigation revealed several irregularities on the part of **Noticee 1 - Sharepro** regarding release of dividend payments. It was found that dividends belonging to the rightful shareholders were fraudulently paid to persons belonging to or connected with the management of **Noticee 1**.
  
6. As regards the practice followed at Sharepro in respect of payment of dividends, **Noticee 1** stated that dividends are paid electronically or by demand drafts or by issue of warrants. In respect of each folio, an instrument of warrant with a unique number is issued. The unique warrant number also acts as a unique reference number for the said folio regarding payment of dividend. If the warrants are not encashed, the shareholders have to request **Noticee 1** to once again send the dividend proceeds to them and this time the dividend proceeds are sent by way of demand drafts. Unique warrant number remains same throughout even if further DDs are issued against unclaimed warrant. In case where a warrant / demand draft is not encashed / is returned undelivered, the same is once again issued by way of a demand draft on receipt of request from concerned shareholder. In such cases, no record such as DD no., date of reissue of demand drafts reissued against

warrants or earlier demand drafts were maintained in Sharepro Systems. In this regard, it is observed from the statement dated December 02, 2015 of Indira Karkera that **Noticee 1** has deliberately not maintained proper records in its system so that demand drafts issued to persons belonging to or connected with the management of Sharepro instead of the genuine shareholders is not immediately visible to anyone. All such payments have been recorded as payment being made to the registered shareholder i.e. the names of wrongful beneficiaries to whom it actually paid are not recorded in database of **Noticee 1**. This amounts to deliberate falsification of records by **Noticee 1**.

7. Regarding the practice followed at Sharepro, **Noticee 3** further stated that data of undelivered dividend warrants are kept only for 3 months. However, in case any investor approaches for re-issuance after the expiry period is over, the said data is not referred to while issuing duplicate instruments. In such cases, the reconciliation file sent by the bank is referred to for payment status and dividend is reissued accordingly. In case of undelivered demand drafts, these are inwarded in the Sharepro system, but no details either in excel sheet or in any format are maintained or linked to the individual folio records. If any investor approaches for re-issuance, details are referred to bank for payment status and dividend is reissued accordingly. Bank confirmation for payment status of original or subsequent instrument is taken before issuing further instrument. Sharepro does not maintain records such as DD number, date of reissuance of re-issued demand drafts, etc. There is no link of reissued instruments with original instruments and only payment status is updated in the system. For example, the dividend instruments in respect of Folio no. 60245 of Asian Paints Ltd belonging to one Radha Manucha had remained undelivered. It was found that demand drafts were issued in lieu of some of these initial instruments to Raju Landge, **Noticee 22**. However, as explained above, Sharepro's internal record keeping system did not specify that original instruments remained undelivered. It has not maintained the DD numbers of such reissued instruments and also does not show the fact that these were issued to somebody else and not to the original shareholder. The system only showed that these dividends had been

paid. The system thus gave a false impression that original shareholder has received dividends. Since the electronic system does not capture details of reissued instruments, further audit trail became blurred.

8. It was observed that **Noticee 1** and its management would come to know about inactive folios from the fact that letters / warrants sent to them would return undelivered. Sharepro would then issue demand drafts of dividends pertaining to such folios in favour of people connected with its management. Since the system does not capture details like dividend instruments returned, details of demand drafts re-issued etc., the audit trail becomes blurred.
9. Another practice followed by **Noticee 1** is that it would issue demand drafts in favour of investors in bulk just before dividend account is closed and the balance (i.e. unpaid dividend) is transferred to IEPF. Since many investors would not claim such demand drafts, all demand drafts would eventually get cancelled. **Noticee 1** would then request banks to issue demand drafts in favour of people connected with its management. Since the said account gets closed and Sharepro system shows the dividend as having been paid, it helped Sharepro management to blur the audit trail.
10. It was observed that there was large scale siphoning off of dividends of those companies which have authorized **Noticee 1** to issue instructions to bankers directly without going through them. These companies were Tata Communications Ltd, Kansai Nerolac Paints Ltd., Navin Fluorine International Ltd. and Merck Ltd. **Noticee 3** – Indira Karkera was client manager for all the above companies, as per data submitted by **Noticee 1**. Investigation has revealed that on 1004 instances (involving **Rs. 74,95,420/-**) **Noticee 1 - Sharepro** has misused the authority of instructing the bankers directly by issuing dividend payment instruments to persons who were not shareholders. The said persons who were recipient of misappropriated dividends were found to be related to **Noticee 3** – Indira Karkera. It is observed from instruction letters obtained from banks and companies that most of the letters were signed by **Noticee 3**. In some cases, she had knowledge of the



instructions by being on CC of the emails. Further, it is also observed that explanations such as 'late transfer case', 'matter under dispute cases and settled now', 'transmission' are written / superscribed on many of the aforementioned instruction letters so that no questions are raised by banks. This strategy was employed by **Noticee 1 / Noticee 3** to mislead the banks. Further, **Noticee 1** in connivance with **Noticee 2 - Govind Raj Rao** and **Noticee 3 – Indira** has falsified the records to hide the fraud committed in the aforesaid 1004 instances.

11. Further, in respect of those companies where **Noticee 1** was not directly authorized to issue instructions regarding dividend payments to the bankers but was required to route the instructions to the company who in turn would issue the instructions to the bankers, it was observed that on a number of occasions, **Noticee 1** misled such companies by asking them to issue requisite instructions to bankers to credit the dividend proceeds of rightful investors to entities/persons who were linked to management, i.e. **Noticee 3 - Indira**. It is observed from instruction letters obtained from companies that most of the letters were either signed by **Noticee 3 – Indira** or she had knowledge of the instructions by being on CC of the emails.
12. Apart from the above, it was further observed that shares in certain folios were also misappropriated by the entities linked to management of **Noticee 1- Sharepro / Noticee 3 - Indira**. Consequently, all dividends subsequent to the misappropriation were issued in favour of such entities/persons linked to Sharepro / Indira Karkera. During investigation, such misappropriations were observed in instances belonging to shareholders of Hexaware Technologies Ltd., JM Financial Ltd., Britannia, Larsen and Toubro and Asian Paints.
13. A summary of the payment of misappropriated dividends of genuine shareholders to the entities connected to Sharepro management / Indira Karkera through the above three methods (i.e. through direct instructions to bank, through instructions routed through companies and through misappropriation of shares) is as under:

Sr. No	Name of the Person to whom dividend was wrongfully paid	Amount Paid In Rs
1	Satyam Brush Industries (Proprietary Firm of <b>Noticee 5</b> )	45,58,009/-
2	Mr. Raju Landge / <b>Noticee 22</b>	21,35,969/-
3	Mr. Suresh Unawane / <b>Noticee 27</b>	17,67,243/-
4	Mr. Nagesh Karkera / <b>Noticee 20</b>	10,18,060/-
5	Mr. Narayan Devadiga / <b>Noticee 21</b>	5,18,203/-
6	Mr. Anil Jathan / <b>Noticee 7</b>	27,000/-
7	Mr. Swapnil Sutar / <b>Noticee 28</b>	24,37,500/-
8	Mr. Balram Mukherjee / <b>Noticee 4</b>	15,01,470/-
9	Mr. GR Rao / <b>Noticee 2</b>	8,059/-
10	Mr. Ratnakar Loku Poojary / <b>Noticee 23</b>	24,090/-
11	Mr. Sadashiv Poojary / <b>Noticee 24</b>	19,802/-
	<b>Total</b>	<b>1,40,90,923/-</b>

14. Investigation also revealed a typical pattern of transactions in bank accounts of the abovementioned persons, wherein they either transferred the wrongful dividend proceeds to **Noticee 3 – Indira** and her family members (viz. **Noticee 5** - Prashant Karkera and **Noticee 13**- Mohit Karkera) or withdrew the same in cash. The said pattern reveals that the bank accounts of these recipients were being used just as a front by the ultimate beneficiaries, viz. **Noticee 3 – Indira** and her family members. Further, **Noticee 5 - Prashant** has also admitted that he and **Noticee 3 – Indira** were operating the demat/bank accounts of **Noticee 22 – Raju Landge**, **Noticee 27 – Suresh Unavane**, **Noticee 20 - Nagesh Karkera** and **Noticee 21 – Narayan Devadiga**.
15. The investigation has pointed out sample cases to explain the modus operandi adopted by **Noticee 1** and its Management to siphon off the dividend payments. A summary of the common pattern adopted by Noticee nos. 1 to 3 is provided hereunder:
- I. Instances where instructions were issued by Sharepro to bankers directly to release dividend payments in favour of persons who were not the rightful shareholders:**
- (a) It was found that dividend belonging to genuine shareholders were fraudulently paid to entities related to Indira Karkera, viz. Suresh Unavane, Narayan

Devadiga, Anil Jathan, Nagesh Karkera, Satyam Brush Industries/ Prashant Karkera and Raju Landge

- (b) Here the banks were asked to issue DDs against old warrant numbers, which were originally in the name of actual investors, to abovementioned entities related to Indira Karkera by showing them as shareholders.
- (c) In some cases, Sharepro/Indira misled the banks by stating that the cases pertained to matters under dispute which were settled or pertained to late transfer / transmission.
- (d) Even though payments were made to fake shareholders instead of genuine shareholders, Sharepro's system showed such payments as having been made to genuine shareholders.
- (e) In one instance, in respect of dividends which were due for transfer to IPEF, DDs issued in favour of respective shareholders were cancelled and were issued in favour of Satyam Brush Industries on the pretext of centralized processing. In this regard, it was found that GR Rao tried to mislead the investigation in this instance by submitting false information.
- (f) The beneficiaries of such siphoned of dividends were Indira Karkera and her family members.

**II. Instances where Noticee 1 – Sharepro along with its top management i.e Noticee 2 – G.R. Rao and Noticee 3 - Indira Karkera falsified the records and asked the companies to release dividend payments in favour of persons who were not rightful shareholders:**

- (a) In these instances, the companies were misled into issuing instructions to the banks to issue demand drafts in favour of entities related to Indira Karkera, viz. Raju Landge, Satyam Brush Industries / Prashant Karkera and Swapnil Sutar.
- (b) In one case, Sharepro misled the company by stating that the cases pertained to name deletion.
- (c) In two instances, Sharepro directly issued instructions to bank (HDFC Bank) to issue demand drafts in favour of Satyam Brush Industries (proprietary firm of

Prashant Karkera, husband of Indira Karkera), even though Sharepro was not authorized to issue direction to bankers for revalidation of demand drafts/ dividend warrants by the company, namely Asian Paints Limited.

(d) In one instance, when the fraudulent payment of dividends pertaining to Asian Paints Ltd. to Swapnil Sutar through fraudulent instructions of Indira Karkera was discovered, GR Rao in order to settle the matter with the company got the entity to refund the money back with the company. However, he did not take any action against Indira on whose instructions the fraud happened.

16. It was thus observed that not only the dividends due to genuine investors were fraudulently siphoned off by **Noticee 1** but the records were also falsified so as not to reflect the correct position. The system/database of **Noticee 1 - Sharepro** showed that dividends were paid to the original shareholders, but the verification of the bank accounts revealed that the dividends were paid to persons who were not the rightful shareholders or were not at all the shareholders of the companies. In 13 cases, the system of **Noticee 1** shows that dividends have been transferred to IEPF whereas these payments have actually been made to **Noticee 20 - Mr. Nagesh Karkera** and **Satyam Brush Industries** (Proprietary Firm of **Noticee 5 – Prashant Karkera**). Thus, it is observed that **Noticee 1 - Sharepro** has not only failed to maintain the proper books of account but has also falsified records to hide the fraud committed by Sharepro management.

**IRREGULARITIES WITH RESPECT TO TRANSFER, TRANSMISSION, BUYBACK / REDEMPTION OF SECURITIES, PRINTING OF SHARE CERTIFICATES AND MAINTENANCE OF RECORDS**

17. Investigation revealed that **Noticee 1 – Sharepro’s** management has committed fraud in respect of transfer, transmission, buyback/ redemption of securities, printing of share certificates and maintenance of records. A synopsis of the company specific fraudulent transactions and the modus operandi followed therein is provided below:

**Britannia Industries Limited:**

- (a) In one instance, it was found that account (folio) of a deceased shareholder of Britannia Industries Limited was tampered with and shares belonging to him

were transferred to another entity (Balram Mukherjee) in 2015 based on a fake court order purportedly passed in 1985. The said transfer was initiated by Indira Karkera and approved by GR Rao (MD of Sharepro). The shares were then dematerialized and a part of the same was parked for some time in the account of Prashant Karkera (husband of Indira Karkera). Later, Balram Mukherjee sold these shares and purchased shares of other companies. Some of these shares, acquired out of sale proceeds of Britannia Industries Limited, were then transferred in off-market to entities connected to Indira Karkera / Sharepro (viz. Anil Jathan, Bhavani Jathan, Sadashiv Poojary and Shrikant Bhalakia) without any consideration. Later, these transactions were reversed to blur the audit trail. Balram Mukherjee later sold the shares and received payments of Rs.9.24 Crores which he withdrew in cash from his account. He was also found to have transferred funds to Suresh Unavane (servant of Indira/Prashant). It was also found that Sadashiv Poojary (an employee of Sharepro), for his help in the fraudulent transactions, had also benefitted by receiving shares and the dividend accrued on such shares. Sadashiv Poojary was found to have transferred a part of the dividend amount to Indira Karkera.

- (b) In respect of debenture redemption payments of Britannia Industries Limited where fresh Demand Drafts were to be issued in respect of original warrants / instruments, Sharepro deliberately made changes in the payment master files of debenture redemption and submitted two different files to the company and to the bank. While in the file sent to the company the folios were shown in the name of actual debenture holder, in the file sent to the bank the names of the folios were changed and they were shown in the names of entities related to Indira Karkera. Accordingly, the bank released demand drafts for debenture redemption payments in favour of such fake debenture holders. It was found that such entities, upon encashing the DDs, transferred the funds to Indira Karkera or to entities connected with her. In one instance, it was also found that DD was issued in the name of a deceased debenture holder and the same was fraudulently encashed by another person with similar name.

### **Asian Paints Limited**

- (c) An instance was observed where shares of Asian Paints Limited jointly belonging to two persons were fraudulently transferred to sister of a person connected to Indira Karkera (viz. Jayshree Shah who is sister of Shrikant Bhalakia) by printing a new certificate and using forged transfer deed purportedly signed by a dead person. The said transfer and signature of dead person were approved by Indira Karkera and GR Rao, even though Sharepro knew that the said person was already dead. When joint holder cum heir of the actual shareholder appeared and demanded shares, the said transaction was reversed by a rectification entry carried out through back dated falsification in software system of Sharepro, and shares were delivered to the said joint holder by printing yet another certificate. The said reversal of transaction was never put before or sent to the company for approval in any 'Share Transfer Committee' meeting.
- (d) Every shareholder in a company having physical shares has a unique folio number and the same number is never allotted to another person. In case of transfer of shares from one person to another person, the transferee gets a new folio number. However, in respect of the company Asian Paints Limited, investigation revealed numerous instances where the folios or folio numbers of genuine shareholders were taken over by simply replacing their names with those of entities connected to Indira Karkera through back end entry in the electronic records. The same was generally evident from the "System Log for Changes in Folio Master", which is the electronic record of all changes in "Folio Master Data" during a particular period of time. It was found that while the names in the folios were changed, the signature attached to the said folios remained those of the original shareholders. It was further found that such changes of names in folios were carried out without informing / taking approval of the company and no records of such changes were maintained in the Back-Office Software Module of Sharepro, which could indicate the reason for such changes. Further, no documentation was maintained in respect of the said changes in folio names. It was observed that, generally, subsequent to the

name change in the said folios, different share certificates belonging to the said folios were merged (viz. consolidation of old certificates into new ones) and new certificates were printed in the name of such entities connected to Indira Karkera. It was noted that the register of consolidation put up by Sharepro to the company for its approval contained the names of such fake shareholders instead of the actual shareholders. Accordingly, the company, in its Share Transfer Committee meetings, had approved the consolidation of shares in the name of fake shareholders. Later, these certificates were dematerialized by such entities. The dematerialization transactions in favour of such entities were carried out under the direction of Indira Karkera, despite complete signature mismatch. After dematerialization, such entities either sold the shares or transferred them to other connected entities. The sale proceeds of such shares were later transferred, directly or indirectly, to Indira Karkera or other entities connected to her. Further, since the names in the folios were changed, the subsequent dividends accrued on the shares lying in them were also paid to entities connected to Indira Karkera. In many cases, after the shares in the taken over folios were sold, the folios were reverted in the name of original shareholders (i.e. the name in the folios were again changed to reflect the names of original shareholder), to avoid detection in any audit / inspection.

- (e) Investigation further revealed that in many cases, after folios belonging to genuine shareholders were taken over in the abovementioned fashion, further shares belonging to other folios were fraudulently transferred by “Rectification Entry” to such folios which were taken over by fake shareholders connected to Indira Karkera. In a similar fashion as above, the transfers were being carried out without informing / taking approval of the company and without maintaining documentation in respect of the said transfers. It was further found that shares were also transferred from folios which were under dispute and where transactions were not allowed, even though the said fact was in the knowledge of Sharepro. In a similar fashion as above, the transferred shares were subsequently merged / consolidated and new share certificates were reprinted

in the name of such fake shareholders. Subsequently, these entities dematerialized and sold the shares and transferred funds, directly or indirectly, to Indira Karkera or other entities connected to her.

- (f) In some cases, the ill gotten gains out of siphoning of shares were being shared by Indira Karkera and entities connected to Indira Karkera who participated in the fraud.
- (g) It was observed that the abovementioned reprinting of share certificates in the name of fake shareholders prior to their dematerialization was done since the old certificates were not in the possession of Sharepro or such fake shareholders and the old certificates were in the name of actual shareholders. It was further noted that no records of printing of such new certificates were maintained in the back-office software module of Sharepro, though the physical share certificate print reconciliation/control register showed the reprinting of new certificates.
- (h) While siphoning off of shares by fraudulent transfers, the following were also observed:
- Shares were rematerialized by rectification entry without knowledge and approval of the company and without any documentation. Rematerialized share certificate had the same number as the one on the share certificate that was dematerialized earlier. The same share certificate which is dematerialized cannot be again rematerialized as the certificate is cancelled and defaced.
  - Old share certificate which was cancelled upon renewal was again reprinted with the same number, without recording the same in the back-office software module of Sharepro.
  - There was repeated reprinting of various share certificates without mandatory backup documents, to perpetuate the fraud.
  - The fraudulent transactions were being processed by Indira Karkera.



- Sharepro failed to cooperate with investigation and did not submit documents in respect of such transactions.
- (i) Thus, there was massive falsification of records at Sharepro in violation of Sharepro's policy as well as secretarial standards. The internal checks and balances and control system of Sharepro (across various departments) was compromised to illegally siphon of shares belonging to genuine shareholders.

**Kansai Nerolac Paints Limited**

- (j) In case of shares of Kansai Nerolac Paints Limited, the following were observed:
- As in the case of Asian Paints Limited, in the folios of genuine shareholders of Kansai Nerolac Paints Limited, the actual names were replaced with the names of entities connected to Indira Karkera (viz. Nagesh Karkera, Ganesh Nimbalkar) through back end entry, without approval of the company and without following due procedure and proper documentation. Here also, it was found that even after change of name, the signatures attached to the folios were of genuine shareholders.
  - After the folio names were changed, shares were transferred from taken over folios to entities connected to Indira Karkera (viz. Shrikant Bhalakia) through fraudulent book entry, without consideration and without knowledge/approval of the company. The share certificates were reprinted in the name of such connected persons who subsequently dematerialized the shares and sold them and shared the proceeds, directly or indirectly, with Indira Karkera or entities connected to her (Nagesh Karkera). Further, apart from transfer to other entities, shares were also directly dematerialized sold in the market.
  - Shares from other folios belonging to genuine shareholders were fraudulently transferred to the taken over folios by rectification entry, without following due procedure. The share certificates were reprinted just before such transfers, but there was no record of re-print in Back Office Software

System of Sharepro. The said shares were later dematerialized and sold in the market or transferred to other entities connected to Indira Karkera (viz. Rajesh Bhagat), in off-marker transfer. The sale proceeds were ultimately channelized, directly or indirectly, to Indira Karkera / entities related to her.

- It was also found that in case of siphoning of shares of a dead person (Amrit Lal), GR Rao had submitted a forged letter to the company.

### **Philips India Limited**

- (k) The company Philips had engaged the services of **Noticee 1** - Sharepro from the year 2001-2002 and in the past had come out with buyback programme from time to time to provide liquidity to the shareholders. The Company announced two buyback programs in the years 2008 and 2009. The applications for buy back were scrutinized initially by **Noticee 1** - Sharepro for factual accuracy and completeness of information and documents. On finding it complete in all respects, the same were accepted and request was issued by Sharepro for release of the funds to the shareholders whose applications tendered for buyback were found to be complete in all respects. The company also informed that only statistical data on a consolidated basis related to all the buyback applications received from the shareholders was provided by Sharepro to the Company, wherein the details of the applications found to be in order and accepted; and the applications that were rejected, were communicated to the Company. Sharepro sent to the Company the statistical data of the buyback applications found to be in order with a request for release of payment. On receipt of the request, the Company forwarded these requests to the Bank for releasing the payment instruments or to make direct online payments to the shareholders. In case of payments to be effected through physical instruments, the instruments were delivered at the office of Sharepro for dispatch to the shareholders.
- (l) It was found that adoptinfg a similar modus operandi as above, the names in folios of genuine shareholders were replaced with those of entities connected

with Indira Karkera through back end entry and shares belonging to such folios were reprinted and tendered in buyback.

- (m) The money received upon tendering the shares in buyback ultimately reached Indira Karkera/entities related to her.
- (n) These instances had generally happened where there was no record of shareholder's signature termed as "No Card" cases i.e. neither any original data of signature was received from the company at the time of taking over the share transfer work by **Noticee 1 - Sharepro** nor was such data subsequently available with Sharepro. It appears that "no signature record" cases had acted as a catalyst (along with other triggers like transfer of dividend to IEPF after 7 years as no one claimed the dividend) for siphoning of such shares because forgery in transfer of shares in such cases would avoid supervisory/audit scrutiny due to lack of signature record of original investor and comparison of fraudster's signature with the same. **Noticee 1 - Sharepro** failed to do additional due diligence and exercise of proper skill and care in such vulnerable cases.

#### **JM Financial Limited**

- (o) In case of this company, there was issuance of bonus shares and splitting of shares. Here also, the folios of genuine shareholders were fraudulently taken over by replacing their names with those of entities connected to Indira Karkera through back end entry, without any authority and supporting documents, in a similar fashion as in case of other companies.
- (p) The shares were reprinted in the name of entities connected to Indira Karkera and dematerialized. The shares were then sold by such entities.
- (q) Further, dividends belonging to the taken over folios were also fraudulently issued in favour of entities related to Indira Karkera and the instructions for the same were issued by Indira Karkera herself directly to the bank.

### **Navin Fluorine International Limited**

- (r) Here also, similar to the cases of other companies, the folios of genuine shareholders were taken over by replacing the name of actual shareholders with those of entities connected with Indira Karkera (viz. Suresh Unavane), through back end modification.
- (s) Further, shares from folio of genuine shareholder were fraudulently transferred to an entity connected to Indira Karkera (Pradeep Rathod) by rectification entry, without making any reference to the company. The share certificates were reprinted and dematerialized by such entity and money was paid to Indira Karkera. Pradeep Rathod had tried to cover up the fraud by claiming that he had bought the shares from certain person on the written assurance of Indira Karkera by obtaining an indemnity bond from Indira Karkera and a certificate (signed by Indira Karkera) from Sharepro that the shares transferred to him were owned by the transferor.
- (t) Further, shares from folio of genuine shareholder were fraudulently transferred to a different entity (Chetan Shah). In this case, it was shown as a 'transfer entry' in the back-office software module and the transfer register was sent to the company without any supporting documents. The company had approved the same based on due diligence done by Sharepro. Here, the share certificates were reprinted to enable Chetan Shah to lodge a fraudulent claim for dematerialization. Here rematerialization of the same certificates which were dematerialized earlier was also observed.

### **Apple Finance Limited**

- (u) In case of Apple Finance Limited also, the names of actual shareholders were replaced with the name of Raju Landge, an entity connected to Indira Karkera, without authorization from the company.

### **Aptech Limited**

- (v) Similar to cases of other companies, in case of Aptech Limited also, in various folios, the names of actual shareholders were replaced with the names of

entities connected to Indira Karkera (Raju Landge, Satyam Brush Industries, Suresh Unavane and Pradeep Rathod), without authorization from the company.

- (w) Suresh Unavane dematerialized and sold the shares in the folio taken over by him and also transferred shares and funds to Prashant Karkera and such funds ultimately reached Indira Karkera. Further, GR Rao was also found to have received Rs.300000 from Prashant Karkera out of such funds.
- (x) GR Rao, in his statement before Investigating Authority, had stated that Prashant Karkera was not known to him and he had no financial dealings with him. However, the above fund transfer from Prashant Karkera showed that GR Rao had deliberately made the above false statement to mislead the investigation.
- (y) Pradeep Rathod dematerialized and sold the shares in the folio taken over by him and transferred funds to Raju Landge. Such funds ultimately reached Indira Karkera and Prashant Karkera. Pradeep Rathod had tried to cover up the fraud by claiming that he had bought the shares from Raju Landge on the written assurance of Indira Karkera by obtaining an indemnity bond from Indira Karkera and a certificate (signed by Indira Karkera) from Sharepro that the shares transferred to him were owned by the transferor. Pradeep Rathod did the same in other scrips also.

### **Hexaware Technologies Limited**

- (z) In case of Hexaware Technologies Limited also, folios of genuine shareholders were taken over by simply replacing their names with those of entities connected to Indira Karkera (viz. Pradeep Rathod, Suresh Unavane, Raju Landge, Satyam Brush Industries) by changes in electronic records to siphon off the shares.
- (aa) It was also found that same folio had been changed indiscriminately from one name to another name multiple times by making changes in the electronic record.

- (bb) Pradeep Rathod dematerialized the shares in the taken over folios and sold the shares. Funds from the sale proceeds were transferred to Raju Landge and Anil Jathan (entities connected to Indira Karkera) from whom it ultimately reached Indira Karkera and related entities. Here also, Pradeep Rathod had tried to cover up the fraud, as done in the scrip of Aptech Ltd.
- (cc) Suresh Unavane also dematerialized the siphoned of shares. He either sold the shares or transferred them to Prashant Karkera. The sale proceeds ultimately went to Prashant Karkera (husband of Indira Karkera).
- (dd) Bonus shares were also illegally issued to Suresh Unavane in the folio taken over by him. Further, bonus shares were also fraudulently issued to Nagesh Karkera (relative of Indira Karkera) even though he was not a shareholder. These shares were misappropriated.

#### **Larsen and Toubro Limited**

- (ee) In the case of Larsen and Toubro Ltd., the folio of a genuine shareholder was taken over by replacing his name with that of an entity (Ratnakar Loku Poojary) connected to Sharepro/ GR Rao, through back end entry, without authorization of the company. The shares from that folio were apparently given to him in physical form by GR Rao. The said shares along with bonus shares received on them were dematerialized in his demat account. After dematerialization, he had transferred shares to GR Rao and other entities including Sunanda Jathan (Ratnakar's relative) on GR Rao's instructions. Ratnakar Loku Poojary had also received dividend on such shares which did not belong to him.
- (ff) Shares received by Sunanda Jathan in her demat account were further transferred to account of GR Rao. These transactions in her account were carried out by Dayanand Jathan (an employee of Sharepro and husband of Sunanda Jathan) in co-ordination with and at the behest of GR Rao. Sunanda Jathan was in possession of an Office Note of Sharepro approved by GR Rao which indicated that Dayanand Jathan would be acting at the behest of GR Rao in the matter.

- (gg) GR Rao after receiving the shares from Ratnakar and Sunanda, transferred the same to various other entities. He also rematerialized 145 shares received from Ratnakar and transferred the same to different entities as rectification entry. It was noted that the certificate number of the shares transferred to different entities was different from the number on certificate on which shares were rematerialized. This indicated that share certificates were repeatedly re-printed before transfers, apparently to obscure the audit trail.
- (hh) GR Rao also directly benefited from the above transactions by receiving dividends amounting to of Rs.8059 on the shares misappropriated by him through Ratnakar and Sunanda.

#### **Mather and Platt Pumps Limited**

- (ii) In case of Mather and Platt Pumps Ltd., folio of an investor was taken over by replacing the name with that of Satyam Brush Industries (proprietary firm of Prashant Karkera, husband of Indira Karkera). In this case, there was a scheme of arrangement involving the company. As per the said scheme of arrangement, the shareholders whose names appeared in the register of members as on record date could opt to sell the shares in the exit offer. Sharepro, while processing the entitlement of shareholders, had fraudulently changed the name in the abovementioned folio with that of Satyam Brush Industries in order to claim the entitlement. Upon the same, the bank had issued cheque in favour of Satyam Brush Industries which was encashed.

#### **Artson Engineering Limited**

- (jj) In the case of Astron Engineering Ltd., shares in the folio of an investor were misappropriated by replacing the name of investor with that of Anil Jathan (brother of Indira Karkera). The shares lying there were dematerialized and sold.

#### **The Great Eastern Shipping Company Limited**

- (kk) In case of Great Shipping Company Ltd., Sharepro had failed to maintain proper electronic records of transactions in one folio.

**Securities Misappropriated and value thereof:**

18. The investigation revealed that the total value of securities of various companies so misappropriated, as on October 10, 2016, amounted to Rs. 60,45,74,718.15/-.

**Non-compliance of summonses by Sharepro**

19. Sharepro did not comply with various summonses issued to it by the Investigating Authority and thereby hampered the investigation. The details of the said summonses are:

Date	Summons No
04/11/2016	MIRSD2/DB/LS/SSIL/30325/16
04/11/2016	MIRSD2/DB/LS/SSIL/30325/16
04/07/2016	MIRSD2/DB/SD/SSIL/18534/2016
04/07/2016	MIRSD2/DB/SD/SSIL/18503/2016
04/07/2016	MIRSD2/DB/SD/SSIL/18631/2016
20/06/2016	MIRSD2/DB/SD/17532/2016
29/04/2016	MIRSD2/LS/2016/12527
12/04/2016	MIRSD2/LS/2016/10903
17/03/2016	Hand Delivery
10/03/2016	MIRSD2/DB/OW/2016/7158
09/03/2016	MIRSD2/OW/P/2016/6970
08/03/2016	MIRSD2/DB/SD/SSIL/6940/2016
29/02/2016	MIRSD2/OW/2016/6099
17/02/2016	Hand delivery
12/02/2016	Hand Delivery to G.R.Rao on 15/02/16
07/12/2015	Hand delivered
04/12/2015	Hand delivered

**Overall findings of investigation:**

20. Thus, on the basis of the facts and findings discussed in the foregoing paragraphs, it is observed that Noticee 1 - Sharepro and its top management in collusion with other entities have facilitated diversion of assets (securities and dividend) belonging to genuine and rightful shareholders to entities related to management of Sharepro in the manner described above. Records were not maintained properly and there was deliberate falsification of records to blur the audit trail by Sharepro and its top management. Internal checks and balances were also compromised to the highest degree. Noticee 2 - G.R. Rao as Managing Director of Sharepro was responsible



for the operation of Sharepro. Noticee 3 - Indira was the Vice President of Sharepro and was the client manager for most of the companies. In case after case, she directly perpetrated the fraud by processing the transactions, getting shares and dividend fraudulently transferred to her front entities, tampering with records and thereafter benefitting from the same. Noticee 4 - Balram Mukherjee has also acted as one of the chief conspirators of the scheme of fraud. Noticee 5 Prasahant Karkera, the husband of Indira Karkera was also a mastermind perpetrating the fraud. Other Noticees, such as Noticee 7 - Anil Jathan, Noticee 8- Bhavani Jathan, Noticee 13 - Mohit Karkera, Noticee 12 - Jayshree Shah, Noticee 11 - Dina Bhalakia, Noticee 15 - Pradeep Rathod, Noticee 6 - Akhil Dalal, Noticee 16 - Rajesh Bhagat, Noticee 10 - Dayanand Jathan, Noticee 14 - Sujit Kumar Amarnath Gupta, Noticee 9 - Chetan Shah, Noticee 30- Shrikant Bhalakia and Noticee 31- Anand Bhalakia, actively connived with Indira and also substantially benefitted from the scheme of fraud. Other Noticees, such as Noticee 27 - Suresh Unavane, Noticee 22 - Raju Landge, Noticee 20 - Nagesh Karkera, Noticee 21 - Narayan Devadiga, Noticee 18 - Ganesh Nimbalkar, Noticee 17 - Chandrakant Pawar, Noticee 28 - Swapnil Sutar, Noticee 25 - Sukhdev Bhosale, Noticee 24 - Sadashiv Poojary, Noticee 23 - Ratnakar Loku Poojary, Noticee 19 - Krishna M Ghosh and Noticee 26 - Sunanda Jathan, acted as conduits and helped in the perpetration of fraud by Indira and other entities by providing their bank and/or demat accounts. Noticee 29- Bhagyalakshmi Rao, being a director of Sharepro, attracts vicarious liability for the fraud committed by Sharepro.

**Legal provisions alleged to have been violated by Noticees:**

21. In view thereof, it is alleged in the SCNs that:

- (a) Noticee 1 – Sharepro Services India Pvt. Ltd. has violated the provisions of Section 12 A (a), (b) & (c) and Sections 11C(2) and 11C (3) of SEBI Act, 1992 (**SEBI Act**), Regulation 2 (1)(c), 3 (b), (c) & (d), 4 (1) & (2) (p) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities

Market) Regulations, 2003 (**PFUTP Regulations, 2003**); Regulations 6 (g), 9 (A) (e) & (f), 14 (3) (b) & (c) and Clauses (1),(2), (3), (5), (6), (16), (17), (18), (20), (25), (28), (30) of Code of Conduct specified in Regulation 13 of the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 (**RTA Regulations**) and SEBI Circular No. RTI Circular No. 1 (2000-2001) Dated May 09, 2001.

- (b) Noticee 2 – Govind Raj Rao has violated provisions of Section 12A (a), (b) & (c) of SEBI Act and Regulation 2(1)(c), 3(b)(c)(d), 4 (1) & (2) (h) of PFUTP Regulations, 2003.
- (c) Noticee 3 – Indira Karkera has violated 12A (c) of SEBI Act and Regulation 3, 4 (1) & (2) (h) of PFUTP Regulations, 2003.
- (d) Noticee 4 - Balram Mukherjee, Noticee 5 - Prashant Karkera, Noticee 6 - Akhil K Dalal, Noticee 7 - Anil Jathan, Noticee 8 - Bhavani Jathan, Noticee 9 - Chetan Shah, Noticee 10 - Dayanand Jathan, Noticee 11 - Dina Bhalakia, Noticee 12 - Jayshree Shah, Noticee 13 - Mohit Karkera, Noticee 14 - Sujitkumar Amarnath Gupta, Noticee 15 - Pradeep Rathod, Noticee 16 - Rajesh Bhagat, Noticee 17 - Chandrakant Pawar, Noticee 18 - Ganesh Nimbalkar, Noticee 19 - Krishna M Ghosh, Noticee 20 - Nagesh Karkera, Noticee 21 - Narayan Devadiga, Noticee 22 - Raju Landge, Noticee 23 - Ratnakar Loku Poojary, Noticee 24 - Sadashiv Poojary, Noticee 25 - Sukhdev S Bhosale, Noticee 26 - Sunanda Jathan, Noticee 27 - Suresh Unavane, Noticee 28 - Swapnil Sutar, Noticee 29- Bhagyalakshmi Rao, Noticee 30- Shrikant Bhalakia and Noticee 31- Anand Bhalakia have violated Section 12A(a), (b) & (c) of SEBI Act and Regulation 2(1)(c), 3(b), (c) & (d), 4 (1) of PFUTP Regulations, 2003.

#### **REPLIES TO SCNs AND PERSONAL HEARINGS:**

22. The SCNs were served upon the Noticees through registered post /affixture at last known address/ newspaper publication. However, a number of Noticees have not replied / responded to the SCN. The details of replies / responses received from other Noticees are mentioned in the later part of this order dealing with consideration of issues. The replies / responses from each of such entities have been considered

while dealing with their cases, one by one.

23. All the Noticees were granted an opportunity of personal hearing by scheduling the same on August 08, 2019. The hearing notices were served upon the Noticees by Speed Post/ Affixture at their last known addresses / newspaper publication. In response to the same, six Noticees, viz. Indira Karkera, Prashant Karkera, Anil Jathan, Bhavani Jathan, Mohit Karkera and Nagesh Karkera, vide letter dated August 02, 2019 submitted through their advocate, Ms. Alisha Pinto, *inter alia* requested for adjournment of hearing and also sought eight weeks' time to file their reply. Further, Ms. Bhagyalakshmi Rao, vide letter dated August 01, 2019 submitted through her advocates, Little & Co., requested for 3 months' time to file her reply in the matter.
24. The abovementioned hearing on August 08, 2019 was attended only by the following Noticees and the details of such appearance are as shown below:
- Rajesh Bhagat, Chandrakant Pawar, Swapnil Sutar, Ganesh Nimbalkar and Sukhadev Bhosale attended the hearing in person and made oral submissions. They were also granted time of two weeks to file written submissions.
  - Shrikant Bhalakia attended the hearing for himself as well as Anand Bhalakia and Dina Bhalakia and reiterated the submissions earlier made by them through their written submissions.
  - Dayanand Jathan and Sunanda Jathan appeared for themselves and for Ratnakar Loku Poojary. They undertook to submit a written submission within two weeks.
  - Chetan Shah also attended the hearing and undertook to submit a written submission by August 20, 2019.
  - Pradeep M. Rathod was represented by his immediate family members, viz. Shreyans P. Rathod, Prabhav P. Rathod and Harsha P. Rathod. They submitted that Pradeep Rathod has taken deeksha and they are not aware

about his transactions. The said family members were asked to submit their submissions in the form of an affidavit within 2 weeks.

- Indira Karkera, Prashant Karkera and Mohit Karkera were represented by their authorized representative, Ms. Sushmitha Sherigar, who sought adjournment of hearing, which was denied. The said three Noticees were granted time of three weeks to file written submissions in the matter.
- GR Rao was represented by his authorized representative, Shri C.S. Patil, who sought adjournment of hearing, which was denied. The Noticee was granted three weeks' time to file written submissions in the matter.

25. Subsequent to the abovementioned hearing, some Noticees submitted their written submissions. The same have been referred to and dealt with in the order later while considering the cases of the Noticees individually. However, the Noticees, viz. Indira Karkera, Prashant Karkera, Mohit Karkera, Nagesh Karkera, Anil Jathan and Bhavani Jathan, vide letter dated August 29, 2019 sent by their advocate, Ms. Alisha Pinto, requested for further 8 weeks' time to file reply and sought another opportunity of personal hearing. Further, Ms. Bhagyalakshmi Rao, vide email dated August 29, 2019 sent by her advocate, Ms. Rajni Divkar (Little & Co.), requested for further 3 months time to file her reply.

26. A final opportunity of personal hearing was granted to Indira Karkera, Prashant Karkera, Mohit Karkera, Nagesh Karkera, Anil Jathan, Bhavani Jathan, Mr. GR Rao and Ms. Bhagyalakshmi Rao by scheduling the same on December 17, 2019. The details of proceedings of hearing on December 17, 2019 are as follows:

- The Noticees, viz. Indira Karkera, Prashant Karkera, Mohit Karkera, Nagesh Karkera, Anil Jathan and Bhavani Jathan, were represented by Shri Jai Shah, Advocate, who sought another opportunity of personal hearing for the Noticees. The same was expressly denied and the Noticees were granted time till December 24, 2019 to file their written submissions.

- Mr. GR Rao was represented by Shri C.S. Patil, Advocate, who submitted a written submission dated December 14, 2019. He also sought another opportunity of personal hearing. The said request was expressly denied and the Noticee was granted time till December 24, 2019 to file further written submissions.
  - Ms. Bhagyalakshmi Rao attended the hearing in person and reiterated the submissions made earlier through her written submission dated February 22, 2018. She was also granted time till December 24, 2019 to make further written submissions, if any.
27. Subsequent to the hearing on December 17, 2019, Mr. GR Rao submitted a letter dated December 24, 2019 whereby he made submissions on merit. Vide the said letter, he also requested for another opportunity of personal hearing and also for an opportunity to cross examine some Noticees without naming anyone specifically. The said request was rejected, and he was informed about the same vide letter and email dated January 24, 2020. Similarly, Indira Karkera, vide letter dated December 24, 2019, submitted on behalf of Prashant Karkera, Mohit Karkera, Nagesh Karkera, Anil Jathan and Bhavani Jathan and herself, *inter alia* requested for additional time for filing reply to the SCN and for another opportunity of personal hearing. The said request was rejected and the Noticees were informed about the same vide letter and email dated January 24, 2020.
28. I note that sufficient opportunities have been provided to all the Noticees to file their replies and defend themselves in respect of the charges against them in the SCNs. In this regard, I note that Indira Karkera, Prashant Karkera, Mohit Karkera, Nagesh Karkera, Anil Jathan and Bhavani Jathan have repeatedly sought time to file reply to the SCN, starting with their letter dated October 22, 2018 vide which they had acknowledged the receipt of SCN and had requested for 4 weeks' time to file reply. However, even after lapse of considerable span of time since the receipt of the said letter by SEBI, no reply from them has been received from them on merit till date, which indicates that they were only indulging in dilatory tactics. I note that the dilatory

tactics adopted by Indira Karkera in providing explanations to SEBI have also been noted in the Confirmatory Order.

### **CONSIDERATION OF ISSUES:**

29. I have gone through the facts of the case, as explained in detail in the SCNs and briefly summarized above. Now, I proceed to deal with the cases of individual Noticees by looking into the specific role allegedly played by them, as brought out in the SCN, and decide on their culpability, after considering their replies / responses, wherever available.
30. Before I proceed any further, I deem it appropriate to refer to the legal provisions allegedly violated by the various Noticees. I note that provisions of Section 12A (a), (b) & (c) of the SEBI Act and Regulation 2(1)(c), 3 (b), (c) & (d), 4(1), 4(2) (h) & (p) of the PFUTP Regulations deal with fraud and prohibit various fraudulent practices, such as use of any manipulative or deceptive device or contrivance, employing any device, scheme or artifice to defraud in connection with dealing in securities, engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in securities, in contravention of the provisions of SEBI Act or rules or regulations made thereunder; selling, dealing or pledging of stolen or counterfeit security whether in physical form or dematerialized form; falsification of records by an intermediary etc. Further, the provisions of Section 11C (2) and 11C (3) of the SEBI Act require an intermediary or any person associated with the securities market in any manner to furnish information and documents as sought by the Investigating Authority.
31. I note that Clauses (1), (2), (3), (5), (6), (16), (17), (18), (20), (25), (28) & (30) of Code of Conduct specified in Regulation 13 of the RTA Regulations impose various obligations on an RTA such as, maintaining high standards of integrity in the conduct of business; fulfilling obligations in a prompt, ethical and professional manner; exercise of adequate care, caution and diligence before dematerialization of securities; redressing grievances of investors without delay; to avoid

misrepresentation to investors; to abide by the provisions of applicable laws; to cooperate with SEBI and furnish information and documents as and when required; to maintain continuity of data; to have satisfactory internal control procedures in place; to ensure good corporate policies and corporate governance; to be responsible for the acts or omissions of its employees and agents in respect of the conduct of its business etc. Further, SEBI Circular No. RTI Circular No. 1 (2000-2001) dated May 09, 2001 requires an RTA to follow the prescribed guidelines and norms for processing of documents, processing of transfers and norms of objection.

32. Having looked into the abovementioned legal provisions, I proceed to decide the cases of all the Noticees, one by one.

**Role of Noticees 1 and 2:**

33. As regards the **Noticee 1** – Sharepro, it is noted that the investigation has revealed a massive fraud in the operations of Sharepro as an RTA. **Noticee 1**- Sharepro is alleged to have committed *inter alia* the following:
- (a) Misappropriation / siphoning of dividend payments belonging to rightful owners through conduit entities related to management of Sharepro.
  - (b) Misappropriation of shares of investors through fraudulent transactions involving conduit entities related to the management of Sharepro.
  - (c) Non-maintenance of proper records and destruction of records
  - (d) Compromise of internal checks and balances in RTA's systems and non - adherence to due procedures
  - (e) Massive falsification and manipulation of records maintained at RTA's end.
  - (f) Deliberate attempt by Sharepro to mislead SEBI and non-cooperation with SEBI in the course of investigation
  - (g) Failing to comply with the summonses issued by the Investigating Authority by submitting false and misleading information or not submitting any information.
34. As regards the **Noticee 2**- GR Rao, I note that he being the Managing Director of Sharepro, had a general and an overall responsibility of preventing the

abovementioned fraudulent activities involving misappropriation of dividends/shares of investors, compromise of internal checks and balances, non-maintenance and destruction of records, falsification and manipulation of records maintained at RTA's end etc.. He is alleged to have failed to do so. Further, apart from being vicariously liable as the MD of Sharepro for the alleged violations committed by Sharepro, GR Rao is also alleged to have been personally involved in the fraud and also being a beneficiary of the fraud. The investigation has revealed the following specific instances of personal role allegedly played by GR Rao in the fraud:

- (a) In one instance pertaining to dividend payment of Tata Telecommunications Limited, it was found that DDs issued in the names of respective shareholders were cancelled and fraudulently issued in favour of Satyam Brush Industries (Proprietary firm of Prashant Karkera, who is husband of Indira Karkera) purportedly for "centralized processing". GR Rao had submitted in his statement dated December 04, 2015 to Investigating Authority (IA) that the transfer to Satyam Brush Industries was permitted by him as it was known to Sharepro, so Sharepro used Satyam's account for temporary period. Sharepro did not have authority to operate the account of Satyam Brush Industries and it was operated by Prashant Karkera. According to GR Rao, DDs were issued from the account of Satyam Brush Industries in favour of original shareholders and dispatched to them by registered post. However, it was found that GR Rao was misleading the investigation by making illogical and misleading claims as he failed to submit relevant documents to support them. Further, he was found to have made false statement on oath regarding the quantum of money transferred to Satyam Brush Industries. Further, even when the misappropriation was discovered by investigation, GR Rao did not take any action against Indira Karkera or Prashant Karkera, which indicated that Indira Karkera had the support of GR Rao.
- (b) In one instance, when the case of fraudulent payment of dividend of Rs.3,52,500, Rs.3,33,000 and Rs. 17,52,000 pertaining to Asian Paints Limited belonging to genuine shareholders to Swapnil Sutar (an entity linked to Indira Karkera) due to Indira Karkera' fraudulent instructions to bank was discovered, GR Rao, in order to settle the matter with Asian Paints Limited, got Swapnil Sutar to refund the



amounts to the company. However, GR Rao did not take any action against Indira Karkera, such as filing of FIR etc. for the said fraud. Thus, GR Rao had supported Indira Karkera in the fraudulent transactions.

- (c) The fraudulent transfer of shares of Britannia Industries Limited belonging to one Sujit Kumar Gupta to Balram Mukherjee (an entity linked to Indira Karkera), on the basis of a fake court order, was initiated by Indira Karkera and approved by GR Rao.
- (d) The fraudulent transfer of shares of Asian Paints Limited belonging to a dead shareholder, Radha Manucha, to Jayshree Shah based on a forged transfer deed purportedly signed by the dead shareholder was approved by Indira Karkera and GR Rao, even though they were aware of Radha Manucha's death.
- (e) In one instance pertaining to siphoning of shares of Kansai Nerolac Paints Limited from the folio of one Amrit Lal, GR Rao had attempted to mislead the company by submitting a fake letter purportedly written by legal heir of the said shareholder. The same indicated that he was not only aware of the fraudulent transactions but was also involved in them.
- (f) In the matter of misappropriation of 10980 shares of Aptech Limited from the folio of UTI "India Fund Unit Scheme 1986" by Suresh Unavane, the sale proceeds of shares were transferred to Prashant Karkera (husband of Indira Karkera) who in turn transferred Rs.3,00,000/- to GR Rao. Thus, GR Rao was one of the direct beneficiaries of the fraud. However, GR Rao tried to mislead the investigation by making deliberate false statement before IA that he had no financial dealings with Prashant Karkera.
- (g) In the matter pertaining to misappropriation of 435 shares of Larsen & Toubro from the folio of one Pangal Anant Nayak, GR Rao had also received the misappropriated shares from Ratnakar Loku Poojary and also from Sunanda Jathan. In this regard, it was found that Dayanand Jathan (employee of Sharepro and husband of Sunanda Jathan) was carrying out illegal transactions in the account of Sunanda Jathan in co-ordination with and at the behest of GR Rao. It was also found that GR Rao transferred the shares received from Ratnakar Loku Poojary and Sunanda Jathan to various other entities. GR Rao also

received total dividend of Rs.8059 on the misappropriated shares and thus, personally benefitted from the transactions.

35. Sharepro (Noticee no. 1) and Mr. Govind Raj Rao (Noticee no. 2) vide letter dated October 23, 2018 requested for 6 weeks's time to file reply. However, no reply from Sharepro, as an organisation, has been received till date.
36. Govind Raj Rao (Noticee no. 2), vide his letter dated December 14, 2019 and December 24, 2019 has submitted *inter alia* the following:
  - (a) The nature and extent of the allegations urged against him only constitute a miniscule part of the overall investigation being undertaken by SEBI, which, in any event, ought to be proceeded with separately from Noticee no. 3 (Indira Karkera) and Noticees related to her.
  - (b) The contents of the SCN do not allege any monetary enrichment on part of the Noticee or that falsification of records was knowingly undertaken by him for any ulterior purpose.
  - (c) There is only a solitary allegation pertaining to wrongful receipt of dividend of merely Rs.8,059/-, which itself is baseless and not maintainable as being barred by limitation. Even on this issue of purported gains of Rs.8,059/-, the Noticee has not benefitted from any malafide actions.
  - (d) In view of the lack of any financial motive being attributed to the Noticee by SEBI, and in absence of establishing that he had unjustly enriched himself at the expense of unknowing shareholders and market participants, it is submitted that even in his representative capacity as the erstwhile Managing Director, no liability and/or action ought to be fastened upon him by SEBI. More so, since any failure of implementation of internal policies, record keeping etc. has not been attributed solely to his personal actions, all these allegations are generic and vague in nature.
  - (e) The Noticee has fully co-operated with SEBI in its investigation. He has, time and again, provided several statements along with appropriate documentation

and information to SEBI which has helped SEBI in the entire proceedings. Thus, he has exhibited his bonafides before SEBI.

- (f) The specific allegations against the Noticee in the SCN are barely three (3) in number for which his responses are provided below. These are in addition to the vague allegations pertaining to valid procedures, practices and record keeping etc. with regard to Sharepro, which ought not to be fastened upon him.
- (g) As regards allegation of misleading certain companies on occasions, purportedly in order to facilitate transfer of shares and benefits to beneficiaries associated with Noticee No. 3, the Noticee submits that the investigation of SEBI and the contents of the SCN fail to take into consideration the sheer volume and the gross number of such transfers and transmission of shares and dividends which were properly undertaken by Sharepro in normal course of its business activities. In the absence of setting out how he benefitted from any particular transaction/s, and as to how the same was not undertaken in good faith, the presumption against him would be that the same was being done so as to secure legitimate ends. This is more so, considering that the originators of all such transactions of transfer and transmission of physical shares would *inter alia* be the persons claiming to be the legal heir/s of the erstwhile holders, or the transferees thereof. In fact, in certain instances, legal advice was sought and obtained in relation to some transactions wherein concerns were raised as a result of the due procedures and practices already in implementation at Sharepro. Wherever applicable, indemnities were also sought to be furnished from respective persons who were the originators of the transactions. As such, in the absence of allegation that the Noticee was also culpable for fraud, no case for showing cause is made out.
- (h) As regards allegation pertaining to purported forging of a letter on behalf of one Mr. Amrit Lal, in order to re-print concerned share certificate and transfer them to beneficiaries associated with the Noticee no. 3, the Noticee submits that transfer/ transmission of shares and assignment and or encashment of dividend by legal heirs is all part of the routine business activities of Noticee no. 1, with the relevant requests in this regard emanating not from Sharepro /

Noticee no. 1, but from the relevant persons claiming to be transferees, legal heirs etc.. Adequate safeguards, like seeking of indemnities, were also set in place so as to avoid any instance of Sharepro being held liable for any wrongdoing which was solely due to acts of third parties. The SCN does not at all set out as to how the Noticee knowingly associated himself with a particular transaction, including that of Mr. Amrit Lal, and that he did so despite knowing that the same was malafide and / or illusory in nature. Similarly, no allegation of unjust enrichment *qua* even this transaction has been made against him.

- (i) As regards allegation pertaining to purported fraudulent transfer of shares of Larsen and Toubro Limited for his personal enrichment, the amount of which was only a sum of Rs.8,059/, the Noticee submits that these allegations are stated to have commenced in August 2006, and lasted upto March 2009 or thereabouts. The same being more than a decade old, would be time barred under the provisions of the Limitation Act, 1963 and as such, the present allegation ought not to be sustained. Further, the sheer smallness of the purported gains of Rs.8,059/- allegedly made by the Noticee ought to be dropped on this ground. It is inconceivable and wholly improbable that the Noticee (or any reasonable-minded person) would engage in the alleged manner of wrongful activities only for the purpose of reaping a benefit which is so incommensurate with the nature of the allegations and the purportedly fraudulent and surreptitious manner in which it was perpetrated. Quite apart from being a fraudulent transaction, the Noticee submits that the folio of one Mr.PA Nayak was a dormant folio. It was a business practice adopted at Sharepro, purely out of commercial expedience, wherein either dummy accounts were maintained, or such dormant accounts were used to adjust against accounting deficits and discrepancies. These accounts pre-dated the era of digitisation of securities and were used in cases of companies, such as L&T Ltd, which is a company having long publicly issued and traded capital history, prior to dematerialization.
- (j) Any deficit and / or discrepancy within the shares of such entities led to undertaking of an investigation from the respective company's end,

irrespective of whether the discrepancy was of a minor or major nature. In most of the cases, such differences in tallying of amounts at the close of business were founded on differences between the number of paper and dematerialized shares held within old portfolios. Since the outcome of investigation and its closure was not immediately forthcoming, in the interest of respective investors, and without making them wait for the investigation to end, dormant or dummy accounts were effectively used as temporary accounts, from which accounts, the shortfall on account of deficit and/or discrepancy was debited pending final investigation. All these actions were undertaken with the full knowledge and after complete disclosure of such maintenance of temporary balances in dormant and dummy accounts pending the final result of the investigation to the relevant company (in this case L&T Ltd.) The whole purpose of this exercise was not to gain any undue advantage or receive any ill-gotten monetary gain from the shares held within the dormant / dummy folios, but was used to facilitate setting off / adjustment of minor transactional discrepancies and shortfalls which were noticed during the course of day to day operations. Likewise, the dividend amount of Rs.8,059/- is likely to have been received during the temporary holding of such shares and is not at all with the motive of defrauding either the original holder or the relevant company.

- (k) To illustrate, if 25 dematerialized shares were showing in a demat account of Investor A, but physically, 50 shares (physical plus dematerialized) were held by person A, so as to protect the interests of Person A, 25 shares from the dormant account of person B were shown to be held in the name of person A, all of which was subject to pending further investigation and/or verification by the relevant company. Upon conclusion of investigation, if it was found that 50 shares were indeed held, or that only 25 shares were held, either way, the 25 shares were originally held in the name of person B would be reverted back to that dormant / dummy account, by debiting the excess shares that were temporarily credited to the account of person A.
- (l) The entire allegation pertaining to fraudulent transfer of shares of L&T for GR Rao's personal enrichment, the amount of which was only Rs.8059/-, has been

founded on the strength of purported statements of third party Noticees, without adequate supporting documents. The SCN has failed to prove the culpability of the Noticee in facilitating the dematerialization of shares held previously in the folio of Mr. PA Nayak. Having failed to do so, the subsequent transaction and/or transfer *inter alia* with the Noticee cannot at all be gone into.

37. I note that the SCN has provided the details pertaining to the wrongdoings by Sharepro and the copies of relevant documents in the form of various Annexures to the SCN. For instance, **Annexure A** to the SCN dated September 27, 2018 enlists 1004 instances (involving Rs.74,95,420/-) where Sharepro misused the authority of instructing the bankers directly by getting the banks to make payment of dividend to persons other than actual shareholders. From the said **Annexure A**, I note that the dividend payments in the said 1004 instances were made to entities/Noticees, namely Raju Landge, Suresh Unavane, Narayan Devadiga, Anil Jathan, Nagesh Karkera and Satyam Brush Industries, who were not the actual shareholders of the companies but were linked to Indira Karkera. Further, **Annexure B** to the SCN dated September 27, 2018 lists out 36 instances where Sharepro misled the client companies (viz. Asian Paints Limited and JM Financial Limited) by asking them to issue instructions to the bankers to pay the dividend payments of rightful investors to entities who were linked to Indira Karkera. I note that the said **Annexure B** further points out four instances where Sharepro issued instructions directly to the bank (HDFC Bank), vide letters dated 03.10.2008 and 27.01.2012, to issue DDs/dividend warrants to entities related to Indira Karkera (viz. Nagesh Karkera and Satyam Brush Industries) who were not rightful shareholders, even when it was not authorized to do so by those companies, namely, JM Financial Limited and Asian Paints Limited. In this regard, I note that the letter dated 27.01.2012 issued by Sharepro to HDFC Bank for issuing DDs to Satyam Brush Industries, in respect of dividend payments pertaining to Asian Paints Limited, is also available on record as **Annexure OD18** to the SCN. The said letter dated 27.01.2012 addressed to HDFC Bank, shows that the request was made by Sharepro to pay the dividend of Asian Paints Ltd. to Satyam Brush Industries, a proprietary concern of Prashant Karkera.

Further, **Annexures BRHDFC, BRSTNC and BRMISC** contain copies of various letters issued by Sharepro to banks directing them to issue Dividend payments of various companies to entities related to Indira Karkera. Similarly, **Annexure A2** lists 13 instances where the system of Sharepro showed that dividend had been transferred to IEPF whereas these payments were actually made to Nagesh Karkera and Satyam Brush Industries (i.e. entities related to Indira Karkera).

38. I note that while Noticee 1 – Sharepro, as an organisation, has not submitted any reply, Noticee 2 – GR Rao has made various submissions which are primarily in his personal defence. I note that he has contended *inter alia* that SCN does not allege any monetary enrichment on part of the Noticee or that falsification of records was knowingly undertaken by him for any ulterior purpose. Further, there is only a solitary allegation pertaining to wrongful receipt of dividend of merely Rs.8059, which is baseless. He has however submitted that in the absence of establishing that he had unjustly enriched himself at the expense of unknowing shareholders, even in his representative capacity as the erstwhile MD of Sharepro, no liability ought to be fastened upon him. I have considered all the abovementioned submissions. At the outset, I note that Noticee 2- GR Rao being the MD of Sharepro was primarily responsible for the operations of Sharepro and had a duty to ensure that its operations were carried out in a fair, transparent and professional manner. However, the findings of investigation show that he not only failed to do so in his representative capacity as the MD of Sharepro, he in fact was personally involved in the fraud, along with Indira Karkera and other entities, as evident from the multiple specific instances pointed out above.
39. I note that in respect of the abovementioned specific instances where his personal involvement is alleged to be there, the Noticee has either not offered any explanation or has given very evasive and vague replies. For instance, in respect of allegations pertaining to fraudulent transfer of shares and dividends belonging to genuine shareholders to entities connected to Indira Karkera, he has not addressed the specific instances pointed out (i.e. fraudulent transfer of dividends to Satyam Brush

Industries and Swapnil Sutar and fraudulent transfer of shares to Balram Mukherjee and Jayshree Shah). Instead, he has offered a generalized defence by submitting that the investigation and SCN have failed to take into consideration the sheer volume and the gross number of such transfers and transmission of shares and dividends which were properly undertaken by Sharepro in normal course of its business activities. He has also argued that in the absence of setting out how he benefitted from any particular transaction and as to how the same was not undertaken in good faith, the presumption would be that the same was being done so as to secure legitimate ends. In this regard, I note that contrary to GR Rao's claim that fraudulent transactions at Sharepro were executed in good faith, the evidences available on record suggest that these were indeed executed with malafide intentions in which GR Rao was wholly complicit. For instance, in respect of the case of Tata Telecommunications Limited where unpaid DDs for dividend issued to shareholders were cancelled and reissued in the name of Satyam Brush Industries, the proprietary firm of Prashant Karkera (Indira Karkera's husband), it is noted from the statement of GR Rao recorded on December 04, 2015, which is available as **Annexure SR10**, that he has admitted that it was done with his permission. In the said statement, GR Rao had submitted that the said transfer of unpaid dividends to Satyam Brush Industries was done in order to facilitate quick disposal of outstanding payments. He further submitted that DDs were later issued from the bank account of Satyam Brush Industries and dispatched by Sharepro to respective shareholders. He also admitted that Sharepro did not have any authority to operate the bank account of Satyam Brush Industries in which the unpaid dividends were deposited and that the said arrangement regarding use of bank account of a third party was not informed to the company. In this regard, I am of the view that it is completely against canons of sound principles of governance as well as accounting that unpaid dividends were transferred to a third-party bank account. It is further noted from the said statement that GR Rao had undertaken to submit, within a week, various information and documents, including bank account details and statement of Satyam Brush Industries where the unpaid dividends were deposited, the details of DDs purportedly issued from account of Satyam to individual shareholders, the



details of dispatch of DDs by Sharepro to shareholders etc. However, it is noted that GR Rao failed to submit the same to SEBI, which indicates that he was misleading SEBI and that the amount kept with Satyam Brush Industries was actually siphoned off. Considering these facts, I find that it is quite clear that Sharepro and GR Rao had acted with malafide intentions and were actively complicit in fraud.

40. Similarly, as regards the case of fraudulent payment of dividend of Rs.3,52,500, Rs.3,33,000 and Rs. 17,52,000 pertaining to Asian Paints Limited to Swapnil Sutar (an entity linked to Indira Karkera) because of the fraudulent instructions issued by Indira Karkera to the bank, which Swapnil Sutar was later made to repay to Asian Paints Limited, I note from **Annexure CRAP5** that GR Rao vide letter January 29, 2016 to Asian Paints Limited, had forwarded three DDs received from Swapnil Sutar and had stated in the letter that the said DDs pertained to refund of excess payment made to Swapnil Sutar by mistake at Sharepro's end. Thus, it is seen that even though he was aware about Indira's role in the said fraudulent payment to Swapnil Sutar, he tried to portray the same as a mistake. Further, he did not take any action against Indira Karkera in this case, like filing of FIR, which reflects that G.R. Rao was complicit in the fraud perpetrated by Indira Karkera. I note that even in the reply to the SCN, G R Rao has avoided addressing the above charge directly and has not provided any specific explanation. This confirms the finding of investigation that both GR Rao as the MD of Sharepro and Indira Karkera as the VP and Client Manager were hand in glove in the fraudulent transfers, as alleged in the SCN. The role of Indira Karkera has been further elaborated in a later part of this order.
41. I note that GR Rao has contended that the SCN has not set out as to how he has benefitted from a particular transaction. However, I am of the opinion that acting with malafide intentions is sufficient proof of culpability in fraud and it is not necessary to show accrual of any actual benefit in such cases. The large scale fraudulent diversion of dividends and shares to various connected entities clearly points to a concerted fraud played by Noticees 2 and 3 by misusing the position of Noticee No.1, Sharepro as a SEBI registered Share Transfer Agent. The fraud was not only

played on the innocent investors but also on the companies which had engaged them with the responsibility of record keeping of share transfers and ensuring a smooth transfer of corporate benefits to the investors. Further, Sharepro and its management had also breached the trust of the banks involved in the dividend payment process.

42. As regards allegation pertaining to submission of fake letter purportedly written by the legal heir of a dead shareholder, Amrit Lal, to Kansai Nerolac Paints Ltd, GR Rao has submitted that investigation / SCN does not set out as to how he had knowingly associated with this transaction or that he did so despite knowing that the same was malafide. He has further submitted that no allegation of unjust enrichment in this transaction has been made against him. In this regard, I note that the SCN has clearly pointed out that GR Rao did not submit any relationship documents or death certificate along with letter to the company and he also failed to provide reply along with supporting documents to SEBI's summons in this regard. Further, it needs to be emphasized that unjust enrichment is not a pre-requisite for proving cases of fraud. Thus, I find the reply of the Noticee to be unsatisfactory.
  
43. As regards allegation of fraudulent transfer of shares of Larsen and Toubro Limited belonging to Pangal Anant Nayak and the receipt of Rs.8059 as dividend on them, the Noticee has tried to dismiss the allegations as being barred by time since the transactions are more than a decade old. He has also submitted that the alleged illegal receipt of Rs.8059 was very small and the sheer smallness of the same is sufficient to drop the allegations. I find the said explanation to be totally unacceptable since no limitation can be said to apply to cases of fraudulent acts discovered later in the course of investigation. Further, the quantum of illegal gains cannot be a factor for deciding culpability. Further, as regards the misappropriation of shares belonging to foilo of Pangal Anant Nayak, Noticee GR Rao has again submitted a very vague explanation. He has attempted to justify the transfer of shares from that folio on the pretext of use of dormant accounts of customers on temporary basis for adjusting against accounting deficits and discrepancies which

were noticed during the day to day operations. He has also submitted that the abovementioned receipt of Rs.8059 was also a result of temporary holding of shares. I find the said explanation to be a mere ploy to hide the misdeeds since theoretically also, under no circumstances the shares belonging to investors can be utilized by RTA for sorting out its accounting discrepancies. Further, GR Rao has not been able to offer any credible explanation regarding the transfer of shares by Ratnakar Loku Poojary and Sunanda Jathan into his own demat account (no. IN30075710703472) which he subsequently transferred to others. He has claimed that the abovementioned allegations of fraudulent transfer of shares and the unjust enrichment have been founded on the strength of statements of third-party Noticees, who should be made available to the Noticee for cross examination by him. However, I note that contrary to the said claim, the charges against the Noticee are substantiated by the transactions in the demat account (no. IN30075710703472) and bank accounts (Bank of Baroda account nos. 05880100006349 and 05880100017660) of the Noticee as brought out by the investigation. The extract of his demat account transactions, as provided in the SCN, is given in the table below. The Noticee's replies and submissions do not offer any credible explanation for these transactions.

DP ID/ Client ID	First Holder Name	Date (MM- DD-YYYY)	Description	Opening bal	Debit	Credit	Closing bal
IN30 0757 1070 3472	Noticee 2 - Govind Raj Rao	8/23/2006	By Noticee 23 - Ratnakar Loku Poojary IN300239 11671917	10	0	150	160
IN30 0757 1070 3472	Govind Raj Rao	9/14/2006	To Rematerialisation	160	145	0	15
IN30 0757 1070 3472	Govind Raj Rao	10/10/2006	By L & T Bonus 1-1	15	0	15	30
IN30 0757 1070 3472	Govind Raj Rao	3/26/2008	By Ratnakar Loku Poojary IN300239 11671917	30	0	22	52
IN30 0757 1070 3472	Govind Raj Rao	8/26/2008	By Ratnakar Loku Poojary IN300239 11671917	52	0	47	99
IN30 0757	Govind Raj Rao	10/14/2008	By Larsen And Toubro Ltd Bonus	99	0	99	198

DP ID/ Client ID	First Holder Name	Date (MM- DD-YYYY)	Description	Opening bal	Debit	Credit	Closing bal
1070 3472							
IN30 0757 1070 3472	Govind Raj Rao	10/27/2008	By BOISL Direct Delivery Account 1100001 000012414	198	0	125	323
IN30 0757 1070 3472	Govind Raj Rao	10/27/2008	By CM Var Shares And Stocks Pl, Rolling Mkt Lot / 0809142	323	0	5	328
IN30 0757 1070 3472	Govind Raj Rao	11/07/2008	To Anant Bhimsen JoshiIN300888 14564980	328	130	0	198
IN30 0757 1070 3472	Govind Raj Rao	11/19/2008	By Sunanda Dayanand Jathan IN300239 12635786	198	0	100	298
IN30 0757 1070 3472	Govind Raj Rao	12/24/2008	To Shobhana Kini IN300513 16966206	298	100	0	198
IN30 0757 1070 3472	Govind Raj Rao	02/02/2009	By Sunanda Dayanand Jathan IN300239 12635786	198	0	80	278
IN30 0757 1070 3472	Govind Raj Rao	3/25/2009	By Sunanda Dayanand Jathan IN300239 12635786	278	0	522	800
IN30 0757 1070 3472	Govind Raj Rao	6/17/2009	To Manohar Lala Bhatia [AAVPB5633R] 12044700 00737436	800	160	0	640
IN30 0757 1070 3472	Govind Raj Rao	6/17/2009	To Sanjay Bhatia [AAVPB5632Q] 13041400 03413721	640	100	0	540
IN30 0757 1070 3472	Govind Raj Rao	6/17/2009	To Framroze K. Batliboi IN300749 10915755	540	64	0	476
IN30 0757 1070 3472	Govind Raj Rao	6/21/2010	To Dinesh Vrijlal Lakhani IN301151 22008380	476	476	0	0
IN30 0757 1070 3472	Govind Raj Rao	8/16/2010	By Dematerialisation	0	0	112	112
IN30 0757 1070 3472	Govind Raj Rao	8/24/2010	To Dinesh Vrijlal Lakhani IN301151 22008380	112	110	0	2
IN30 0757 1070 3472	Govind Raj Rao	1/13/2011	By CM ICCL Direct Delivery Account, Rolling Mkt Lot / 1011201	2	0	40	42

DP ID/ Client ID	First Holder Name	Date (MM- DD-YYYY)	Description	Opening bal	Debit	Credit	Closing bal
IN30 0757 1070 3472	Govind Raj Rao	02/04/2011	To Remateri alisation	42	40	0	2
IN30 0757 1070 3472	Govind Raj Rao	11/23/2012	By Dinesh Vrijlal Lakhani IN301151 22008380	2	0	586	588
IN30 0757 1070 3472	Govind Raj Rao	7/17/2013	By Bonus Allotment	588	0	294	882
IN30 0757 1070 3472	Govind Raj Rao	12/03/2014	To Kamlesh Ramanlal Shah [AAGPS8126H] 12041300 00004262	882	150	0	732
IN30 0757 1070 3472	Govind Raj Rao	8/14/2015	To Mahesh Kumar Modani IN301330 21268770	732	150	0	582

44. Further, the encashment of dividends by GR Rao is reflected in bank account statements available at **Annexure BRSTMT, Page nos. 828-861 & 778-827**. Thus, it cannot be said that the allegations are merely based on statements of third parties. Thus, the request for cross examination was rightly rejected. Further, the said request also appeared to be part of dilatory tactics since it was made at a very late stage in the course of proceedings.
45. I note that contrary to the Noticee's claim that there is only a solitary allegation of wrongful receipt of Rs.8059 against him, the SCN has also pointed out receipt Rs.3,00,000 from Prashant Karkera (husband of Indira Karkera) out of the ill gotten money from siphoning of shares of others through cheque no.807055, which was credited in his bank account no. 05880100006349 with Bank of Baroda on 13/03/2007, as evident from **Annexure BRSTMT, Page no. 835**. I note that GR Rao has not offered any explanation whatsoever in this regard. I further note from GR Rao's statement dated December 04, 2015 (**Annexure SR10**) that he had stated that he had no financial relationship or dealings with Prashant Karkera. However, the above transaction proves that GR Rao was also trying to mislead SEBI's investigation.

46. Having considered the various submissions of **Noticee 2**- GR Rao, I note that the facts of the case clearly establish GR Rao's clear involvement in the fraud, both vicariously as the MD of Sharepro and also on account of his personal involvement in the fraud. I find that he has failed to effectively rebut the charges against him. Considering the same, I conclude that the charges against him stand established. Further, since Noticee 1 – Sharepro has not submitted any reply as an organisation; I conclude that the charges against it also stand established.

**Role of Noticee No. 3 along with Noticee Nos. 5, 7, 8, 13 and 20**

47. As regards the **Noticee 3** - Indira Karkera, she is alleged to have played a pivotal role in the entire fraud. As per the findings of investigation, she was acting as the mastermind of the conspiracy of fraud. She was directly involved in the entire fraud pertaining to misappropriation of dividends and shares of genuine investors and was one of the main beneficiaries of such fraud. The common themes as observed in respect of her fraudulent dealings are as follows:

- (a) She was the Vice-President of Sharepro and was the client manager of the companies in respect of whose shares and dividends, the fraud was committed.
- (b) The fraudulent transactions involving siphoning of funds and shares were generally processed by Indira Karkera. It was she who had mostly issued instructions to the bank for issue of DDs in the name of entities connected to her.
- (c) The proceeds of the misappropriated dividends and shares had ultimately reached her or her relatives or were shared by her with other connected entities.
- (d) The connected entities were acting at her behest as her front entities.

48. In the above regard, I note that investigation has provided several direct proofs of her involvement in the fraud. For instance, **Annexure A** to the SCN dated September 27, 2018 which lists out 1004 instances (involving Rs.74,95,420/-) where Sharepro misused the authority of instructing the bankers directly by getting the banks to make payment of dividend to persons who were not actual shareholders

but were linked to Indira Karkera (viz. Raju Landge, Suresh Unavane, Narayan Devadiga, Anil Jathan, Nagesh Karkera and Satyam Brush Industries). It is seen from the said **Annexure A** that in all the cases (wherever names are available), instructions to the banks were signed by Indira Karkera. Further, **Annexure B** to the SCN dated September 27, 2018 lists 36 instances where Sharepro misled the client companies (viz. Asian Paints Limited and JM Financial Limited) by asking them to issue instructions to the bankers to make the dividend payments of rightful investors to entities who were linked to Indira Karkera. I note that the said **Annexure B** also lists four instances where Sharepro issued instructions directly to the bank (HDFC Bank), vide letters dated 03.10.2008 and 27.01.2012, to issue DDs/dividend warrants to entities related to Indira Karkera (viz. Nagesh Karkera and Satyam Brush Industries) who were not rightful shareholders, even when it was not authorized to do so by the companies. Similarly, **Annexure A2** lists 13 instances where the system of Sharepro showed that dividend had been transferred to IEPF whereas these payments were actually made to Nagesh Karkera and Satyam Brush Industries (i.e. entities related to Indira Karkera). I note that in all these cases mentioned in **Annexures B & A2**, instructions to banks were either issued by Indira Karkera herself or she was kept informed of the same by marking a copy of the instruction email. In the above regard, I note that copies of various letters signed by Indira Karkera on behalf of Sharepro to banks directing them to issue Dividend payments to entities/Noticees related to Indira Karkera are available on record as part of **Annexures BRHDFC, BRSTNC, BRMISC** and various other annexures like **Annexure OD18, OD5** etc.

49. Further, investigation has pointed out numerous instances where the proceeds of misappropriated dividend and shares of investors were ultimately transferred to Indira Karkera or her close family members by the conduit entities/ front entities of Indira Karkera. For example, after dividend payment of Rs.99,000 belonging to some genuine shareholders of Tata Communications Ltd. was fraudulently made to Narayan Devadiga on the instructions of Indira Karkera to HDFC Bank, vide DD no. 631025 dated February 06, 2008, the same was encashed in Narayan Devadiga's

Bharat Co-op Bank account no. 001810100074187 on February 18, 2008, which is reflected in his account statement available at **Annexure BRBCBL, Page no.190**. Subsequently, cheque no. 726361 for Rs.99,000 was issued from the said account of Narayan Devadiga in favour of Indira Karkera, which was encashed in her Bharat Co-op Bank account no. 001810100014802, as seen from the Bank Statement available as **Annexure BRBCBL, Page no. 220**. Similarly, it is noted that **Noticee 15** - Pradeep Rathod, who had allegedly misappropriated 1000 shares of Navin Fluorine International Limited and had received the sale proceeds from his broker in his Union Bank a/c no. 316002010070270 (**Annexure-BRMISC; Page No-172**) on May 06, 2006, had issued cheque no. 138117 worth Rs. 3,78,300 in favour of **Noticee 3** - Indira Karkera. She encashed the same in her National Co-op Bank account no. 4672 on May 06, 2006 (as confirmed by bank letter dated January 04, 2017; **Annexure-BRMISC- Page No-82**). The above transactions are just some of the many transactions cited by investigation where proceeds of misappropriated dividend and shares have ultimately reached Indira Karkera or her family members. The details of all such transactions have been brought out in the SCN which remain unrebutted.

50. I note that even after getting multiple opportunities to defend her case, she has not submitted any reply to SEBI on the merits of the case and has only attempted to buy time on one pretext or the other. Considering the same, I conclude that the **Noticee 3** – Indira Karkera has nothing to submit in her defence and thus, the charges brought out against her in the SCN stand established.
51. As regards **Noticee 5-** Prashant Karkera, **Noticee 7-** Anil Jathan, **Noticee 8-** Bhavani Jathan, **Noticee 13-** Mohit Karkera and **Noticee 20-** Nagesh Karkera, I note that all these Noticees are family members of **Noticee 3** – Indira Karkera and the charges against them are that they have played a role in the fraudulent transactions involving siphoning of dividends and shares belonging to genuine shareholders by acting as Indira Karkera's front entities. They have allegedly received the misappropriated dividend/shares in their demat/bank account and have either



passed on the same to Indira Karkera or have substantially benefitted themselves. Out of these entities, **Noticee 5-** Prashant Karkera, husband of Indira Karkera, has also acted as a mastermind of the fraud. Further, **Noticee 5-** Prashant Karkera has also allegedly misappropriated shares and dividends of genuine shareholders through his proprietary firm, Satyam Brush Industries, which happened in cases pertaining to Tata Communications Ltd., Kansai Nerolac Paints Ltd., Asian Paints Limited and Mather and Platt Pumps Ltd. Similarly, numerous instances of misappropriation of dividend payments and shares have happened through the bank account and demat account of **Noticee 20-** Nagesh Karkera (e.g. instances pertaining to dividend payouts / shares of Tata Communications Limited, Asian Paints Ltd., JM Financial Limited and Hexaware Technologies Limited). **Noticee 20-** Nagesh Karkera is the brother of Prashant Karkera and has allegedly acted as a front entity for Indira/Prashant. Similarly, **Noticee 7-** Anil Jathan (brother of Indira Karkera), **Noticee 8-** Bhavani Jathan (mother of Indira Karkera) and **Noticee 13-** Mohit Karkera (son of Indira Karkera) are found to have received misappropriated shares/funds in their account.

52. Some sample instances of the above entities receiving proceeds of misappropriated dividend/shares, as brought out by the investigation, are as follows:

(a) The names of Anil Jathan, Nagesh Karkera and Satyam Brush Industries (proprietary firm of Prashant Karkera) figure in the list of the entities who had received misappropriated dividends, as provided in **Annexure A & B**.

(b) It was noted that debenture redemption payment of Rs.19,85,627.93 pertaining to Britannia Industries Limited, which actually belonged to one Sujit Kumar Gupta, was fraudulently paid to **Noticee 27 – Suresh Unavane**. Suresh Unavane then transferred Rs.19,00,000 to **Noticee 13 - Mohit Karkera** which he received in his Bharat Co-op Bank account no. 001810100094710 on April 12, 2013 (**Annexure-BRBCBL; Page No-168**). **Noticee 13 - Mohit Karkera** further transferred money to **Noticee 3 - Ms Indira Karkera** on May 29, 2013 in

her HDFC Bank account no. 1461050077471 (**Annexure-BRHDFC; Page No-103**).

- (c) **Noticee 4 - Balram Mukherjee** had misappropriated 33750 shares of Britannia Industries Limited belonging to Sujit Kumar Gupta by using a fake court order. Out of the same, 3500 shares were transferred to Prashant Karkera without any consideration. Further, from the sale proceeds of siphoned off shares of Britannia, Balram Mukherjee bought shares of Asian Paints Ltd. which he transferred to various entities, which included Anil Jathan and Bhavani Jathan.
- (d) Prashant Karkera in his statement recorded on September 27, 2016, which is available as **Annexure SR1**, has admitted that he was acting at the behest of Indira Karkera. He has further admitted that he, along with Indira Karkera, operated the demat and bank accounts of various other front entities of Indira Karkera (i.e. **Noticee 20-** Nagesh Karkera, **Noticee 21-** Narayan Devadiga, **Noticee 22-** Raju Landge and **Noticee 27-** Suresh Unavane) through whose accounts dividend and shares of others were misappropriated.
53. I note that like Indira Karkera, all these entities i.e. **Noticee 5-** Prashant Karkera, **Noticee 7-** Anil Jathan, **Noticee 8-** Bhavani Jathan, **Noticee 13-** Mohit Karkera and **Noticee 20-** Nagesh Karkera, have failed to reply to the charges in the SCN. Since the role of these Noticees in the misappropriation of funds and securities has already been established through various instances, some of which have also been quoted above, I am compelled to conclude that this group of Noticees, viz. Noticee Nos. 5, 7, 8, 13 and 20 [i.e. Prashant Karkera (husband of Indira), Anil Jathan (brother of Indira Karkera), Bhavani Jathan (mother of Indira Karkera), Mohit Karkera (son of Indira Karkera) and Nagesh Karkera (Son of Indira Karkera)] had participated in the fraud and had benefitted from the same. Prashant Karkera had knowledge of the plot devised by his wife, Indira Karkera, Sharepro and GR Rao. I note from Prashant Karkera's statement recorded on September 27, 2016, which is available as **Annexure SR1** that he has admitted that he did all the transactions under the

instructions of Indira Karkera. He has further admitted that he along with Indira Karkera used to operate the bank and demat accounts of Raju Landge, Suresh Unavane, Narayan Devadiga and Nagesh Karkera (the front entities of Indira / Prashant through whom dividends and shares were misappropriated). In view of the above, I conclude that the charges against the Noticee nos. 5, 7, 8, 13 and 20 stand established.

#### **Role of Noticee No.4**

54. As regards **Noticee 4**- Balram Mukherjee, I note that the charge against him is that 33750 shares of Britannia Industries Limited were siphoned off from the account of one Sujit Kumar Gupta and fraudulently transferred to Balram Mukherjee on the basis of a fake court order purportedly passed in 1985 by Ld. City Civil Court at Calcutta. Investigation pointed out many discrepancies in respect of the said fake order, like use of electronic typewriter which was not in use at the said court at that time, presence of fake signatures of employees of the court who were yet to be employed, presence of various blank columns on certain page, etc. After getting the shares transferred in his name, **Noticee 4** - Balram Mukherjee dematerialized the shares and sold them in the market. Balram Mukherjee also received a dividend of Rs.16000 on the siphoned off shares. It is found that after selling the abovementioned shares of Britannia Industries Limited, he bought shares of certain other companies, including Asian Paints Limited. He is also found to have carried out off-market transfers of shares of Asian Paints Limited to various entities including those related to Indira Karkera (i.e. Anil Jathan and Bhavani Jathan) without any consideration. Later, these transactions were reversed to blur the audit trail. Noticee 4- Balram Mukherjee is found to have received payments amounting to Rs.9.24 Crores by selling shares obtained out of sale proceeds of shares of Britannia Industries Ltd. He is also found to have withdrawn Rs.9.52 Crore in cash from his bank account. It is also noticed that out of the sale proceeds of shares misappropriated by him, he is found to have transferred Rs.16,00,000 to bank account of Noticee 27- Suresh Unavane (an entity related to Indira karkera) who withdrew Rs.8,00,000 in cash and returned the remaining Rs.8,00,000 to Balram

Mukherjee. From the findings of investigation, it is also noted that in respect of shares misappropriated by Balram Mukherjee, there was not only a forged court order, even the address proof of Balram Mukherjee (in this case an electricity bill), as produced by Sharepro, was forged. I note that the **Noticee 4-** Balram Mukherjee has not submitted any reply to the SCN. Considering the overwhelming evidence against him, I find that the charges against him stand established.

#### **Role of Noticee 6- Akhil K Dalal**

55. As regards **Noticee 6-** Akhil K Dalal, I note that he is alleged to have misappropriated 743 shares of Asian Paints Ltd., which was facilitated by Sharepro by change of name in the folio, which was originally in the name of Canara Bank, through back end modification. After siphoning of the said shares, he is found to have sold the shares and transferred sale proceeds to **Noticee 20-** Nagesh Karkera, who in turn passed on the funds to Indira Karkera. Similarly, he is found to have siphoned 480 shares of Asian Paints Limited from the Folio of SHCIL and transferred the sale proceeds to **Noticee 20-** Nagesh Karkera, who in turn passed on the funds to Indira Karkera. Akhil Dalal is also found to have retained some funds himself. I note that the Noticee 6- Akhil K Dalal has not filed any reply to the SCN. However, I note that vide email dated January 18, 2019 and letter dated March 30, 2019, Neepa Dalal, the daughter of Akhil Dalal has informed SEBI that Akhil Dalal has already passed away on September 02, 2018. I further note that she has also forwarded a copy of his death certificate dated September 14, 2018 in support of her claim. Considering the fact that the **Noticee 6-** Akhil K Dalal is no more, the instant proceedings against him are taken as abated.

#### **Role of Noticee 9 – Chetan Shah**

56. Coming to the role of **Noticee 9-** Chetan Shah, I note from the findings of investigation that he is alleged to have misappropriated 1500 shares of Navin Fluorine International Limited, which were fraudulently transferred to him (folio no. 26013730) from the folio (no. 31003243) belonging to UTI by transfer entry on 30/04/2012, without proper documentation. The same were siphoned off with the

active connivance of Sharepro by reprinting the share certificates. Chetan Shah dematerialized the said shares and sold them. It is further noted that another 2450 shares of Navin Fluorine International Limited were fraudulently transferred to him (folio no. 26013748) from the folio (31003243) belonging to UTI, through transfer entry, which he had attempted to dematerialize but was rejected twice. I note that during investigation, Chetan Shah vide letter dated May 16, 2016 (available on record as **Annexure LIR17**) and in his statement recorded on December 27, 2016 (**Annexure SR20**) had submitted *inter alia* that the abovementioned shares were received in his folios as a result of and for exchange of 5000 physical shares of Mafatlal Industries Limited through Mafatlal Consultancies, which he had purchased in cash from one Adinath Consultancy in 2001-02. However, his explanations were found to be lacking credibility since he could not submit documentary proof in support of the same and his explanations during investigation were found to be inconsistent. The **Noticee 9**- Chetan Shah has not replied to the SCN and has failed to offer any cogent and convincing explanation for the fraudulent transactions. He had appeared at the personal hearing held on August 08, 2019 and had undertaken to file a written submission by August 20, 2019. However, no reply has been received from him till date. Considering all the above, I conclude that the charges against the **Noticee 9**- Chetan Shah stand established.

#### **Role of Noticee Nos.10, 23 & 26**

57. Now I take up the cases of **Noticee 10**- Dayanand Jathan, **Noticee 23**- Ratnakar Loku Poojary and **Noticee 26**- Sunanda Jathan, since all three are related to each other and have allegedly played a joint role in the fraud. Dayanand Jathan is an employee of Sharepro and Sunanda Jathan is his wife. Further, Ratnakar Loku Poojary is a cousin of Sunanda Jathan.
58. It is noted from the findings of the investigation that the name in the folio of one Pangal Anant Nayak holding 435 shares of Larsen and Toubro Limited (L&T) was fraudulently changed to Ratnakar Loku Poojary in 2006. Subsequently, Ratnakar Loku Poojary dematerialized those shares in his demat account (no.

IN30023911671917) and transferred the shares *inter alia* to Noticee 2- Govind Raj Rao (demat account no. IN30075710703472) and Noticee 26- Sunanda Jathan (demat account no. IN30023912635786). Subsequently, Sunanda Jathan also transferred shares to GR Rao. The extract of demat account transactions of Ratnakar Loku Poojary and Sunanda Jathan showing transfer of shares to GR Rao, as observed from the SCN, is as follows:

DPID/ CLIENT ID	FIRST HOLDER NAME	DATE (DD- MM-YYYY)	DESCRIPTION	OPENI NG BAL	DEBI T	CRE DIT	CLOSIN G BAL
IN30023 9116719 17	<b>Noticee 23</b> - Ratnakar Loku Poojary	16/08/2006	By Dematerialisation	0	0	435	435
IN30023 9116719 17	Ratnakar Loku Poojary	23/08/2006	To <b>Noticee 2</b> - Govind Raj Rao IN30075710703472	435	150	0	285
IN30023 9116719 17	Ratnakar Loku Poojary	10/10/2006	By L & T BONUS 1-1	285	0	285	570
IN30023 9116719 17	Ratnakar Loku Poojary	26/03/2008	To <b>Govind Raj Rao</b> IN30075710703472	570	22	0	548
IN30023 9116719 17	Ratnakar Loku Poojary	02/05/2008	To P.S.JAYASHREE [AAFPJ3283P]1301740 000036772	548	100	0	448
IN30023 9116719 17	Ratnakar Loku Poojary	02/05/2008	To MARIA ELENA CASYAB [ACOPC7922M]120447 0000180035	448	50	0	398
IN30023 9116719 17	Ratnakar Loku Poojary	26/08/2008	To <b>Govind Raj Rao</b> IN30075710703472	398	47	0	351
IN30023 9116719 17	Ratnakar Loku Poojary	01/10/2008	To SUNANDA DAYANAND JATHANIN3002391263 5786	351	351	0	0
IN30023 9126357 86	<b>Noticee 26</b> - Sunanda Dayanand Jathan (ABSPJ961 7R)	01-Oct-2008	By RATNAKAR LOKU POOJARY IN30023911671917	0.0	0.0	351	351
IN30023 9126357 86	Sunanda Dayanand Jathan (ABSPJ961 7R)	14-Oct-2008	By LARSEN AND TOUBRO LTD BONUS	351	0.0	351	702
IN30023 9126357 86	Sunanda Dayanand Jathan (ABSPJ961 7R)	19-Nov-2008	To <b>GOVIND RAJ RAO</b> IN30075710703472	702	100	0.0	602

DPID/ CLIENT ID	FIRST HOLDER NAME	DATE (DD- MM-YYYY)	DESCRIPTION	OPENI NG BAL	DEBI T	CRE DIT	CLOSIN G BAL
IN30023 9126357 86	Sunanda Dayanand Jathan (ABSPJ961 7R)	02-Feb-2009	To <b>GOVIND RAJ RAO</b> IN300757 10703472	602	80	0.0	522
IN30023 9126357 86	Sunanda Dayanand Jathan (ABSPJ961 7R)	25-Mar-2009	To <b>GOVIND RAJ RAO</b> IN300757 10703472	522	522	0.0	0.0

59. Ratnakar Loku Poojary had stated to SEBI during investigation vide letter dated May 19, 2016 (**Annexure LIR6**) that the said shares were given to him in physical form by Noticee 2- GR Rao, who was his neighbor at his native place and had requested him to hold these shares. He had further claimed that the said shares were transferred back to GR Rao's demat account as he was not able to handle this activity on his instructions. He further admitted that he has neither received nor paid any consideration to anyone. However, the investigation has revealed that he had submitted false information to SEBI since he had not only transferred shares to Noticee 2- GR Rao's demat account but to other entities as well, thereby acting as a front for GR Rao. As per the findings of investigation, Ratnakar Loku Poojary has also benefitted from the dividend payouts of Rs.9570, Rs.6270, Rs.1140, Rs.1140 and Rs.5970 on shares of L&T held in his name, which he received in his bank account no. 033001000015641 with Indian Overseas Bank and withdrew in cash. The account statement reflecting the same is in **Annexure BRSTMT, Page no. 299, 303 & 305**.
60. As mentioned above, **Noticee 26-** Sunanda Jathan had also received shares of L&T from Ratnakar Loku Poojary which she had transferred to G.R. Rao. During investigation, she vide letter dated June 30, 2016 (**Annexure LIR5**) had submitted *inter alia* that to compensate for any kind of damage/mistake, in the business transactions of Sharepro, few shares of Larson & Toubro Ltd were purchased by G.R.Rao and to keep the records of such shares separately, the same were kept in a pool account opened in the name of Ratnakar Poojary. Later when difficulties were

felt in co-ordinating with Ratnakar Loku Poojary, a new account in her name was opened on the instruction of G.R. Rao and all shares were transferred by Ratnakar to her account. Sunanda Jathan had further stated that she had neither paid nor received any monetary benefit for the said transactions. She had also stated that to compensate the affected parties for mistakes while processing the transfer/demat requests, shares were transferred from Ratnakar / her account to the account of G.R. Rao who ultimately compensated the affected parties. During investigation, Sunand Jathan had also submitted a copy of Office Note dated October 31, 2008 (**Annexure OD93**) approved by G.R. Rao whereby it was decided to transfer shares to one entity viz. Shobhana S. Kini. As per the findings of the investigation, it was apparent that it was **Noticee10** - Dayanand Jathan who was carrying on such kind of illegal transactions in the account of his wife in co-ordination with G.R.Rao, otherwise an office note of Sharepro could not come into the possession of wife of an employee. Moreover, the said office note indicated that Dayanand would be acting at the behest of GR Rao in the matter. The course of events showed that Dayanand carried out the instructions of G.R. Rao through his wife, Sunanda Jathan. The investigation found the submissions of Sunanda made in the course of investigation as misleading since it was observed that if the shares, kept in the account of Sunanda/Ratnakar were purchased by G.R. Rao, he could have very well kept them in his account and there would not have been any need of help from Dayanand/Sunanda and Ratnakar Poojary to create a smokescreen for the fraudulent transactions of G.R. Rao.

61. In response to the SCN, Mr. Ratnakar Loku Poojary (Noticee no. 23) vide his letter dated April 03, 2019 submitted *inter alia* that he has already submitted all the information to SEBI and did not have any additional submissions. He further submitted that he was a common man and did not know anything about shares and had never done dealing in shares. Further, Dayanand Jathan (Noticee no. 10), Sunanda Jathan (Noticee no. 26) and Ratnakar Loku Poojary (Noticee no. 23) vide a common letter dated August 17, 2019 submitted that all the information with them have already been submitted to SEBI vide letter dated May 19, 2016 and that they



had no other records with them. Along with the said letter, Mr. Ratnakar Loku Poojary had also attached a letter dated May 19, 2016 addressed to SEBI wherein he had submitted *inter alia* the following:

- (a) As per the request of Mr. GR Rao, who was Mr. Ratnakar Loku Poojary's neighbour at his native place, he held some shares of Larsen & Toubro Limited, which was given to him in physical form and then dematted to his DP account.
- (b) Thereafter, 435 shares were transferred to the Noticee's account, as instructed by Mr. G R Rao. The Noticee requested Mr. Rao that he would not be able to handle the above activity and as per his instruction, he transferred the said 435 shares to the account of G R Rao.
- (c) The Noticee had neither paid any consideration amount to anybody nor did he receive any consideration amount from any shareholders or any other entity.
- (d) Except G R Rao, he did not know any other person in the matter.

62. I note that in reply to the charges in the SCN, the abovementioned three Noticees have merely referred to the submissions earlier made by them during investigation, which were found as misleading and incredible. They have not offered any further explanation in their defense. I find that the abovementioned findings of investigation clearly establish that **Noticee 10-** Dayanand Jathan, **Noticee 23-** Ratnakar Loku Poojary and **Noticee 26-** Sunanda Jathan have acted at the behest of GR Rao as his front entities in the misappropriation of shares of others. Thus, the charges against them stand established.

#### **Role of Noticee No.14**

63. As regards the role of **Noticee 14-** Sujitkumar Amarnath Gupta, I note from the findings of the investigation that a demand draft for debenture redemption payment of Britannia Industries Limited belonging to one genuine holder, Sujit Kumar Gupta, amounting to Rs.19,85,627.93, was fraudulently encashed on December 04, 2013 by Noticee 14- Sujitkumar Amarnath Gupta in his bank account with Bank of India (account no. 003910310001280) and thereafter Rs.19,00,000 was withdrawn in cash by him. The same is evident from the bank statement of the said account

available as **Annexure BRBKOI, page no. 321**. The said DD (no.360572) dated December 02, 2013 was issued in the name of Sujit Kumar Gupta against an old DD, upon the request of Sharepro vide letter dated November 25, 2013 signed by Indira Karkera. The said letter is available on record as **Annexure OD33**. Investigation has revealed that Noticee 14- Sujitkumar Amarnath Gupta and Sujit Kumar Gupta are different persons with similar names and the former has fraudulently encashed the debenture redemption payments belonging to the latter in connivance with Indira Karkera and Sharepro. Thus, **Noticee 14-** Sujitkumar Amarnath Gupta has directly benefitted from the fraudulent transaction. **Noticee 14-** Sujitkumar Amarnath Gupta has not replied to the SCN and has not offered any explanation in respect of the above. Hence, I conclude that the charges against him levelled in the SCN stand established.

#### **Role of Noticee No.15**

64. As regards **Noticee 15-** Pradeep Rathode, I note from the findings of investigation that he has allegedly siphoned of 1000 shares of Navin Fluorine International Limited, 4152 shares of Aptech Limited, 23340 shares (i.e.13840 shares + 9500 shares) of Hexaware Technologies Limited belonging to genuine shareholders. These shares were siphoned off from the folios of genuine shareholders by manipulation of electronic records and reprint of share certificates. Either the shares were fraudulently transferred to folio of Pradeep Rathod by rectification entry or the original names in the folios were replaced with name of Pradeep Rathod through back end entry in the electronic records, without proper documentation and approval of the companies. As per the findings of investigation, Pradeep Rathod dematerialized these, sold them and shared the resultant ill gotten gains with Indira Karkera and entities connected to her. Some of the money transactions between Pradeep Rathod and Indira Karkera & entities related to her are as follows:

<b>Date (DD-MM-YYYY)</b>	<b>Transferor Name</b>	<b>Transferor Bank a/c No</b>	<b>Chq.No</b>	<b>Amount</b>	<b>Transferee Name</b>	<b>Transferee Bank a/c No</b>
06/05/2006	Pradeep Rathod	Union Bank of India	138117	3,78,300.00	Indira Karkera	National Co-op Bank 4672

Date (DD-MM-YYYY)	Transferor Name	Transferor Bank a/c No	Chq.No	Amount	Transferee Name	Transferee Bank a/c No
		316002010070270				
07/03/2006	Pradeep Rathod	Union Bank of India 316002010070270	138105	7,91,520.00	Raju Landge	Bharat Co-op Bank 001810100075247
12/04/2006	Pradeep Rathod	Union Bank of India 316002010070270	138115	5,00,000.00	Raju Landge	Bharat Co-op Bank 001810100075247
05/06/2006	Pradeep Rathod	Union Bank of India 316002010070270	155713	1,10,324.00	Raju Landge	Bharat Co-op Bank 001810100075247
23/02/2006	Pradeep Rathod	SBBJ 51010536110	638750	3,78,300.00	Raju Landge	Bharat Co-op Bank 001810100075247
08/08/2006	Pradeep Rathod	Union Bank of India 316002010070270	155717	3,00,000.00	Anil Jathan	Bharat Co-op Bank 001810100008368
21/11/2006	Pradeep Rathod	Union Bank of India 316002010070270	166009	1,00,000.00	Anil Jathan	Bharat Co-op Bank 001810100008368
30/11/2006	Pradeep Rathod	Union Bank of India 316002010070270	166010	2,00,000.00	Anil Jathan	Bharat Co-op Bank 001810100008368
23/10/2006	Pradeep Rathod	SBBJ 51010536110	950906	2,00,000.00	Anil Jathan	Bharat Co-op Bank 001810100008368
24/11/2006	Pradeep Rathod	SBBJ 51010536110	950908	7,00,000.00	Anil Jathan	Bharat Co-op Bank 001810100008368
28/11/2006	Pradeep Rathod	SBBJ 51010536110	950914	1,95,510.00	Anil Jathan	Bharat Co-op Bank 001810100008368

65. Mr. Pradeep Rathod (Noticee no. 15) did not submit his reply to the SCN. However, SEBI has received a letter dated October 17, 2018 from Mr. Shreyans Pradeep Rathod, who is the Noticee's son, submitting *inter alia* that the Noticee has taken Deeksha and has become a Jain Monk. He further submitted that his father had already submitted a detailed reply to SEBI's summons vide his letter dated 27.06.2016 whereby he had specifically denied all the allegations. The Noticee's son submitted a copy of Noticee's letter dated 27.06.2016 and further submitted that

the same may be taken as his reply to the SCN. It is noted that vide the letter dated 27.06.2016, Mr. Pradeep Rathod had submitted *inter alia* the following:

- (a) The Noticee was approached by Ms. Indira Karkera that few persons viz. Mr. Anil C.J., Mr. Raju Landga and Mr. Suresh Unawane were holding physical shares of certain companies and they were interested to sell the same to the Noticee, if he was interested to buy the same. At that time, it was represented by Ms. Indira Karkera that she knew the shareholders of the aforesaid shares personally and she undertook to indemnify the Noticee, in the event of any dispute arising in the future, in respect of any transaction pertaining to the said shares. On the basis of the said representation, the Noticee agreed to acquire the said shares subject to the condition that the money for such shares shall be given to the respective shareholders only upon the said shares being transferred in his demat a/c and upon selling the same thereafter, in the open market, after deducting certain sum. The said condition was agreed by Ms. Indira Karkera and the respective shareholders.
- (b) The Noticee, accordingly, had purchased 13,840 Shares of Hexaware Technologies Ltd., 4152 shares of Aptech Limited, 1000 shares of Navin Fluorine Ltd. and 9,500 shares of Hexaware Technologies Ltd. in physical form in the year 2005/2006 on certain agreed terms and conditions.
- (c) The Noticee states that 13,840 shares of Hexaware Technologies Ltd. were purchased from Raju Landge (Noticee No. 22). A certificate dated December 15, 2005 was issued by Sharepro (Noticee no. 1), wherein it was recorded that Raju Landge was the holder of said shares. Raju Landge gave his no objection for transfer of the said shares. As per the agreed terms, the said shares were sent to the company for transfer in favour of the Noticee and the same came to be transferred to the demat account of the Noticee. Thereafter, the Noticee sold the said shares in tranches on various days during February 21, 2006 to May 23, 2006 in the open market for a total consideration of Rs.18,42,810.70 and paid a sum of Rs.17,80,144/- to the said Raju Landge vide 4 different cheques after retaining profit.

- (d) In the same way as above, the Noticee purchased 4,152 shares of Aptech Ltd from Raju Landge, 1000 shares of Navin Fluorine Ltd from Sunil Unawane and 9,500 shares of M/s Hexaware Technologies Ltd. from Anil Jathan and sold them in the open market and paid money to the said persons or Ms.Indira Karkera through cheques, after retaining profit.
- (e) The Noticee has provided to SEBI the copies of abovementioned certificates issued by Sharepro, the NOCs issued by the shareholders who sold shares to him, the Share Transfer forms, bills issued by the brokerage firm, copies of cheques issued to the respective sellers or Indira Karkera and the copy of passbook showing the clearance of the said cheques.
- (f) After introduction of the said Mr. Raju Landge, Mr. Suresh Unawane and Mr. Anil CJ to the Noticee, Ms Indira Karkera executed an Indemnity Bond in favour of the Noticee on August 16, 2005 February 20, 2006 and letter dated July 20, 2006 wherein she undertook to indemnify the Noticee against any loss or damage, if any suffered, pursuant to the abovementioned transactions. The copies of the said Indemnity Bonds and letter are enclosed.
- (g) Save and except the transactions as referred to above, the Noticee had not done any other transactions with the said persons. Except the purchase of 13,840 shares and 9,500 shares of Hexaware Technologies Ltd. as referred to above, the Noticee had not purchased any other share of Hexaware Technologies Ltd. The Noticee is not aware of any other 27100 shares of the said company and had not dealt with the same. At the time of acquisition of 9,500 shares, the same were already split to the said extent and were standing in the name of Mr. Anil CJ. The Noticee enclosed the split share certificate standing in the name of Anil CJ, thereby holding 9500 shares.
- (h) As regards fund receipts and payments, the Noticee had been lending money on interest for short period for livelihood, and such transactions were being reflected in his statement of transactions. His income tax filings had been scrutinized and were found to be in order.

66. Along with the said letter dated June 27, 2016, Pradeep Rathod had also provided

to SEBI copies of various documents in support of his claims, such as copies of DRF, certificates from Sharepro certifying the name of holder of securities, copies of various share certificates, Share Transfer Forms, contract notes from broker, copies of cheques issued to various entities, bank account statements, NOCs from purported sellers and Indemnity Bond from Indira Karkera.

67. The family members of Pradeep Rathod, who had attended the personal hearing on August 08, 2019 had reiterated during the personal hearing that Pradeep Rathod had taken Deeksha as a Jain Monk and that they were not aware of his transactions. Subsequently, they also furnished an affidavit dated August 13, 2019 wherein they reiterated the above submissions and also enclosed copy of an invitation card of the Deeksha ceremony. They further submitted that they are not aware about the whereabouts of the Noticee, Pradeep Rathod, and requested SEBI to withdraw the SCN issued to him.
68. I have considered the submissions made by Pradeep Rathod vide letter dated June 27, 2016 during investigation in respect of the alleged siphoning of shares by him. I note that the Noticee vide the said letter during the course of investigation, had submitted that he had purchased 1000 shares of Navin Fluorine International Limited from **Noticee 27**- Suresh Unavane, 4152 shares of Aptech Limited from **Noticee 22**- Raju Landge, 13840 shares of Hexaware Technologies Limited from **Noticee 22**- Raju Landge and 9500 shares of Hexaware Technologies Limited from **Noticee 7**- Anil Jathan. As per the abovementioned submissions of the Noticee (made during investigation), the Noticee was approached by Ms.Indira Karkera that few persons viz. Mr.Anil C.J., Mr. Raju Landga and Mr. Suresh Unawane were holding physical shares of certain companies and they were interested to sell the same to the Noticee, if he was interested to buy the same. At that time, it was represented by Ms. Indira Karkera that she knew the shareholders of the aforesaid shares personally and she undertook to indemnify the Noticee, in the event of any dispute arising in the future, in respect of any transaction pertaining to the said shares. On the basis of the said representation, the Noticee agreed to acquire the

said shares subject to the condition that the money for such shares would be given to the respective shareholders only upon the said shares being transferred in his demat a/c and upon selling the same thereafter, in the open market, after deducting certain sum. The said condition was agreed by Ms. Indira Karkera and the respective shareholders. He further stated that Sharepro had also issued certificates showing those persons as the shareholders. Further, Indira Karkera had also issued indemnity bonds. Accordingly, he purchased the shares from those persons.

69. I note that the investigation has already punched holes in the abovementioned submissions of the Noticee by observing the following:

- (a) In respect of purported purchase of 1000 shares of Navin Fluorine International Limited from Suresh Unavane, Pradeep Rathod had claimed that the share certificate which was lodged by him for transfer was in the name of Suresh Unavane and he had later dematerialized the same certificate in his demat account. However, it was found that the share certificate number dematerialized by Pradeep Rathod was different from the share certificate number mentioned in the certificate issued by Sharepro/Indira which stated that Suresh Unavane was the holder of such shares. Thus, it was clear that Pradeep Rathod's submissions were false and misleading. Further, the payment of consideration in respect of the said shares by Pradeep Rathod was done by cheque to Indira Karkera, instead of Suresh Unavane. It was also found that the consideration amount for shares paid by him to Indira Karkera for physical shares was higher than the prevailing price of the shares in demat form available on the exchange, during the period from date of certificate issued by Sharepro certifying that the shares belonged to Suresh Unavane to the date of lodging of shares for transfer with Sharepro. It indicated that the consideration paid for physical shares was higher than the price of demat shares, which appeared illogical. Further, Pradeep Rathod did not submit the details of agreed sale price nor any copy of agreement for sale containing the

terms and conditions (esp. since sale price was required to be paid after purchase/transfer/demat/sale in the market).

- (b) In respect of purported purchase of 4152 shares of Aptech Limited from Raju Landge, the purported consideration was paid by Pradeep Rathod to Raju Landge after 10 months. Further, in respect of purported purchase of 13840 shares and 9500 shares of Hexaware Technologies Limited from Raju Landge and Anil Jathan respectively, the purported consideration was paid by Pradeep Rathod after few months.
  - (c) Further, from the submissions of the Noticee, the investigation has also observed discrepancies with respect to the date on which the share certificates were printed in his name and the date when he purportedly submitted the share certificates to Sharepro for transfer in his name. It was noted that share certificates were lodged for transfer even before the date of issue itself.
70. Further, I note that Pradeep Rathod has claimed that while purchasing shares from other entities, the shares received by him were sent for transfer in his name. Upon transfer, the same were dematerialized. In this regard, I note that the Noticee has provided various copies of share certificates in support of his claim. I note from the same that except one share certificate for 9500 shares of Hexaware Technologies Limited purportedly purchased from Anil Jathan, all other share certificates are in the name of Pradeep Rathod. I note that while the Noticee has meticulously preserved and furnished to SEBI copies of each and every document in respect of his purported purchases, he has not provided copies of share certificates showing the names of other entities (viz. Raju Landge and Surash Unavane) which he had purportedly received on purchase from them. Thus, it is apparent that the share certificates which he claims to have purchased from various entities were already printed in his name and the submissions of Pradeep Rathod in this regard are false.
71. I note that the discrepancies pointed out by the investigation in the submissions of Pradeep Rathod and the abovementioned observation clearly indicate that Pradeep Rathod was acting in connivance with Indira in the conspiracy of fraudulent transfer



of shares. The Noticee has not submitted any fresh explanation in respect of the same. Thus, the charges against the Noticee stand established. I note from the submissions of the family members of Pradeep Rathod that he has renounced the world and has taken deeksha as a Jain monk. However, I am of the opinion that the same is irrelevant since a person cannot get rid of his legal liabilities simply by claiming to have renounced the world and he remains liable for his past deeds.

### **Role of Noticee Nos. 16, 17, 18, 25 and 28**

72. As regards **Noticee 16**- Rajesh Bhagat, **Noticee 17**- Chandrakant Pawar, **Noticee 18**- Ganesh Nimbalkar, **Noticee 25**- Sukhdev S Bhosale and **Noticee 28**- Swanpil Sutar, the allegation against them is that these entities have acted together as conduit entities of Indira Karkera in the misappropriation of dividends / shares belonging to others. As per the findings of investigation, the demat and bank accounts of these entities are found involved in numerous fraudulent transactions through which shares/dividends belonging to genuine shareholders had been misappropriated by Indira Karkera and related entities. Some of the instances pointed out are as follows:

- 1500 shares of Asian Paints Limited belonging to Chandubhai J Patel were misappropriated by Noticee 17 - Chandrakant Pawar by change of name in folio. These shares were dematerialized in the demat account no. 1201120000255684 belonging to Chandrakant Pawar and then transferred to the broker "Inventure" for on-market transactions or transferred in Off-market to **Noticee 16** - Rajesh Bhagat or **Noticee 18** - Ganesh Nimbalkar. Further 3300 shares bought from market were either transferred in Off-market to Rajesh Bhagat (100 shares) or Nagesh Karkera (3200 shares).
- 180 shares of Asian Paints Limited belonging to Rajesh Bhargava were misappropriated by Noticee 16 - Rajesh Bhagat by change of name in folio. These 180 shares of Asian Paints Limited were dematerialized in Demat

account no-1201120000234881 belonging to **Noticee 16** - Rajesh Bhagat. After demat, the 180 shares were transferred to Inventure Growth and Securities Limited in On Mkt transaction on 23/05/2011.

- It was observed that two demand drafts of Rs. 3,33,000/- and Rs. 3,52,500/- from dividend account of Asian Paints Ltd. were issued in favour of **Noticee 28 - Swapnil S Sutar**. The same were encashed by **Noticee 28 - Swapnil Sutar** in his bank account no. SBVIS/951 maintained with Saraswat Bank on October 11, 2014 and October 13, 2014 (**Annexure-BRMISC; Page No-116**). As per Asian Paints email dated Jan 29, 2016 (**Annexure-CRAP3**), those payments pertained to dividend of folio no. 1493 which belonged to Unit Trust of India. HDFC Bank has confirmed vide email dated Oct 28, 2016 (**Annexure-BRHDFC; Page No-349**) that DD no. 869006 was issued in lieu of dividend warrant pertaining to Unit Trust of India (Folio No. 1493). Additionally, one more deposit of Rs 17,52,000 vide DD no. 681270 was observed in account number SBVIS/951 of **Noticee 28 - Swapnil** held with Saraswat Bank on Nov 26, 2014 (**Annexure-BRMISC; Page No-116**). As per Asian Paints email dated Jan 29, 2016 (**Annexure-CRAP3**), that payment pertained to dividend of folio no. 1493 which belonged to Unit Trust of India.
- 576 shares of Asian Paints Limited belonging to Kirtida B Desai were misappropriated by Ganesh Nimbalkar by change of name in folio. These shares were dematerialized in demat account number 1201120000235716 which belongs to **Noticee 18 - Ganesh Bhaskar Nimbalkar**. Out of the 576 shares which were misappropriated, 300 shares were transferred to **Noticee 16 - Rajesh Bhagat** and the rest were sold in the market.
- As per information submitted by HDFC Bank vide email dated December 21, 2015 (**Annexure-BRHDFC; Page-245**), it was found that a debenture redemption payment of Rs. 708,128.20 of Britannia Industries was made to Sukhdev Bhosale, vide instrument no. 418495 even though he was not a

shareholder of Britannia Industries Ltd. **Noticee 25 - Sukhdev Bhosale** encashed above mentioned instrument in his Bank of India account no. 075810110000078 on October 30, 2014. An amount of Rs 6,48,000 was withdrawn in cash by **Noticee 25 - Bhosale** on November 03, 2014 (**Annexure-BRBKOl; Page No-105**).

73. In respect of the charges in the SCN, Mr. Rajesh Bhagat (Noticee no. 16) vide his letters dated October 10, 2018 and August 16, 2019 has submitted *inter alia* the following:
- (a) The Noticee was working as a peon under sub-broker Mahesh Krishnan in Stock Exchange office in Mumbai. When he was working, he met Indira Karkera in the BSE.
  - (b) In 2013-14, Indira Karkera told the Noticee that her clients had some shares of some companies. The said clients stayed outside and their demat accounts could not be operated. She asked Noticee to open demat accounts of people who are close to him and she would transfer to him and his relatives and friends. Accordingly, he opened the demat accounts of himself and his friends and relatives, namely Swapnil Sutar, Sukhdeo Bhosale, Chandrakant Pawar and Ganesh Nimbalkar to Indira Karkera. She told that all the responsibility for the transactions would be hers.
  - (c) Indira Karkera transferred the shares to the Noticee's friends and relatives in their demat account. She sold those shares and took the amounts herself, but she did not tell the Noticee that it was illegal. The Noticee did not know that it was illegal. Ms Indira Karkera had all the detailed information about those shares but she did not tell them the truth. She gave the wrong information to them and she literally cheated them.
  - (d) Dividend paid in the name of Swapnil Sutar were encashed. Indira karkera herself came to the bank and took the dividend money. The same money was deposited by Indira Karkera in 2016. Similarly, dividend paid in the name of Sukhdev Bhosale was encashed and money was paid to Indira karkera. In, this

fashion, Indira Karkera not only cheated Noticee but also his friends and relatives.

- (e) During the investigation by EOW, Indira Karkera gave a statement that all the Noticee's abovementioned friends and relatives were not guilty and that they did not know about this illegal activity. She also said that she had given wrong information to the Noticee and his friends and that they were used by her and they are not guilty.
- (f) The Noticee has also given his statement before Chief Metropolitan Court No. 22 in the above connection.

74. Mr. Chandrakant H. Pawar (Noticee no. 17) vide his letters dated October 14, 2018 and August 08, 2019 has submitted *inter alia* the following:

- (a) He is a small trader in readymade garments dealing in the name of M/s. Omkar Enterprises.
- (b) He has no knowledge of share market operations and has never held any securities / shares of any company, nor entered into any transactions in securities till date.
- (c) Mr. Ganesh Nimbalkar (Noticee no. 18) happens to be staying nearby his residence and Mr. Rajesh Bhagat (Noticee no. 16), who happens to be brother-in-law of Ganesh Nimbalkar is known to the Noticee through Mr. Ganesh Nimbalkar.
- (d) Mr. Rajesh Bhagat, who happened to be employed with a sub-broker of share market, misled the Noticee and opened an account with M/s. Inventure Growth & Securities by obtaining his signature and details / photograph in 2011-12 on the application form. Mr. Rajesh Bhagat also obtained blank signed cheques from him. He also informed the Noticee that he would deposit the necessary charges etc. and also operate the same at his own responsibility.
- (e) The Noticee has never visited or had any conversation with M/s. Inventure Growth & Securities officials nor entered into any transaction in securities or financial with / through them.
- (f) Mr. Rajesh Bhagat used to deposit / transfer some amount in Noticee's account

- and withdrew / transferred amounts through signed blank cheques obtained from the Noticee. He used to call the Noticee to the bank when cash withdrawals were to be done and used to immediately collect the said amounts.
- (g) It was only after receipt of earlier SEBI notice and thereafter his interaction with Mr. Rajesh Bhagat that the Noticee came to understand that some misdoing had been committed by him and other in transactions in securities / shares. Immediately thereafter, the Noticee visited SEBI office and submitted written and oral statements. An indemnity given by Rajesh Bhagat to the Noticee stating that he had committed the various fraudulent transactions in securities through Noticee's bank accounts in his name and that Mr. Bhagat is solely responsible for the same was submitted to SEBI. It also clearly mentions that the Noticee had no involvement in the fraudulent transactions of securities / shares.
- (h) Mr. Rajesh Bhagat in his reply dated 10.10.2018 to SEBI's SCN has accepted that he had opened and operated various accounts in various names including in the name of the Noticee in which fraudulent transactions in securities/shares have taken place. Mr. Rajesh Bhagat has also accepted the same in his oral and written statements before various authorities.
- (i) The Noticee is innocent and thus no action should be initiated against him.

75. Ganesh Nimbalkar (Noticee no. 18) vide his letters dated October 20, 2018 and August 19, 2019 has submitted *inter alia* the following:

- (a) Rajesh Bhagat is his brother-in-law who asked Noticee to open demat account. Accordingly, he opened the demat account and he does not know about the transactions.
- (b) The Noticee submits that Sharepro transferred shares in his name through Indira Karkera and Rajesh Bhagat and sold them to another person in the share market and deposited some amount in his account.
- (c) He has already recorded his statement before SEBI. The share transfer transactions were wholly done by Indira Karkera. She had used the Noticee for the said transactions but the Noticee does not know Indira Karkera.

76. Sukhdev S. Bhosale (Noticee no. 25) vide his letters dated October 20, 2018 and August 14, 2019 has submitted *inter alia* the following:
- (a) He is currently working as a tractor driver in Amaravati. Because of job, he was in Mumbai where he got acquainted with Rajesh Bhagat. Because of him, he opened the demat account. He does not know the transactions of shares in demat account.
  - (b) The Noticee submits that Sharepro transferred shares in his name through Indira Karkera and Rajesh Bhagat and sold them to another person in the share market and deposited some amount in his account in this connection, which was withdrawn by him and Rajesh Bhagat.
  - (c) The Noticee does not recognize Indira Karkera. He submits that he has paid the share dividend to Asian Paints and Britannia Ltd.
  - (d) He has already recorded his statement before SEBI. The share transfer transactions were wholly done by Indira Karkera. She had used the Noticee for said transactions, but he does not know Indira Karkera.
77. Swapnil Sutar (Noticee no. 28) vide his letters dated October 20, 2018 and August 19, 2019 has submitted *inter alia* the following:
- (a) He stays in Mumbai. He had acquaintance with Rajesh Bhagat. According to Rajesh Bhagat's instructions, he had opened the demat account. He does not know about the transactions in his demat account.
  - (b) Some dividend amount was deposited in the Noticee's bank account through Indira Karkera. The Noticee did not know Indira Karkera and it was Rajesh Bhagat who knew Indira Karkera. The Noticee urgently transferred the dividend amount deposited in his account to Sharepro by way of pay order. Vide letter dated January 16, 2016, he had given pay order no. 703235, 281287 and 656207 to Sharepro through Rajesh Bhagat. Thus, he has already paid dividend to Asian Paints and Britannia Limited.
  - (c) The Noticee has already recorded his statement before SEBI. The share transfer transactions were wholly done by Indira Karkera. She had used the

Noticee for carrying out transactions, but he does not know Indira Karkera.

78. Rajesh Bhagat (Noticee No. 16), Chandrakant H. Pawar (Noticee no.17), Ganesh B. Nimbalkar (Noticee no.18) Sukhadev Bhosale (Noticee no.25) and Swapnil S. Sutar (Noticee no.28), during the personal hearing on August 08, 2019 have jointly submitted that Rajesh Bhagat had opened the accounts of other four Noticees. The Noticees submitted that they did not know anything about the securities market and their accounts were misused. All the Noticees are known to each other. They further submitted that Chandrakant Pawar, Swapnil Sutar, Ganesh Nimbalkar and Sukhadev Bhosale had signed the cheques and handed over the same to Rajesh Bhagat and they had never met Indira Karkera. They came to know about the transactions in their account much later, which they reported to all authorities. The Noticees further submitted that all five of them are very poor persons and have meagre educational background. Chandrakant Pawar has a small garment shop and Rajesh Bhagat is a peon. Likewise, other Noticees do petty jobs. Rajesh Bhagat admitted that the above submissions were true and submitted that he himself was working as a peon and was misused as a conduit entity by Indira Karkera for illegal activities without his knowledge.
79. I have considered the charges against **Noticee 16** – Rajesh Bhagat, **Noticee 17**- Chandrakant Pawar, **Noticee 18**- Ganesh Nimbalkar, **Noticee 25**- Sukhdev S Bhosale and **Noticee 28**- Swanpil Sutar and submissions made by them. I note that the above five noticees are related to each other. I further note from their submissions made in reply to the SCN that they are poor people doing petty jobs and their accounts have been misused by Indira Karkera. In this regard, I note that **Noticee 17**- Chandrakant Pawar, **Noticee 18**- Ganesh Nimbalkar, **Noticee 25**- Sukhdev S Bhosale and **Noticee 28**- Swanpil Sutar have submitted that they did not know anything about the securities market and also had never met Indira Karkera. Their accounts were opened on the request of **Noticee 16**- Rajesh Bhagat and these were misused for carrying out transactions at the behest of Indira Karkera. I further note that **Noticee 16**- Rajesh Bhagat during the personal hearing on August 08,

2019 as well as in his statements recorded on September 15, 2016 (**Annexure-SR5**) and September 23, 2016 (**Annexure-SR19**) has admitted that the demat accounts of the four entities, namely Chandrakant Pawar, Ganesh Nimbalkar, Sukhdev S Bhosale and Swanpil Sutar, were opened at his request. Rajesh Bhagat has also admitted that he was responsible for all the transactions done in the accounts of the said four Noticees, and the same were carried out on the instructions of Indira Karkera. I note that Mr. Rajesh Bhagat in his statement recorded on September 15, 2016 (Annexure SR5) has admitted that Indira karkera used to give him an amount of Rs.5000 to Rs.10000 in cash for the transactions carried out on her instructions. Considering the same, I find that **Noticee 16-** Rajesh Bhagat has admitted to having acted as a front entity / conduit entity for Indira Karkera. I note that Rajesh Pawar has pleaded that he is a poor person with very basic education and works as a peon. He has also pleaded that he did not know that the transactions carried out on the instructions of Indira Karkera were illegal. Having considered the social and economical profile of Rajesh Bhagat, it appears to me that he has been misused by Indira Karkera in her nefarious designs by luring him with petty sums. However, considering the fact that he was working in the office of a sub-broker at BSE (which implies that his familiar with the basics of securities market cannot be ruled out) and also the fact that he willingly executed the instructions of Indira Karkera for petty gains as per his own admission, I am constrained to conclude that the charges against **Noticee 16-** Rajesh Bhagat stand established.

80. Coming to the role of the other four Noticees, namely **Noticee 17-** Chandrakant Pawar, **Noticee 18-** Ganesh Nimbalkar, **Noticee 25-** Sukhdev S Bhosale and **Noticee 28-** Swanpil Sutar, I note that these entities have not disputed the transactions done in their demat accounts. However, they have submitted that their demat accounts were opened by Rajesh Bhagat and all the transactions were done on his instructions. They have also pleaded that they are poor people, having modest educational qualifications, and are not familiar with the nitty gritty of the securities market. Having considered the submissions of these four entities as well as the admissions of Rajesh Bhagat supporting the same, I find that these four



persons have also been misused as conduit / front entities by Indira karkera, through another conduit entity, namely Rajesh Bhagat. However, considering the fact that these Noticees were willingly complying with Rajesh Bhagat's requests like withdrawing / depositing cash and cheques/DDs in their bank accounts, signing DIS slips etc, I find that these Noticees cannot be completely absolved of the charges against them of having acted as conduit entities. Accordingly, the charges against **Noticee 17-** Chandrakant Pawar, **Noticee 18-** Ganesh Nimbalkar, **Noticee 25-** Sukhdev S Bhosale and **Noticee 28-** Swanpil Sutar levelled against them in the SCN stand established to the extent stated above.

### **Role of Noticee nos. 21, 22 and 27**

81. As regards **Noticee 21-** Narayan Devadiga, **Noticee 22-** Raju Landge and **Noticee 27-** Suresh Unavane, I note that these three Noticees are directly connected to Indira Karkera. Noticee 21- Narayan Devadiga is the servant of Prashant Karkera (husband of Indira Karkera). Noticee 22- Raju Landge is the driver of Indira/Prashant. Similarly, Noticee 27-Suresh Unavane is also servant of Indira/Prashant. I note from the findings of investigation that similar to the case of five entities mentioned in the previous paragraph, a large number of transactions were carried out in the accounts of Noticee 21- Narayan Devadiga, Noticee 22- Raju Landge and Noticee 27- Suresh Unavane for fraudulently siphoning of funds and shares in connivance with Indira/Sharepro and other entities. These entities have allegedly acted as the conduit entities or front entities for Indira Karkera and Prashant Karkera. An example of their involvement in the fraud can be seen from the fact that the names of all the three Noticees figure in the list of entities contained in **Annexure A** to the SCN which lists 1004 instances (involving Rs.74,95,420/-) where Sharepro misused the authority of instructing the bankers directly by getting the banks to make payment of dividend to persons other than actual shareholders. Similarly, there are numerous other transactions where the names of these three entities are figuring.

82. I note that these three Noticees have not filed any reply to the SCN. I note that even though Noticee 5- Prashant Karkera vide statement dated September 27, 2016 (**Annexure-SR1**) has admitted that the accounts of these three Noticees were opened and operated by Indira/Prashant, the opening of accounts of these entities would not have been possible without their consent and completion of documentary formalities. Since the abovementioned three Noticees have not filed any reply to the SCN, I am compelled to conclude that these entities have acted as conduit entities / front entities of Indira Karkera / Prashant karkera in their fraudulent dealings. Accordingly, I find that the charges against **Noticee 21**- Narayan Devadiga, **Noticee 22**- Raju Landge and **Noticee 27**- Suresh Unavane stand established.

#### **Role of Noticee 19 – Krishna M Ghosh**

83. As regards **Noticee 19**- Krishna M Ghosh, as per the findings of investigation, debenture redemption payment of Britannia Industries Limited, amounting to Rs.7,24,880 was fraudulently made to **Noticee 19**- Krishna M Ghosh vide instrument no. 158059, even though he was not a debentureholder. **Noticee 19** - Krishna M Ghosh encashed the abovementioned instrument in his Corporation Bank account no. SB/01/1700 on June 17, 2014. Thereafter, Rs 20000 and Rs 700,000 were withdrawn in cash by **Noticee 19** - Ghosh on June 17, 2014 and June 18, 2014 respectively (**Annexure-BRMISC; Page No-188**). There are no other findings with respect to the said Noticee. I note that the Noticee has directly benefitted from the above fraudulent transaction. The Noticee has not replied to the SCN and has not offered any explanation. In such a scenario, I am constrained to conclude that the charges against the Noticee ought to be confirmed.

#### **Role of Noticee No. 24**

84. As regards **Noticee 24**- Sadashiv Poojary, as per the findings of investigation, he was an employee of Sharepro. I note that Sadashiv Poojary had received 8105 shares of Asian Paints Limited from Noticee 4- Balram Mukherjee. The said 8105 shares were part of the shares purchased by Balram Mukherjee out of the sale

proceeds of 33750 shares of Britannia Industries Limited, which he had misappropriated from the account of one genuine shareholder by using a fake court order, as already discussed above. Out of the said 8105 shares of Asian Paints Limited, Sadashiv Poojary returned 7505 shares back to Balram Mukherjee and retained remaining 600 shares. It was found that later, Sadashiv sold these shares and traded in other scrips based on the value of said 600 shares as initial amount. Thus, it is apparent that Noticee 24- Sadashiv Poojary has received 600 shares of Asian Paints as a reward for his help in the fraudulent transactions. As per the findings of investigation, **Noticee 24 - Sadashiv Poojary** vide his statement dated December 21, 2016 has admitted that no consideration was paid by him for the said transactions and he doesn't even know Balram Mukherjee and these transactions were carried out at the instructions of **Noticee 3 – Indira**. During investigation, Noticee has admitted that his bank account was opened by Noticee 3- Indira Karkera along with some other staff members and she gave them Rs.1000 to open the bank account. He operated his own bank account. Further, his demat account was opened at the instruction of Indira Karkera. He never operated his demat account and the same was operated by Indira Karkera. He had also submitted during investigation that the shares in his demat account were sold by Indira karkera.

85. I note that the investigation has rightly observed that the Noticee 24- Sadashiv Poojary being employed with an RTA and being an educated man, should not have provided his account to Indira for fraudulent transactions. Apart from the above, it is also noted that the Noticee had also received a dividend of Rs.19802 on the said 600 shares of Asian Paints Limited. Out of the same, he transferred Rs.10000 to Noticee 23- Indira Karkera and withdrew the rest in cash. This also proves that the Noticee 3 Sadashiv Poojary was hand in glove with Indira Karkera. I note that the Noticee has not replied to the SCN and has not offered any explanation in respect of the transactions. Hence, I am inclined to confirm the charges leveled against him in the SCN.

### **Role of Noticee no. 29**

86. As regards **Noticee 29**- Bhagyalakshmi Rao, I note that she is one of the promoters and directors of Sharepro along with her husband, GR Rao, who is the Managing Director of Sharepro. The findings of investigation have established a very clear case of involvement of Sharepro in misappropriation and siphoning off of dividends/funds and shares belonging to genuine shareholders, non-maintenance of essential records, falsification and tempering of accounts/records, submission of false information and non-cooperation with investigation etc. As a promoter and director of Sharepro, Bhagyalakshmi Rao has been charged for the abovementioned lapses by Sharepro by being vicariously liable for the same.
87. Ms. Bhagyalakshmi Rao (the Noticee no. 29) vide her letter dated February 22, 2018 has submitted *inter alia* the following:
- (a) The Noticee is a senior citizen aged about 64 years and is a homemaker. For last 33 years, she has been exclusively looking after her autistic child.
  - (b) Sharepro possessed goodwill and reputation in the market and has been handling big corporates as an RTA for last more than 3 decades.
  - (c) The Noticee is the wife of Mr. Govind Raj Rao (Noticee no. 2), the Managing Director of Sharepro. The Noticee from the inception of Sharepro has not been involved in any activity/business of Sharepro whatsoever. Several hundred employees working in Sharepro were handling the corporate clients of Sharepro. She was joined as a director, as a formality to comply with the requirements under the Companies Act, 1956. The Noticee is actually a housewife. The Noticee has not participated in any of the activities/ business of Sharepro whatsoever from its inception, due to her autistic son who was born in April 1984 and due to other household responsibilities for the past 33 years i.e. prior to incorporation of Sharepro.
  - (d) In the year 2015-16, SEBI received an anonymous letter that there were certain irregularities / illegalities in handling the accounts of various investors by Ms. Indira Karkera. On the basis of anonymous letter, SEBI conducted an inquiry

- and an ex-parte order dated March 22, 2016 was passed by SEBI. In the meantime, the investigation was initiated by EOW. Thereafter Mr. G R. Rao and Ms. Indira Karkera, the Vice President of Sharepro, were taken in custody by EOW.
- (e) The Noticee was never involved in any of the business activities of Sharepro. The Noticee never gave any instructions for transfer of any amounts to valid and / or invalid persons. The Noticee has no knowledge of any business activities of Sharepro and/or the alleged acts. As the Noticee was in no way involved in any activities / business of Sharepro whatsoever, she has no information and / or any document in respect of the present matter. SEBI's order dated November 03, 2017, in so far as the Noticee's case is concerned, is based on ex facie erroneous conjectures and surmises. The Noticee was not involved in activities/business of Sharepro since inception. She has no knowledge of any business activities of Sharepro and / or the alleged acts.
  - (f) Apart from Mr. G R Rao, the Noticee is not related to any person named in the SCN who are allegedly involved in the fraud.
  - (g) The allegation in the SCN that the Noticee being wife of MD, a promoter and director of Sharepro, is liable for lack of due diligence, non-professional conduct, lack of integrity and prima facie fraud by some of the employees of Sharepro does not sustain since she was not involved in the day to day business activities of the company and she cannot be held liable for fraud committed by employees, as the same is against the principles of natural justice.
  - (h) The Noticee was not privy to any alleged illegal transaction / transfer of shares or dividend. The Noticee was not in a position to divert the assets (shares and dividend) belonging to genuine and rightful shareholders.
  - (i) In the SCN, no case is made out against the Noticee and the allegations are based just on the fact that she was amongst one of the directors of the company as per its records. SEBI investigation has not brought out any specific role of the Noticee in the day to day management of the company.
  - (j) The Noticee relies on the judgment of the Hon'ble SAT in the matter of Vijay

- Remedies Ltd. vs SEBI (February 11, 2005) where two independent directors (appellants) not associated with day to day management and control of the company were exonerated on the ground that there must be some element of lack of due diligence on part of the appellants to hold that they were in violation of regulations. Though the Noticee was not an independent director, she was never involved or associated with the day to day management and control of the company and hence cannot be held responsible.
- (k) Noticee cannot be held liable for fraud committed by other persons who have acted ultra vires the memorandum and articles of association of Sharepro. The Noticee cannot be made vicariously liable in this case since she, at the time the offence was committed, was not in charge of the company and was not responsible for conduct of its business.
  - (l) The Noticee's name has not been mentioned anywhere in the SCN in respect of involvement in fraud, like other persons.

88. I note that **Noticee 29-** Bhagyalakshmi Rao has not defended the charges against Sharepro. Rather, in her reply to the SCN, she has *inter alia* submitted that though she was a director of Sharepro, she was never associated with the functions of Sharepro. She is a housewife and for the last 33 years, she has been exclusively looking after her autistic child. She had joined Sharepro as a director, as a formality to comply with the requirements under the Companies Act, 1956. She has further submitted that she was not privy to any alleged transaction / transfer of shares or dividend and the SEBI investigation has not brought out any specific role of the Noticee in the day to day management of the company. She cannot be made liable for the fraud committed by others.

89. I have considered the abovementioned submissions of the Noticee 29- Bhagyalakshmi Rao. I note that in any company, it is the directors who are responsible for the management and affairs of the company and are liable for the acts of the company committed during their directorship. The said post carries with it various rights, duties and responsibilities. Any person, who accepts the post of a director in a company, also becomes liable for the acts of the company committed

during his directorship. Though I am willing to accept her submissions that she being a housewife and mother of an autistic child, may not have participated in the day to day affairs of Sharepro, I find that the same is not adequate to absolve her, in the eyes of law, from liabilities arising out of her holding the post of a director and she remains vicariously liable for the violations. Considering the same, I am constrained to conclude that the charges against **Noticee 29** - Ms. Bhagyalakshmi Rao as stated in the SCN stand established. However, I am inclined to consider her case with leniency.

**Role of Noticee nos. 30, 31 and 11:**

90. As regards **Noticee 30**- Shrikant Bhalakia and **Noticee 31**- Anand Bhalakia, I note from the findings of investigation that **Noticee 30**- Shrikant Bhalakia had received 13290 shares of Asian Paints Limited in his demat account in July 2015 from **Noticee 4**- Balram Mukherjee, who had bought those shares from the sale proceeds of 33750 shares of Britannia Industries Limited, siphoned of by him. It was also found that Noticee 30- Shrikant Bhalakia had returned those shares to Balram Mukherjee in August 2015. Shrikant Bhalakia had received the said shares without any consideration, as per the instructions of Indira Karkera, as admitted by him.
91. As per the findings of investigation, **Noticee 30**- Shrikant Bhalakia and **Noticee 31**- Anand Bhalakia have allegedly siphoned of / misappropriated the following shares of Asian Paints Limited and Kansai Nerolac Paints Limited, rightfully belonging to genuine shareholders, by fraudulent transfer of shares / falsification of records of register of members of the companies through backend entry and reprinting of share certificates:
- (a) 1000 shares of Asian Paints Limited belonging to the folio of L Ganeshan
  - (b) 733 shares of Asian Paints Limited belonging to Amarjit Kaur Arora
  - (c) 960 shares of Asian Paints Limited belonging to Profile Systems Limited
  - (d) 480 shares of Asian Paints Limited belonging to Jardine Fleming Int'l Mgt. Inc.  
(Jardine)

- (e) 500 shares of Asian Paints Limited transferred to folio number 00902848 (original folio owner Jardine but illegally taken over by Shrikant Bhalakia) from folio number 00001493 (folio belonging to UTI but being controlled by Sharepro related entities)
  - (f) 432 shares of Asian Paints Limited belonging to Govt.of Singapore Investment Corp.
  - (g) 1325 shares (i.e. 365 shares + 500 shares + 460 shares) of Asian Paints Limited in the folio no. 00902855 (folio belonging to Govt.of Singapore Investment Corp. but illegally taken over by Shrikant Bhalakia)
  - (h) 450 shares of Asian Paints Limited transferred to folio no. 00001493 through folio no. 00902855 (folio belonging to Govt.of Singapore Investment Corp. but illegally taken over by Shrikant Bhalakia) without any corresponding debit in any of the demat account of Shrikant Bhalakia.
  - (i) 666 shares of Kansai Nerolac Paints Limited belonging to LIC, through Nagesh Karkera, and
  - (j) 533 shares of Kansai Nerolac Paint Limited belonging to SCHIL, through Nagesh Karkera
- (\* the abovementioned shares do not include bonus shares / shares on splitting, accrued on these shares)

92. I note that **Noticee 31**- Anand Bhalakia has jointly been charged with Shrikant Bhalakia for the fraudulent transactions as described above, since the same were allegedly carried out jointly by them. The re-printed share certificates received after purported transfer of shares were in their joint names. Further, the demat accounts which were used for dematerialization of siphoned off shares were in the joint names of Shrikant Bhalakia and Anand Bhalakia. Further, the DRF used for dematerialization of siphoned off shares were signed both by Shrikant Bhalakia and Anand Bhalakia. The sale proceeds of misappropriated shares were allegedly being deposited in the bank account no. 4710100018523 (Bank of India) of Anand Bhalakia, who in turn was paying to entities connected to Indira Karkera (i.e. Narayan Devadiga, Raju Landge, Suresh Unavane and Nagesh Karkera).



93. Mr. Shrikant Bhalakia (Noticee no. 30) vide his letters dated March 17, 2018 and August 14, 2019 has submitted *inter alia* the following:
- (a) The Noticee has already given a detailed reply dated May 13, 2016 and the same may be considered as part of his reply to the SCN.
  - (b) The Noticee is an old man of 68 years and suffers from vision problem.
  - (c) The Noticee had opened joint demat account and bank account with his son Anand Bhalakia and his wife Dina Bhalakia. However, all the affairs of the demat accounts and bank accounts with Anand Bhalakia were being looked after by the Noticee only. His son Anand Bhalakia had no role to play in the same.
  - (d) The Noticee was looking for earning his livelihood after the year 2008. He started assisting people in dematerializing their shares and earn something out of the same. If any person had no demat account, the Noticee was helping the said person by transferring the physical shares in his name and thereafter demating the shares and depositing the shares in his own demat account jointly held with Anand Bhalakia and then sell the shares through his broker and pay the sell amount to the said persons after deducting his charges therefrom. The charges were in the form of fund or part of the shares. The Noticee had assisted friends and their references in doing the same.
  - (e) As far as Ms. Indira Karkera is concerned, the Noticee met her at AGM of BASF in around 2009. She informed the Noticee that she was Operations Manager at Sharepro. Thereafter they met again at few more AGMs of various companies. At times, the Noticee used to consult her in the matter of transfer of physical or demat shares and about the requirement of documentation thereof. In 2010, she asked the Noticee to help few ex-employees of Asian Paints and Kansai Nerolac in getting their shares transferred and dematted in the Noticee's account and selling the said shares and paying them sale proceeds after deducting charges, as the said employees had no demat accounts. Since the Noticee knew her, he trusted her and agreed to work as per her guidelines.

- (f) In the first transaction, Ms. Indira Karkera gave the Noticee 1199 shares of Kansai Nerolac of one ex-employee K. Nagesh in April 2010. Since the demat account of the Noticee was in the joint name with his son Anand Bhalakia, the Noticee gave his shares for transfer in the joint name with his son to Indira Karkera. In few days time, the Noticee got the shares duly transferred in joint names from her. However, the share certificates had names of the Noticee and his son written on the front side of the face of the shares. Therefore, the Noticee asked Indira Karkera reason for the same. She informed the Noticee that the same was due to consolidation of various folios of employee K. Nagesh and hence new certificate was issued in the name of the Noticee and his son. The Noticee deposited the said shares in his demat account and got the credit for the same on April 23, 2010. Thereafter, the Noticee was asked to sell 925 shares through his broker by Indira Karkera. The Noticee sold these shares through his broker AFN Langrana and *inter alia* received the payment of Rs.4,61,936/-. The same was deposited by the Noticee in his savings account with Bank of India. The Noticee was asked by Indira Karkera to make payment of Rs,3,60,000/- in the name of K. Nagesh by issuing a cheque in his favour. Accordingly, the Noticee made the payment from his bank account. However, the cheque was handed over by the Noticee to Indira Karkera. The Noticee has never seen or met Mr. K Nagesh. Thereafter, the Noticee was also asked by Indira Karkera to withdraw cash amount from the bank and pay to her which the Noticee did. Thus, the Noticee paid various cash amounts to Indira Karkera.
- (g) The mode of operation was (a) Indira Karkera gave shares to the Noticee, (b) the Noticee transferred the said shares in joint names, (c) the Noticee deposited the said shares for demat after receiving the same from transfer, (d) the Noticee sold the said shares as per her instructions, (e) issued the cheque in favour of transferor of the shares and handed over the said cheque to Indira Karkera without meeting the transferor, (f) withdrew cash amount from the bank and handed over the same to Indira Karkera. In the abovementioned manner, 15 transactions of shares from 4 employees took place. These shares were of Kansai Nerolac and Asian Paints. Indira Karkera informed the Noticee that

- these 4 persons were employees of respective companies. The Noticee entered into 34 transactions of sale through his broker AFN Langrana and issued 34 cheques in favour of these 4 employees. Similarly, the Noticee withdrew cash amount aggregating to Rs.22,65,000/- from his bank account on 23 occasions and paid the same to Indira Karkera. The balance shares were retained by the Noticee towards his charges. Since this request for transfer and sale of shares came from a senior person of Sharepro i.e. Operations Manager Indira Karkera, the Noticee had no reason to doubt any bonafides or mischief. The Noticee undertook the transactions in good faith.
- (h) As far as the anonymous complaint mentioning that shares belonging to one expired shareholder Radha Manucha had been reprinted and given to the Noticee is concerned, the Noticee submits that he was never given any shares reprinted in the name of Radha Manucha at any point of time. The Noticee had received the shares which were in the name of purported ex-employees i.e. K. Nagesh, Raju Landge, Suresh Unavane and Narayan Devadiga. The Noticee had received the shares of Asian Paints and Kansai Nerolac Limited. He had never received any shares of Britannia Industries Limited, nor did he deal in the shares of Britannia Industries Limited. The Noticee was a victim of the fraud perpetrated by Indira Karkera. He did not know anybody else other than Ms Indira Karkera. He had no idea whatsoever about internal working of Sharepro. He did not know its Chairman Mr. G R Rao or his wife Bhagyalakshmi Rao. He was only in contact with Indira Karkera and relied on her and acted upon her instructions. In fact, the Noticee has never met Raju Landge, Suresh Unavane, Nagesh K or Narayan Devadiga anytime at all. All the actions had taken place only through Mrs. Indira Karkera whom the Noticee knew only in the course of attending AGMs of several companies.
- (i) The Noticee in his career has never been involved in any criminal activities whatsoever. He did not have even the slightest idea about the fraud being committed by Sharepro, or else, he would not have undertaken any such activities. The Noticee has retained 647 (6470) shares of Asian Paints Ltd. and 548 shares of Kansai Nerolac India Ltd. in the year 2010 and he still has the

said shares in his demat account. The same goes to show that the Noticee never doubted any fraud in the transactions undertaken at the behest of Indira Karkera. He did not have any contact or relations with Indira Karkera except through the aforesaid transactions.

- (j) The reprinting of shares was neither in the capacity nor in the domain of the Noticee. The reprinting of shares could have been done only by Sharepro. He was not even aware that the said shares were reprinted by Sharepro. The Noticee has not connived with Sharepro in perpetuating the fraud, as alleged.
- (k) The Noticee is ready and willing to handover the shares retained by him in his demat account to the respective companies, as per the directions of SEBI.
- (l) The Noticee was never aware of the names of the original shareholders whose shares were reprinted in different names and given to him. The shares in different names were handed over by Indira Karkera to the Noticee from time to time in different quantities, Therefore, when Indira Karkera handed over transferred shares in the name of the Noticee and his son Anand Bhalakia, he had enquired with Indira Karkera as to why their names were printed on the front of the share certificate and not at the back of the share certificate as usual. Then Indira Karkera had given the Noticee to understand that since various folios and quantities of shares were consolidated, new certificates were printed and the Noticee's name was printed in front. Since the explanation came from high ranking official of Sharepro, the Noticee accepted the same without doubting her bonafide. Even as far as 13290 shares of Asian Paints Ltd. were concerned, it was Indira Karkera who had told the Noticee that she wanted to close down her demat account and therefore had temporarily transferred the said shares to the Noticee for safe keeping and the said shares were returned back at her request to the demat account from where they were received on August 06, 2015. Then the Noticee was not aware that the said demat account did not belong to Mrs. Indira Karkera.
- (m) The Noticee submits that since he had disposed off most of the shares then in the year 2010 and 2011, the valuation taken by SEBI in the SCN as of October 2016 is of no consequence. The sale proceeds were handed over by the

Noticee to Indira Karkera in the year 2010 and 2011, as stated earlier. The Noticee was not aware that he was acting as a conduit for the top management of Sharepro. He has not deliberately facilitated them.

- (n) As far as transfer of Rs.1,00,000/- to Dina Bhalakia is concerned, the said amount was transferred by Noticee and not Anand Bhalakia. Secondly, an amount of Rs.1,00,000/- was received from Dina Bhalakia's account no. 004710100017698 to the account no. 004710100018523 i.e. joint account of the Noticee and Anand Bhalakia on 19.04.2010 as a loan. The said loan was returned to Dina Bhalakia on 18.05.2010 out of the own funds of Noticee and Anand Bhalakia. The sale proceeds of the shares were not concerned at all with the said transaction. It is denied that Rs.1,00,000/- was transferred from the sale proceeds of the shares to Dina Bhalakia or that she was also the recipient of ill-gotten proceeds as alleged in the SCN. An extract of the Noticee's joint bank account no. 004710100018523 showing receipt of Rs.1,00,000/- from Dina Bhalakia's account no. 004710100017698 is enclosed.
- (o) The Noticee's 2 demat accounts and 2 savings accounts (Bank of India and HSBC Bank) have been frozen by SEBI since year 2016 and he is unable to run his day to day expenses. He has no savings left other than the shares lying in the demat accounts. The Noticee has not violated the provisions of the PFUTP Regulations, as alleged.
- (p) The Noticee had kept his son's name as second named person in all his savings accounts and Demat accounts as he was old aged and has acute vision and eye problems. This was for safety reasons and safeguarding his family's interest. His son has no connection in any manner with any of the Noticee's transactions. His name is also added in this case due to the reason that his name is second. Thus, his son Anand Bhalakia's name be removed from this case.

94. Along with the reply dated March 17, 2018, Shrikant Bhalakia has attached a copy of pages from a bank passbook purportedly belonging to bank account no. 004710100018523 in the joint name of Shrikant Bhalakia and Anand Bhalakia

showing a receipt of Rs.1,00,000/- from account no. 004710100017698 (Dina Bhalakia's account) on 19.04.2010.

95. Mr. Anand S. Bhalakia (Noticee no. 31) vide his letters dated March 17, 2018 and August 14, 2019 has submitted *inter alia* the following:
- (a) The Noticee has already given a reply vide letter dated May 13, 2016 and the same may be considered.
  - (b) The Noticee submits that he is working with TCS Ltd. as Asst. Manager since last 10 years. He does not deal in shares at all. All the impugned transactions of shares in Asian Paints Ltd. and Kansai Nerolac Ltd., were undertaken by the Noticee's father Shrikant Bhalakia. The Noticee has not participated in any of them. Since bank account and demat account were jointly opened by Shrikant Bhalakia with the Noticee, the Noticee's blank signed transfer deeds and DRFs were remaining in possession of Shrikant Bhalakia. Even the cheques from the bank account were signed by Shrikant Bhalakia. The Noticee does not know any of the entities mentioned in the SCN apart from Shrikant Bhalakia. He has never met any of them and is not aware of any transaction personally. The Noticee has not disposed off any shares personally. The Noticee's name was involved purely because he is son of Shrikant Bhalakia. The Noticee is not aware of any facts or allegations mentioned in the SCN personally.
  - (c) The Noticee's name is involved only due to joint bank account and demat account with his father Shrikant Bhalakia. The name was joined only for the sake of convenience. The SCN against the Noticee should be withdrawn.
  - (d) The Noticee's father aged 68 years has chronic vision / eye and other age-related health problems. The Noticee is his only child. As such, he keeps his name as second named person in all his saving bank and demat accounts. This is for convenience, family safety and security reasons. These accounts are exclusively operated by his father without the Noticee's knowledge. The Noticee does put his signature wherever his father requires.
  - (e) The Noticee does not know Sharepro or Indira Karkera or other management members of Sharepro directly or indirectly.

96. I have gone through the detailed findings of investigation and the submissions of the **Noticee 30-** Shrikant Bhalakia. I note that in the abovementioned cases of misappropriation of shares belonging to others, the folios of genuine shareholders were fraudulently taken over by change of name. Subsequently, different share certificates were merged / consolidated and new share certificates were printed in the joint name of Shrikant Bhalakia and Anand Bhalakia, which were later dematerialized by them. In this regard, Noticee 30- Shrikant Bhalakia has submitted that he was into assisting people in dematerializing their shares and earning something out of the same. If any person had no demat account, the Noticee was helping the said person by transferring the physical shares in his name and thereafter demating the shares and depositing the shares in his own demat account jointly held with Anand Bhalakia, then selling the shares through his broker and paying the sale amount to the said persons after deducting his charges therefrom. The charges were in the form of fund or part of the shares. He has further submitted that in 2010, Indira Karkera, who was known to her, asked the Noticee to help few ex-employees of Asian Paints and Kansai Nerolac in getting their shares transferred and dematted in the Noticee's account and selling the said shares and paying them sale proceeds after deducting charges, as the said employees had no demat accounts. Since the Noticee knew her, he trusted her and agreed to work as per her guidelines.
97. In his submissions, Shrikant Bhalakia has claimed to have purchased the abovementioned shares from purported ex-employees of Asian Paints Limited and Kansai Nerolac Paints Ltd viz. Raju Landge, Suresh Unavane, Narayan Devadiga and K. Nagesh. As per his submission, the mode of operation was (a) Indira Karkera gave shares to the Noticee, (b) the Noticee transferred the said shares in joint names, (c) the Noticee deposited the said shares for demat after receiving the same from transfer, (d) the Noticee sold the said shares as per her instructions, (e) issued the cheque in favour of transferor of the shares and handed over the said cheque to Indira Karkera without meeting the transferor, (f) withdrew cash amount from the

bank and handed over the same to Indira Karkera. In the abovementioned manner, 15 transactions of shares from 4 employees took place. The Noticee entered into 34 transactions of sale through his broker AFN Langrana and issued 34 cheques in favour of these 4 employees. Similarly, the Noticee withdrew cash amount aggregating to Rs.22,65,000/- from his bank account on 23 occasions and paid the same to Indira Karkera. The balance shares were retained by the Noticee towards his charges.

98. I note that in respect of the alleged transactions, Shrikant Bhalakia had made almost identical submissions to SEBI vide letter dated May 13, 2016 during the course of investigation, which were found to be lacking credibility. The investigation had observed that the Noticee had not provided any supporting documents in support of his contentions except demat, bank account statements and few contract notes for sale of shares. He had failed to provide details regarding how many shares were bought from which entity and at what price. Further, I note that the investigation has rightly pointed out that it was highly improbable that any ex-employee of reputed companies like Asian paints Limited and Kansai Nerolac would not possess demat account, since opening a demat account merely requires identity proof and address proof.
99. I note from the submissions of the **Noticee 30-** Shrikant Bhalakia that he has admitted that the share certificates received by him after purported transfers were in the joint name of Shrikant Bhalakia and Anand Bhalakia. In this regard, I agree with the observation of the investigation that had the Noticees received shares through genuine transfers, there would have been no need to re-print the share certificates in their name as old certificates would have come in their possession.
100. I further note that **Noticee 30-** Shrikant Bhalakia has claimed that he acquired the abovementioned shares from Raju Landge, Suresh Unavane, Narayan Devadiga and K. Nagesh and had paid them money through cheques which were handed over to Indira Karkera. He has submitted that he received Rs.14359204.76 from his broker after sale of shares by him and he transferred Rs.10372364 to the above four



entities. It is noted that Shrikant Bhalakia has claimed to have made a payment of Rs.22,65,000/- in cash to Indira Karkera, for which he has not submitted any proof. Thus, it is noted that disregarding the purported cash payment to Indira, he has retained Rs.3986840.76 out of the sale proceeds. He has also retained 647 shares of Asian Paints and 548 shares of Kansai Nerolac out of the shares received by him. It defies logic as to why genuine shareholders would sell physical shares at such discounted price, merely for getting them dematted and sold through another entity and receiving the consideration afterwards. Further, even if it is accepted that the Noticee made payment in cash to Indira, the same in itself tantamounts to admission that he had acquired the shares fraudulently in connivance with Indira and entities related to her, since he has not been able to explain why payments, that too in cash, were made to Indira Karkera (a third party) in respect of purported purchase of shares from the said four entities, when monies through cheques were already paid to them. I further note that the Noticee 30- Shrikant Bhalakia has admitted to having acted at the behest of Indira Karkera while receiving shares from Balram Mukherjee and later returning the same to him.

101. In view of all the above, I find that **Noticee 30-** Shrikant Bhalakia has fraudulently acquired shares belonging to genuine shareholders by acting in connivance with Indira Karkera and other entities related to her. Accordingly, the charges against the Noticee stand established.
102. As regard, **Noticee 31-** Anand Bhalakia, I note that he has submitted that he is working with TCS Ltd. as Asst. Manager since last 10 years. He does not deal in shares at all. All the impugned transactions of shares in Asian Paints Ltd. and Kansai Nerolac Ltd., were undertaken by the Noticee's father Shrikant Bhalakia. The Noticee has not participated in any of them. Since bank account and demat account were jointly opened by Shrikant Bhalakia with the Noticee, the Noticee's blank signed transfer deeds and DRFs were remaining in possession of Shrikant Bhalakia. Even the cheques from the bank account were signed by Shrikant Bhalakia. The Noticee does not know any of the entities mentioned in the SCN apart from Shrikant

Bhalakia. He has never met any of them and is not aware of any transaction personally. The Noticee has not disposed off any shares personally. The Noticee's name is involved only due to joint bank account and demat account with his father Shrikant Bhalakia. The name was joined only for the sake of convenience.

103. I have considered the submissions of Anand Bhalakia. I note that while he has not defended the transactions on merit, he has mainly contended that the allegedly fraudulent transactions carried out in the joint bank and demat accounts of Shrikant Bhalakia and Anand Bhalakia were entirely carried out by Shrikant Bhalakia himself. I note that though Noticee 30- Shrikant Bhalakia has contended in his submissions that all affairs of the demat accounts and bank accounts with Anand Bhalakia were being looked after by Shrikant Bhalakia and his son has no role to play in the same, in my opinion, Shri Anand Bhalakia, being the joint owner of such accounts, cannot escape from the legal consequences of transactions carried in the joint accounts. Considering the same, I am constrained to conclude that Anand Bhalakia, being the joint holder of accounts with Shrikant Bhalakia, is also liable for the fraudulent transactions carried out by his father, Shrikant Bhalakia, through such joint accounts. Accordingly, I conclude that the charges levelled against him in the SCN stand established. However, I am inclined to treat the case of Shri Anand Bhalakia with some leniency, since his role in the said transactions appears to be very limited.

104. As regards **Noticee 11-** Dina Bhalakia, I note that the only charge against the Noticee is that Anand Bhalakia transferred Rs. 100000 from his Bank of India bank account number 004710100018523 to Bank of India bank account number 004710100017698 of Dina Bhalakia on May 18, 2010 indicating that Dina Bhalakia was also the recipient of the ill-gotten proceeds.

105. Ms. Dina Bhalakia vide her letters dated October 28, 2016, December 24, 2018, August 06, 2019, August 14, 2019 and February 06, 2020 has submitted *inter alia* the following:

- (a) The entire SCN does not contain any allegation or any fact proving any allegations against the Noticee. Since no case is made out against her in the

SCN to warrant any action to be taken against her under any of the provisions of the SEBI laws, the SCN against her may be withdrawn.

- (b) The Noticee states that in connection with the cause of action contained in the SCN, pursuant to SEBI's Interim and Confirmatory Orders, the Noticee's demat account with Stock Holding Corporation of India bearing DP ID 010100 and Client ID No. 1601010000032814 has been frozen. The Noticee was not a respondent in both orders and no grounds have been made out for freezing her account. Even in the SCN, no grounds have been made out for proceeding against her. The freezing of her account is unwarranted.
- (c) SEBI has restrained the Noticee's husband, Shrikant Bhalakia from dealing in securities. With the result, all demat accounts where her husband's name has been associated have been frozen. The Noticee's abovementioned demat account with Stock Holding Corporation of India has also been frozen as her husband's name is joined therein as second holder. This account was opened in and around 1999-2000. This is Noticee's own account which was opened as a joint account for convenience purpose with her husband, Shrikant Bhalakia. This demat account has Noticee's own demat shares which she has acquired from her own funds or inherited. The shares that she has inherited were from her parents (mother). When she inherited the shares, the same were in physical form as in the year 1998 when her mother died there was no demat facility. These shares that she has inherited in her demat account are not only her shares but also shares of her sisters. As they have not opened demat account at that time, they had requested her to hold their shares in Noticee's account. She is holding these shares under trust on their behalf.
- (d) The Noticee is 62 years old lady and is suffering from various ailments. Since the Noticee's husband's demat accounts are also frozen, she is unable to meet her expenses for day to day running of the house and medical expenses.
- (e) She has no connection to the fraud committed by Indira Karkera and other members of management of Sharepro.
- (f) The Noticee submits that her demat account with Stock Holding Corporation of India is purely and legally her account and in no manner connected with the

dealings of her husband Shri Shrikant Bhalakia. She would suffer great hardship and harm if her demat account is not allowed to be operated by her. She is not concerned with Sharepro or its transactions.

- (g) As regards the Confirmatory Order dated November 03, 2017 passed by SEBI, the Noticee submits that as per point 30 of the said order, she is required to provide with specific and more details of her shareholding shown in the demat account and a CA's certificate certifying certain facts and matters. As required, the Noticee encloses a certificate from CA, certifying that the shares in the demat account belong to her as these are either acquired by her or inherited by her from her mother as a legal heir.
- (h) In view of the fact that the shareholding in the Noticee's demat account has no direct or indirect connection with the case of her husband and also in view of the fact that her husband's name is added to her account for the sake of convenience and safeguarding purposes in case something happens to her, the Noticee requests SEBI to consider unfreezing / releasing the above referred demat account as soon as possible. These shares are Noticee's own shares because these were acquired by her from her own savings and funds or inherited from her mother's estate. These shares are not connected with any of her family members or any other person in any manner.
- (i) All transactions appearing in her accounts are her own transactions and her husband has no connection with her accounts. As an exception, he might have given her a small loan at times to meet her commitments. These loans are returned by her from time to time. There are very few such transactions and that too for small amounts.
- (j) The Noticee requests SEBI to de-freeze her demat accounts and to withdraw the SCN against her.

106. Along with her letter dated August 06, 2019, Dina Bhalakia has submitted a certificate dated August 03, 2019 from Bharkumar C Mehta, Chartered Accountant *inter alia* certifying that on the basis of documents verified by him, the equity shares of various Indian companies as appearing in the demat account number

1601010000032814 with Stock Holding Corporation of India are owned by and belong to Smt. Dina Bhalakia only either through purchase from the market or inherited from late mother Chandraben Navinchandra Javeri.

107. I note that while Dina Bhalakia has not directly referred to the receipt of ill gotten gains of Rs.100000 from Anand Bhalakia out of the alleged ill gotten gains, Noticee 30- Shrikant Bhalakia in his reply to the SCN has submitted that as far as transfer of Rs.1,00,000 to Dina Bhalakia is concerned, the said amount was transferred by Shrikant Bhalakia and not Anand Bhalakia. He has further submitted that an amount of Rs.1,00,000 was received from Dina Bhalakia's account (no. 004710100017698) to the joint account of the Noticee and Anand Bhalakia (no. 004710100018523) on 19.04.2010 as a loan. The said loan was returned to Dina Bhalakia on 18.05.2010 out of the own funds of Noticee and Anand Bhalakia. The sale proceeds of the shares were not concerned at all with the said transaction and it is wrong to allege that Rs.1,00,000/- was transferred from the sale proceeds of the shares to Dina Bhalakia or that she was also the recipient of ill-gotten proceeds. Shrikant Bhalakia has also submitted a copy of a page from bank passbook of his joint bank account showing receipt of Rs.1,00,000/- from Dina Bhalakia's account.
108. I have considered the charges against the Noticee and the submissions of her husband Shrikant Bhalakia. I note that except the charge of receiving Rs.100000 from Anand Bhalakia, there are no other charges against her. The investigation has not brought out any role, direct or indirect, played by her in the entire fraud involving siphoning of shares. Further, considering the explanation given by Shrikant Bhalakia in respect of the said transfer of funds along with documentary proof, I am inclined to give benefit of doubt to Dina Bhalakia. Thus, I find that the charges against Dina Bhalakia are unsubstantiated and are liable to be dismissed.
109. Apart from the above, Dina Bhalakia has also submitted that pursuant to SEBI's interim order and confirmatory order, her demat account with Stock Holding Corporation of India (DP ID 010100 Client ID 1601010000032814), jointly held with

Shrikant Bhalakia has been frozen. This account was opened as a joint account with her husband for convenience purpose and the same contains her own shares which she has acquired from her funds or inherited. She has also provided a certificate from a CA certifying that the shares in the said demat account belong to her as they are either acquired by her or inherited by her from her mother as a legal heir. Thus, the said demat account should be de-frozen. In this regard, I have considered the abovementioned CA certificate certifying that the shares in the said demat account belong to her as they are either acquired by her or inherited by her from her mother as a legal heir. In view of the same, I find that it would be appropriate to de-freeze the said demat account of Dina Bhalakia, even though it is in the joint name of Dina Bhalakia and Shrikant Bhalakia.

**Role of Noticee no. 12:**

110. As regards the **Noticee 12**- Jayshree Shah, I note that the allegation against her is that she had received 3360 shares of Asian Paints Limited in fraudulent transfer by using forged transfer deed signed by a dead person and reprint of the share certificate. When joint holder cum heir of the actual shareholder appeared and demanded shares, the transfer was reversed and another share certificate was printed and delivered to him. Jayshree Shah is the sister of Shrikant Bhalakia. The abovementioned fraudulent transfer of shares to Jayshree Shah had taken place in January 2012. As per the findings of investigation, Sharepro had claimed that it had issued a notice dated January 16, 2012 to Jayshree Shah for filing her objection to the transfer. Sharepro further claimed that Jayshree quickly reverted with objection based on which the above transfer was cancelled. Investigation had also found that there was a rectification entry dated 25/01/2012 which reversed the 3360 shares back to the folio of actual shareholder. However, investigation had noted that while the notice issued by Sharepro to Jayshree Shah for filing objection was dated 16/01/2012, the objection letter of Jayshree produced before investigation was dated April 11, 2013 (i.e. the reply was received after more than a year when shares were already transferred to her). Thus, investigation revealed that letter from Jayshree was taken post facto and the rectification appears to have been carried

out through back dated falsification in software system in 2013 after the surviving shareholder demanded the shares in 2013.

111. Ms. Jayshree Bipin Shah (Noticee no. 12) vide letter dated October 28, 2018 has submitted *inter alia* the following:

- (a) The Noticee vehemently denies any wrongdoing in the matter and further states that she has been falsely made a party in spite of having no involvement in the abovementioned case whatsoever.
- (b) On or about April 2013, the Noticee was shocked and surprised when one Mr. Vaidya from Sharepro visited her residence inquiring for certain share transfer requests which they had received, allegedly made on her behalf. On further enquiry, he informed that they had received share transfer requests forms with the Noticee's signature for transfer of 3600 shares of Asian Paints belonging to one Mrs. Radha Manucha & Mr. Rajiv Manucha, but in spite of the Noticee's repeated requests, refused to hand over any copies related to the same. The Noticee immediately informed him that she had not initiated any such share transfer requests and nor had she purchased any such shares of Asian Paints and she was not aware of or in contact with any person by the name of Radha Manucha or Rajiv Manucha. In fact, to establish her stand further, the Noticee wrote a letter dated October 11, 2013 to Sharepro with cc to Asian Paints Ltd. clearly informing them about the above stand.
- (c) The Noticee states that after the demise of her mother in October 2011, on or about early 2012 for the purpose of transferring her shares to the Noticee's name, her brother Shrikant Bhalakia had requested her to hand over copies of her financial documents like copies of PAN Card, passport etc. attested by her with original copies of pre-signed Blank Share Transfer Forms which she complied with and which seemed to have been misused.
- (d) The Noticee further states that the abovementioned letter dated October 11, 2013, a copy of which is provided to SEBI, clearly states that neither the Noticee nor any person acting under her instruction had made any request for transfer of the above said shares and she had no interest whatsoever, financial or

otherwise, in obtaining any benefit from the said shares.

- (e) The Noticee states that she had never actually received any monetary or other benefit from any such shares or dividends. She has been falsely implicated in this case.

112. I have examined the charges against the Noticee and the submissions made by her in this regard. In respect of the above transaction, Jayshree has submitted that she was totally unaware about the same and the same was carried out without her knowledge and involvement. She has submitted that she came to know about the fraudulent transfer in April 2013 and that she wrote a letter dated October 11, 2013 to Sharepro informing them that she had not initiated any such share transfer request. I note from the copy of said letter submitted by Jayshree Shah that the said letter is dated April 11, 2013 and not October 11, 2013, which she seems to have quoted by mistake.

113. Having gone through the facts and the submissions of Jayshree, I note the following:

- (a) While the shares were fraudulently transferred to Jayshree Shah in January 2012 and were reversed only in April 2013, unlike in other cases, the shares transferred to Jayshree Shah were not dematerialized and sold by her even after a year of transfer to her.
- (b) Investigation has not revealed any bank account or demat account transaction between Jayshree Shah and other entities connected to Sharepro or Indira Karkera.
- (c) It seems odd that being involved in the fraudulent transfer, Jayshree Shah submitted her objection letter for reversing the transaction in April 2013 when she could have easily dated her objection letter to show that it was sent just before 25/01/2012 (i.e. the purported date when the rectification entry was made by Sharepro to reverse the transaction). Dating the objection letter from Jayshree Shah to a date before the purported date of rectification entry would have provided a cover to Sharepro to portray that the said reversal of shares had indeed happened on 25/01/2012.



(d) As per Jayshree Shah's submission, after the demise of her mother in October 2011, on or about early 2012 for the purpose of transferring her shares to the Noticee's name, her brother Shrikant Bhalakia had requested her to hand over copies of her financial documents like copies of PAN Card, passport etc. attested by her with original copies of pre-signed Blank Share Transfer Forms which she complied with and which seemed to have been misused. Considering the role played by Shri Shrikant Bhalakia in the fraud in other instances as established above, the role of Shrikant Bhalakia in misuse of documents of Jayshree cannot be ruled out.

114. Considering the above points and the preponderance of probability, I am inclined to believe the submissions made by Jayshree Shah that she was not complicit in the abovementioned fraudulent transaction. Thus, I am inclined to give her benefit of doubt. Accordingly, the charges against her do not stand established.

#### **SUMMARY OF THE FINDINGS:**

115. It has clearly been established above that Noticee nos. 1, 2 and 3, namely Sharepro, GR Rao and Indira Karkera respectively, were the main players behind the fraud involving illegal siphoning off of dividends and misappropriation of shares which was facilitated through compromise of internal checks and balances in RTA's systems, non-adherence to due procedures and falsification / destruction of records of records etc. Noticee no. 4 (Balram Mukherjee) and Noticee no. 5 (Prashant Karkera) have also played key roles in misappropriation of funds and securities. Further, Prashant Karkera is also found to have been involved in planning and executing the fraud through conduit entities, including his own proprietary firm. Since Noticee no. 6 (Akhil K Dalal) has expired during the pendency of the instant proceedings, no inferences have been drawn against him. Noticee no. 7 (Anil Jathan), Noticee no. 8 (Bhavani Jathan) and Noticee no. 13 (Mohit Karkera) are the family members of Indira Karkera who have acted as the conduit entities by receiving misappropriated shares / dividends in their accounts. Noticee no. 9 (Chetan Shah), Noticee no. 15

(Pradeep Rathod) and Noticee no. 30 (Shrikant Bhalakia) are found to have been involved in misappropriation of shares of others and have directly benefitted from the fraud. Noticee no. 14 (Sujitkumar Amarnath Gupta) and Noticee no. 19 (Krishna M. Ghosh) are found to have received the ill-gotten gains made in the fraud. Noticee no. 10 (Dayanand Jathan), Noticee no. 16 (Rajesh Bhagat), Noticee no. 17 (Chandrakant Pawar), Noticee no. 18 (Ganesh Nimbalkar), Noticee no. 20 (Nagesh Karkera), Noticee no. 21 (Narayan Devadiga), Noticee no. 22 (Raju Landge), Noticee no. 23 (Ratnakar Loku Poojary), Noticee no. 24 (Sadashiv Poojary), Noticee no. 25 (Sukhdev S. Bhosale), Noticee no. 26 (Sunanda Jathan), Noticee no. 27 (Suresh Unavane) and Noticee no. 28 (Swapnil Sutar) have played the role of conduit / front entities for Indira Karkera / GR Rao and some of them have made petty gains in the process. Noticee no. 29 (Bhagyalakshmi Rao), though not found personally involved in the fraud, is vicariously liable as a director of Sharepro for its violations. Noticee no. 31 (Anand Bhalakia) has been guilty of indirect involvement in the fraud, since he was a joint holder of accounts through which fraudulent transactions were executed by his father, Shrikant Bhalakia. Noticee no. 11 (Dina Bhalakia) and Noticee no. 12 (Jayshree Shah) have been given benefit of doubt and the charges against them have been dropped.

116. Having considered the role of each entity and decided as above, I note that the fraud committed by Sharepro and its senior management is massive in proportion and has very wide ramifications in the securities market. SEBI registered and regulated intermediaries command and enjoy a solid trust from other market participants, including the common investors. These institutions have a sacrosanct duty to preserve that trust by upholding institutional integrity, fairness and professionalism in the conduct of their business at all times and costs as these values lie at the core of their functioning and are beyond compromise. Any institutional fraud and act of dishonesty committed by such an institution as has been displayed by Sharepro and its management, is very likely to undermine the public faith in the entire market mechanism and has potential to disrupt its smooth functioning and development. Thus, such violations need to be viewed very seriously and dealt with in the strictest

manner possible, so as to restore the public confidence and to preserve market integrity. For this reason, it becomes highly imperative that the entities/ persons involved in fraud are kept away from the market for a certain period. Hence, I am convinced that suitable directions of prohibition / restraint need to be issued against such entities. In this regard, while deciding the period of prohibition / restraint to be imposed on each Noticee who has been found guilty, I have kept in mind the gravity of violations committed by the respective entities and the mitigating factors, if any.

117. I note that pending investigation and passing of final order in the instant matter, SEBI vide interim order dated March 22, 2016 had *inter alia* prohibited / restrained Noticee nos. 1, 2, 3, 4, 5, 7, 19, 20, 22, 25, 27, 28, 29, 30 & 31 (viz. Sharepro Services (I) Pvt. Ltd., Govind Raj Rao, Indira Karkera, Balram Mukherjee, Prashant Karkera, Anil Jathan, Krishna M. Ghosh, Nagesh Karkera, Raju Landge, Sukhdev S. Bhosale, Suresh Unavane, Swapnil Sutar, Bhagyalakshmi Rao, Shrikant C. Bhalakia and Anand S. Bhalakia) from buying, selling or dealing in the securities market or associating themselves with the securities market, either directly or indirectly, in any manner, till further directions. Subsequently, vide confirmatory order dated November 03, 2017, the said direction of prohibition / restraint against the abovementioned Noticees was confirmed. Considering that these Noticees have already remained prohibited / restrained since March 22, 2016, it would meet the ends of justice if period of prohibition / restraint already undergone by them is set off against the period of prohibition / restraint imposed on them vide this order.

#### **DIRECTIONS:**

118. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4) and 11B of the SEBI Act, 1992, hereby issue the following directions:-

(a) Noticee nos. 1, 2, 3, 4 & 5 (viz. Sharepro Services (I) Pvt. Ltd., Govind Raj Rao, Indira Karkera, Balram Mukherjee and Prashant Karkera) are hereby restrained

from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a period of 10 years from the date of this order.

- (b) Noticee nos. 7, 8, 9, 13, 14, 15, 19, 20 and 30 (viz. Anil Jathan, Bhavani Jathan, Chetan Shah, Mohit Karkera, Sujitkumar Amarnath Gupta, Pradeep Rathod, Krishna M. Ghosh, Nagesh Karkera and Shrikant Bhalakia) are hereby restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a period of 7 years from the date of this order.
- (c) Noticee nos. 10, 16, 17, 18, 21, 22, 23, 24, 25, 26, 27 and 28 (viz. Dayanand Jathan, Rajesh Bhagat, Chandrakant Pawar, Ganesh Nimbalkar, Narayan Devadiga, Raju Landge, Ratnakar Loku Poojary, Sadashiv Poojary, Sukhdev Bhosale, Sunanda Jathan, Suresh Unavane and Swapnil Sutar) are hereby restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a period of 5 years from the date of this order.
- (d) Noticee nos. 29 and 31 (viz. Bhagyalakshmi Rao and Anand Bhalakia) are hereby restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a period of 3 years from the date of this order.
- (e) The period of restraint already undergone by the Noticee nos. 1, 2, 3, 4, 5, 7, 19, 20, 22, 25, 27, 28, 29, 30 & 31 (viz. Sharepro Services (I) Pvt. Ltd., Govind Raj Rao, Indira Karkera, Balram Mukherjee, Prashant Karkera, Anil Jathan, Krishna M. Ghosh, Nagesh Karkera, Raju Landge, Sukhdev S. Bhosale, Suresh Unavane, Swapnil Sutar, Bhagyalakshmi Rao, Shrikant C. Bhalakia and Anand S. Bhalakia) as per the directions contained in the Interim Order and the Confirmatory Order (i.e. the period from March 22, 2016 till the date of this order),

shall be set off against the period of prohibition / restraint imposed on respective Noticees under sub-paras (a), (b), (c) & (d) above, in this order.

(f) The proceedings against Noticee no. 6 (viz. Akhil K. Dalal) stand abated and are hereby disposed of without any direction against him.

(g) The proceedings against Noticee nos.11 & 12 (viz. Dina Bhalakia and Jayshree Shah) are hereby disposed of without any direction against them.

(h) The concerned depository is hereby directed to forthwith de-freeze the demat account (DP ID 010100, Client ID 1601010000032814) of Noticee no. 11 (Dina Bhalakia), held with with Stock Holding Corporation of India.

119. This order shall come into force with immediate effect.

120. Copies of this order shall be forwarded to the recognized stock exchanges, depositories and registrars and share transfer agents, for information and necessary action.

**Place: Mumbai**

**Date: July 08, 2020**

**G. MAHALINGAM**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**