

ADJUDICATION ORDER NO. EAD-3/ORDER/JS/SP/3112-3119/2019-20

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995 AND SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 2005

In respect of:

Ranklin Soultions Ltd.(PAN AABCR6000R) Flat No. 204, 2nd Floor, Dhruvtara Apartments, Medinova complex, Somjiguda, Hyderabad- 500082	MJVVD Prakash (PAN:AGDPM3021C) I-206, Divya Shakthi Complex, Green Lands, Ameerpet, Hyderabad- 500 016	P Venkateswara Rao 7/528, Turlapati St., Godugupet, Ward-7, Machilipatnam- 521001, Andhra Pradesh
M Jyotsana Lakshmi (PAN ALEPM3653J) I-206, Divya Shakthi Complex, Green Lands, Ameerpet, Hyderabad- 500 016	JVV Raghava Kumar No. 102, Manema Enclave, Jawahar Nagar, Hyderabad – 520020 (Telangana)	M Satish Kumar 16-11-512/1, Road No. 1, Dilkush Nagar, Hyderabad, Telangana – 500020
K S Chakravarthi 22/09, Batchupet, Machilipatnam- 521001, Andhra Pradesh		K Vijaya Rama Raju, 2-22-1/105, Shanthi Apartments, Bhagya Nagar Colony, Kukatpally, Hyderabad, Telangana – 500072

In the matter of Ranklin Solutions Ltd

BACKGROUND

1. Securities and Exchange Board of India (**‘SEBI’**), conducted investigation into the trading activities in the scrip of Ranklin Solutions Ltd. (**‘Scrip/Company/Ranklin’**), scrip listed at The Bombay Stock Exchange (**‘BSE’**) for the period February 01, 2010 to January 12, 2011 (**‘Investigation Period/IP’**).
2. Investigation revealed that during the IP, the Noticee(s) alleged to have violated provisions of the SEBI Act, 1992 (**‘SEBI Act’**), SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 (**‘PFUTP Regulations’**), Securities Contracts (Regulation) Act, 1956 (**‘SCRA’**) and Listing Agreement. The details of allegation against the Noticees are as follows:

Sr. No	Noticee Name	Findings in brief	Alleged violations of provisions
1.	Ranklin Solutions Ltd ('Ranklin')	Declared dividends for FY 2009-10 and 2010-11 without intention to pay and failed to make announce on its non-payment of dividend.	Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of the PFUTP Regulations and Clause 36 of the Listing Agreement read with Section 21 of the SCRA
2	MJVVD Prakash ('Prakash')		
3.	P Venkateswara Rao ('Venkateswara')	Failed to disclose on non-implementation of its decision to issue ADR/GDR	
4	M Jyotsana Lakshmi ('Jyotsana')		
5	JVV Raghava Kumar ('Raghava')		
6	M Satish Kumar ('Satish')		
7	K S Chakravarthi ('Chakravarthi')		
8	K Vijaya Rama Raju ('Vijaya')		

Ranklin, Prakash, Venkateswara, Jyotsana, Raghava, Satish, Chakravarthi and Vijaya are collectively referred as the "Noticees".

3. In view of the above, SEBI had initiated adjudication proceedings against the Noticees to inquire and adjudge under Section 15HA of SEBI Act and Section 23E & 23A(a) of SCRA for the alleged violations as mentioned in above table.

APPOINTMENT OF ADJUDICATING OFFICER

4. Adjudicating Officer was appointed vide order dated June 09, 2017 under Section 15-I read with Section 19 of the SEBI Act, 1992 ('**SEBI Act**') and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rule, 1995 ('**SEBI Adjudication Rules**') and Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005 ('**SCRA Adjudication Rules**') to inquire into and adjudge under Section 15HA of SEBI Act and Section 23E & 23A(a) of SCRA. Consequent to transfer, vide office order dated May 10, 2018 the proceedings are continued for the aforesaid alleged violations against the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice ('SCN'), dated December 19, 2017, in terms of provisions of Rule 4 of SEBI Adjudication Rules and SCRA Adjudication Rules was issued to the following address of the Noticees.

Noticee Name	Address of the Noticee
<i>Ranklin</i>	<i>Flat No. 204, 2nd Floor, Dhruvtara Apartments, Medinova Complex, Somajiguda, Hyderabad- 500 082 (Telangana)</i>
<i>Prakash, Managing Director of Ranklin</i>	<i>I-206, Divya Shakthi Complex, Green Lands, Ameerpet, Hyderabad- 500 016</i>
<i>Venkateswara, Independent Director, Ranklin (resigned on Feb 10, 2011)</i>	<i>7/528, Turlapati St., Godugupet, Ward-7, Machilipatnam- 521001, Andhra Pradesh</i>
<i>Jyotsana, Director, Ranklin</i>	<i>I-206, Divya Shakthi Complex, Green Lands, Ameerpet, Hyderabad- 500 016</i>
<i>Raghava, Director, Ranklin</i>	<i>No. 102, Manema Enclave, Jawahar Nagar, Hyderabad – 520020 (Telangana)</i>
<i>Satish, Independent Director, Ranklin</i>	<i>16-11-512/1, Road No. 1, Dilkush Nagar, Hyderabad, Telangana – 500020</i>
<i>Chakravarthi, Independent Director, Ranklin (resigned on Dec 03, 2010)</i>	<i>22/09, Batchupet, Machilipatnam- 521001, Andhra Pradesh</i>
<i>Vijaya (Addl. Director, Ranklin (appointed on Feb 10, 2011))</i>	<i>2-22-1/105, Shanthi Apartments, Bhagya Nagar Colony, Kukatpally, Hyderabad, Telangana – 500072</i>

The SCN issued to the Noticees were returned undelivered, which was subsequently uploaded in SEBI website under the heading "Unserved Summons/ Notices".

6. Further, the SCN was affixed at the address of the Noticees namely Prakash and Raghava. With respect to the other noticees affixture of the SCN could not be done since the present occupants did not allow to paste the notice.
7. Further, vide notice dated February 23, 2018, the Noticees were informed to file reply to the SCN and an opportunity to appear before the Adjudicating Officer on March 13, 2018. The Notice dated February 23, 2018 was duly delivered received by Ranklin and the undelivered Notices were uploaded in SEBI website under the heading "Unserved Summons/Notices".
8. In the meantime, in terms of Rule 7(d) of SEBI Adjudication Rules and SCRA Adjudication Rules, newspaper publication of the notice was carried out in English

daily newspaper (Times of India), a Hindi daily newspaper (Swatantra Vaartha) and a newspaper in vernacular language i.e. Telugu in Sakshi newspaper having wide circulation in the state of Telangana, informing the Noticees to download the referred SCN from the website of SEBI (www.sebi.gov.in) under the head "Unserved Summons/Notices" or to collect from the Office of SEBI, Mumbai. Further, vide the newspaper publication, Noticees were also granted an opportunity of hearing before the Adjudicating Officer on May 09, 2018, which was subsequently rescheduled by then Adjudicating Officer.

9. Ranklin, on behalf of Prakash and Jyotsana, vide letter dated March 14, 2018 (received on May 02, 2018), while acknowledging the receipt of referred SCN and Notice dated February 23, 2018, have filed reply to the SCN. It is further observed that the letter dated March 14, 2018 was issued from the same address to which the SCN and hearing notice were delivered. The relevant extracts of the reply filed by Ranklin are as follows:

- a. *The company obtained the consent of the shareholders by way of special resolution passed through postal ballot held on 15/04/2010 for issue, offer and allot Equity Shares/Warrants and /or any instruments convertible into Equity Shares whether optionally or otherwise, Global Depository Receipts (GDRs)/ American Depository Receipts (ADRs) or Foreign Currency Convertible Bonds (FCCB) hereinafter referred to as 'Securities' for an aggregate sum of USD 22 million (United States Dollars Twenty Two Millions Only).*
- b. *The resolution is essentially an enabling one and relates to a proposal to offer, issue and allot Equity shares/Depository Receipts and /or the appropriate securities up to an amount not exceeding USD 22 million (United State Dollars Twenty Two Millions only), inclusive of premium on Equity shares, in the course of domestic/international offerings.*
- c. *It was also mentioned in the explanatory statement to the notice of the Postal Ballot that the issue will be done after considering the prevailing market conditions and all other relevant factors. However, due to unfavorable market conditions, the company could not proceed further with the GDR/ADR issue. As said, the resolution passed by the shareholders through postal ballot is only enabling resolution and there is no compulsion that the company should come out with GDR issue since the resolution is passed by the shareholders of the company.*
- d. *We further submit that the company sincerely tried to raise funds and taken up all the necessary steps including Board meeting and intimating to BSE etc. However, the market condition was very poor and highly discouraging and as a result the Company could not proceed further with GDR. Hence, we submit that corporates announcement was made with any intention to implement GDR and but not with the intention of distorting the market and influencing the decision of investors or to defraud or to deceive anyone.*
- e. *The Company had declared a dividend of Re.1 per share and Rs.50 paise per share in the years 2009-10 and 2010-11 respectively. However, the Company had outstanding secured and unsecured loans payable to banks and other creditors to the tune of Rs.9.09 crores as on 31.03.2011. There was tremendous amount of pressure on the Company from the banks and the others for repayment of loans. The financial position of the Company was in doldrums. The Company was struggling to serve its debt and there was no money to pay to the shareholders. Non-payment of dividend to the shareholders was purely unintentional as the circumstances were much beyond the control of the Company and were not in favour of the Company as the management was working day in and day out to meet the impending financial obligations of the banks and creditors. The Company also lost its valuable human resources in the process and the business as well.*
- f. *The Company was never listed on BSE and did not sign any listing agreement with it. However, its equity shares were traded under permitted category. Since the Company was not listed on BSE, disclosures*

pertaining to SEBI (SAST) and (PIT) Regulations, and other clauses pertaining to Listing Agreement were not given to BSE. BSE stopped the trading in the shares of the Company w.e.f. 26.10.2015.

- g. The Company has in place code of Internal Procedure and Conduct and Code of Corporate Disclosure Practice in terms of PIT Regulations, 1992. It is submitted that the Code of Conduct has been made pursuant to Regulations 12(1) of SEBI PIT Regulations, 1992 and in accordance with the Model Code of Conduct as per Schedule 1part A of the SEBI PIT Regulations, 1992 and Clause 49 of the Listing Agreement with the stock exchanges. A copy of the same is enclosed for the perusal of SEBI.*
- h. It is further submitted that there were debit balances in Mr. MJVVD Prakash's account with Bonanza Portfolio Limited (BPL) and India Infoline Limited (IIFL). It is also true that in case of BPL, he paid partial amount towards outstanding debit balances though he was undergoing extremely bad financial conditions. Having understood that he failed to pay the debit balances, he did not pay attention or raised any objection on their sale of shares without his knowledge to recover their dues.*
- i. Trading members have stated that the shares were sold with his consent, probably it must be to avoid the attraction of wrath of SEBI on unauthorized trades which can be understood and appreciated as the same had taken place as he failed to honor his pay in obligation to the said Trading Members.*
- j. We submit that the alleged self-trades as cited in the SCN as having been carried through Mr. MJVVD Prakash are very small in number i.e. only 0.93% of the total market volume and as can be seen, the alleged self-trades were miniscule. We submit that the liquidity in the scrip was quite good and thus heavily traded. The alleged trades were little quantum and the said trades could not have affected the prices or otherwise mattered.*

Accordingly, provided a copy of the "Statement of Policy and Procedures of Ranklin Governing Material, Non Public Information and The Prevention of Insider Trading.

The above letter is combined submissions of Ranklin, Prakash and Jyotsana.

10. Subsequent to the transfer of the present proceedings, vide Notice dated January 11, 2019, Noticees were granted an opportunity to appear before the new Adjudicating Officer for the personal hearing dated January 28, 2019. The Notice dated January 11, 2019 was duly received by Prakash and Jyotsana and with respect to Ranklin, Venkateswara, Raghava, Satish, Chakravarthi and Vijaya, the notice dated January 11, 2019 were returned undelivered and which were subsequently uploaded in the SEBI website. On the date of hearing, Prakash and Jyotsana have failed to appear for hearing before the Adjudicating Officer.

11. In view of above and in terms of Rule 7(d) of SEBI Adjudication Rules and SCRA Adjudication Rules, newspaper publication of the SCN, Hearing Notices dated February 23, 2018 and January 11, 2019 were carried out and accordingly, informing the Noticees namely Ranklin, Venkateswara, Raghava, Satish, Chakravarthi and Vijaya to appear before the Adjudicating Officer on March 18, 2019 and to file reply to SCN.

12. Further, vide letter dated March 06, 2019, Prakash and Jyotsana was granted another opportunity to appear for hearing on March 20, 2019. The said letter dated March 06, 2019 was duly received by Prakash and Jyotsana.

13. On the date of hearing, the Noticees have failed to appear for hearing before the Adjudicating Officer.

14. From the above, it is clear that the Noticees were served SCN and hearing Notices, through delivery, affixture and publication of the Notices in the nationwide newspaper in English, Hindi and Regional language in terms of Rule 7(c) and 7(d) of the AO Rules 1995 respectively. In spite of providing enough opportunity, the Noticees have failed to appear before the Adjudicating Officer and in case of Venkateswara, Raghava, Satish, Chakravarthi and Vijaya, the Noticees have failed to reply to SCN. Thus, the matter is proceeded based on the facts available on record in terms of Rule 4(7) of the AO Rules 1995.

CONSIDERATION OF ISSUES AND FINDINGS

15. After perusal of the material available on record, the following issues are for consideration viz.

- a. Whether the Noticees have violated Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of the PFUTP Regulations and Clause 36 of the Listing Agreement read with Section 21 of the SCRA
- b. Do the violations, if any, on the part of the Noticees attract any penalty under SEBI Act and SCRA?
- c. If yes, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

ISSUE A- Whether the Noticees have violated Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of the PFUTP Regulations and Clause 36 of the Listing Agreement read with Section 21 of the SCRA

16. It is observed that Ranklin during the investigation has made the following corporate announcements:

S. No.	Date and Time	Announcement / News
1.	February 15, 2010, 18:46	<p><i>Ranklin Solutions Ltd has informed BSE that the Board of Directors at its meeting held on Feb 15, 2010 has decided to propose the following matters subject to approval of shareholders, MCA and other requisite authorities as may be necessary.</i></p> <ol style="list-style-type: none"> <i>1. To raise fund by issue of GDRs/ADRs upto Rs. 100 crores with a green shoe option of 10%.</i> <i>2. To alter the object clause of MOA to take up the business of power generation and power project consulting subject to approval of shareholders.</i> <i>3. Increase the authorized share capital of Rs. 14 crores subject to the approval of the shareholders.</i>
2.	May 30, 2010, 11:43	<i>Ranklin Solutions Ltd has informed BSE about the Financial Results for the Quarter & Year ended March 31, 2010.</i>
3.	May 31, 2010, 14:41	<i>RSL has informed BSE that the Board of Directors of the RSL at its meeting held on May 29, 2010, inter alia, has recommended the Dividend of Rs. 1.00 per Equity Share (i.e. @10%) of Rs. 10/- each for the Financial Year ending March 31, 2010 subject to approval of members of the Company.</i>
4.	November 15, 2010, 10:55	<i>RSL has informed BSE about the Financial Results for the Quarter ended September 30, 2010.</i>

17. With respect to corporate announcement dated February 15, 2010, Ranklin had informed that the Board of Directors of Ranklin had proposed to raise funds by issue of Global Depository Receipts (GDRs) / American Depository Receipts (ADRs). Subsequently, Ranklin on April 15, 2010 has announced that through special resolution “*Company has obtained the approval of the shareholders by way of postal ballot under Section 81(1A) of the Companies Act, 1956 to issue GDRs/ADRs*”. Also, vide the announcement, Ranklin has provided the postal result for the special

resolution. The postal results and the relevant extracts of the announcement are as follows:

Sr. No.	Particulars	No. of Votes
1	Number of valid votes received	29,01,501
2	Number of valid votes in favour of Resolution	28,98,301
3	Number of Valid votes against the Resolution	2,300
4.	Number of invalid votes	900

“Based on the above postal results the resolution to issue GDRs/ADRs was passed as special resolutions and the consent of the Company be and is hereby accorded to the Board of Directors of the Company to issue, offer and allot Equity shares/warrants and/or any instruments convertible into Equity shares whether optionally or otherwise, Global Depository Receipts (GDRs)/ American Depository Receipts (ADRs) or Foreign Currency Convertible Bonds (FCCB) for an aggregate sum of USD 22 millions”.

18. Further, Ranklin in its Director’s Report of the Annual Report for the Financial Year ended March 31, 2010 has stated that *“the members of the company approved the resolutions through postal ballot to which the results were declared on April 15, 2010”*, which includes *“issue of GDRs/ADRs/FCCBs to the extent of Rs.100 crores.”*

19. With respect to above announcement, Ranklin, during the investigation, vide letter dated May 17, 2013 has informed SEBI that ADRs/GDRs issue could not be materialized due to fall in the price of shares.

20. In view of the above, Ranklin for the above announcement had passed special resolution through postal ballot and obtained approval of shareholders to issue GDRs/ADRs, however it did not make the issue and thus it has been alleged that the Noticee have mislead the investors by making fraudulent announcement.

21. In this respect, it is to be noted that while the issue of GDRs was discussed and approved by way of postal ballot, there appears to be no finality of date mentioned in

making the issue. While that may be so, the company has made no efforts to put out in public, its intention to put on hold its issuance of GDRs due to market conditions. No such information has been brought on records by the company to substantiate its stand. Similar approach of the company is seen with respect to the announcement of dividend as discussed below.

Announcement of declaration of Dividend

22. Ranklin, on May 31, 2010, has made corporate announcement on BSE informing that “ *the Board of Directors of the Company at its meeting held on May 29, 2010, inter alia, has recommended the Dividend of Rs. 1.00 per equity shares (i.e. @10%) of Rs. 10/- each for the financial year ending March 31, 2010 subject to approval of members of the company.*”

23. Further, from the Annual Report of Ranklin for the Financial Year ended March 31, 2010, Ranklin has issued a Notice (page 3 and 7) informing that “*the 15th Annual General Meeting of the members of Ranklin will be held on September 30, 2010 to transact the business*” which includes “*to declare a dividend on equity shares*”.

24. Also, from the Annual Report of Ranklin for the Financial Year ended March 31, 2010, the following were observed:

Dividend (page 8 and 9 of the Annual Report):

“Based on the Company’s performance, the Directors are pleased to recommend for approval of the Members a Final Dividend of 10% i.e. Rs. 1.00 per equity share for the financial year ending March 31st, 2010. The final dividend on the equity shares, if declared as above, would involve an outflow of Rs. 50.40 lakhs towards dividend and Rs. 8.56 lakhs towards dividend tax, resulting in total outflow of Rs. 58.96 lakhs”.

Dividend Payment Date (page 20 of the Annual Report): *within 30 days from the approval date of AGM*

Profit and Loss account for the Year ended on 31.03.2010 (page 31 of the Annual Report)

Particulars	As on 31/3/2010 (in Rs.)
<i>Net Profit for the current period</i>	6,89,30,689
<i>Less:</i>	
<i>Proposed Dividend</i>	50,40,000
<i>Provision for Dividend Tax</i>	8,56,548

Schedule 8: Provisions: (as on 31.03.2010) (page 35 of the Annual Report)

Particulars	As on 31/3/2010 (in Rs.)
<i>Provisions for Dividend</i>	50,40,000
<i>Provisions for Dividend Tax</i>	8,56,548

25. Further, Ranklin vide its corporate announcement dated September 14, 2010 has informed “*BSE that the Register of Members and Share Transfer Books of the Company will remain closed from September 26, 2010 to September 30, 2010 (both days inclusive) for the purpose of payment of dividend and Annual General Meeting (AGM) of the Company*”.

26. Ranklin, vide its Corporate Announcement dated October 05, 2010 has informed BSE that “the members at the 15th Annual General Meeting of the Company held on September 30, 2010, inter alia, have accorded “*Declaration of Dividend @10% (Rupee one Only) per every Equity Share of the company for the Year 2009-2010*”. Also, the following are observed from the announcement:

Declaration of Dividend:

“Resolved that a dividend @10% (Rupee One Only) per every Equity share of the Company as recommended by the Board of Directors be paid to the members of the Company for the Year 2009-10, whose names appear on the Register of Members of the Company on 26th September 2010 being the Record Date fixed for this purpose.”

There after the Resolution was put to vote and on show of hands, the Chairman declared that the same has passed unanimously.

27. Thus, from the above, it is clear that Ranklin had obtained approval for declaration of dividend of 10% i.e Rs. 1 per every equity share of the Company from the shareholders in its AGM, made provision of dividend and for dividend tax in its books

of accounts, fixed the record date and closed the Register of Members and Share Transfer Books of the Company. However, company failed to pay the dividend announced. It is on records that SEBI has initiated separate enforcement proceedings for the non-payment of dividend.

28. In this regard, Ranklin vide its letter dated May 17, 2013 has stated that *“it had made announcement for dividend but it did not distribute the dividends because of the market hit and other financial obligations of the Company”*.

29. Thus, it is an admitted fact that the Noticee had failed to pay dividend on the one hand and also failed to disseminate the non-implementation of the same to the public.

30. Further, it is pertinent to mention that Ranklin in its Annual Report for the Financial Year ended March 31st, 2011, has once again recommended Dividend of 5% i.e. Rs. 0.50 per equity share for the financial year ended March 31, 2011 and accordingly made a provisions for Dividend and Dividend Tax of Rs. 25,20,000 and Rs.418,541 respectively. However, once again Ranklin failed to pay the dividend to the investors.

31. Further, from the Annual Report of Ranklin for the FY ended March 31, 2012, it is noted that the Auditor has qualification regarding *“non-payment of Dividend proposed including Dividend Distribution tax payable thereon Rs. 58,96,548/- for the financial year 2009-10 and Rs.29,38,541 for the financial year 2010-11”*. Thus, it is clear that Ranklin made dividend announcement repeatedly in two consecutive years however, failed to implement the same. Provisions for dividend and dividend distribution tax were also made however, the same has not been paid.

32. It is pertinent to mention that the Company announced Dividend based on the financial health of the Company and during the periods FY 2009-2010 and 2010-11, Ranklin earned a profit of Rs. 6.89 crore and Rs. 6.09 crore respectively. Also, during the FY 2009-2010, Ranklin has availed nil loans (both secured and unsecured) and for the FY 2010- 2011, Ranklin had loan of Rs. 9.09 crore (which includes Rs 5.72 crore

Secured- Cash Credit from Central Bank of India and Unsecured loan of Rs. 3.36 crore).

33. Considering the factor that the FYs 2009-10 and 2010-11 had a net profit of Rs. 6.89 crore and Rs. 6.09 crore respectively and the fact that the Company had nil outstanding loans for the Financial Year 2009-10 and the fact that Ranklin made announcement of Dividend for the FY 2010-11 and once again failed to pay dividend.
34. It is clear case of intentionally making false corporate announcement to mislead the investors. This corporate announcement is in similar nature to the one made for GDRs where positive corporate announcement was made but implementation was found wanting.
35. Further there was no announcement for not implementing any of the approvals that were thus taken for the issuance of GDRs as well and the declaration of dividends. If indeed the company genuinely was not to implement the decisions taken due to the reasons quoted by it, then it would ideally have put out such reasons in the public domain through various disclosures, however, admittedly there are no such disclosures. There is no whisper of any reasons in the public domain in any of its public disclosures to the stock exchanges. Thus, it is clear case that these corporate announcements were made to mislead the investors.
36. There are at least two occasions where company made positive corporate announcements but did not follow through on the implementation of the decision. Further there is no information in public domain for not implementing any of the decisions taken. This shows a very clear pattern that positive announcements were made to induce investors in the securities market. Thus, it is concluded that Ranklin made false corporate announcements which is in violation of PFUTP Regulations.
37. With respect to trading under permitted category, it is submitted that Ranklin was listed at Madras Stock Exchange and was traded on BSE under permitted to trade category.

It is vital on the part of the Company to disclose or disseminate the announcement/information on the exchange which may influence the interest of the investors. There is no doubt that announcement on non-payment of dividend and status on issuance of GDRs/ADRs are material information which may influence the decision of the investors. It is duty of the listed company to disseminate such vital information in a timely manner so that the investor may be well informed before investment decision. However, the Company has failed to do so.

38. Also, it is noted from the BSE website that during the period May 2008- February 2015, Company made 159 corporate announcements, which includes various disclosures in terms of SAST Regulations, PIT Regulations, pledge of equity shares details, Outcome of Annual General Meeting, issuance of dividend, quarterly and annual financial results etc. However, no announcement with respect to non-payment of dividend and issuance of ADRs/GDRs were made by Ranklin.

39. In terms of Clause 36 of listing agreement read with Section 21 of the SCRA, the Company has to immediately inform the exchange about the cancellation of dividend and announcement relating to non-implementation of its decision to issue ADRs/GDRs to the shareholders, which the Company has failed to do so.

40. Ranklin, being a listed company is required to inform the stock exchange the announcement/events, which will have bearing on the performance/operations of the Company. It is not disputed that the Ranklin have obtained approval of the shareholders on issuance of GDRs/ADRs and Declaration of Dividend and disseminated the information on BSE. The objective of continuous disclosures by listed company is to provide transparency during the lifetime of the listed entity. The disclosures were mandated on listed companies to enable the shareholders and the public to be appraised of the position of the company and to avoid the establishment of a false market in its securities. If a listed Company does not make the disclosures on material events, which has bearing on its share price, it would ultimately defeat the purpose of disclosures which are meant for the benefit of investors in taking an

informed decision. In the instant case, Ranklin have induced the investor by fraudulently planting a misleading announcement on issuance of GDRs/ADRs and declaration of dividend. Further, Ranklin have failed to make disclosures with respect to non-implementation of these announcements to the exchange.

41. It is observed that the all directors attended the Board Meetings in which the decision on issuance of GDRs/ ADRs and declaration of dividends were made. Further, these directors of Ranklin were also part of the Board during the period when the Company continued to mislead the investors on failure to implement the announcement made. Also, during these proceedings, the directors were granted enough opportunities to reply to the SCN and to appear before the Adjudicating Officer, which they failed to do so. Further, during these proceedings, the Noticees have failed to provide any document to prove against the allegation or no documents available at our end which may prove against the allegation made. In view of above, it is concluded that the directors of Ranklin are responsible for making false announcement.

42. Accordingly, it is concluded that, Ranklin and its directors namely MJVVD Prakash, R Venkateswara Rao, Jyotsana Lakshmi, JVV Raghava Kumar, M Satish Kumar, K S Chakravarthi and K Vijaya Rama Raju have violated Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of PFUTP Regulations and Clause 36 of listing agreement read with Section 21 of the SCRA.

ISSUE B: Do the violations, if any, on the part of the Noticees attract any penalty under SEBI Act and SCRA?

43. In view of the above conclusion drawn, it now remains to be determined whether the violation attracts the monetary penalty under Section 15HA of SEBI Act and Section 23E & 23A(a) of SCRA, which are as follows:

SEBI Act

Penalty for fraudulent and unfair trade practices

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

SCRA

Penalty for failure to furnish information, return, etc.

23A. Any person, who is required under this Act or any rules made there under,—

(a) to furnish any information, document, books, returns or report to a recognised stock exchange, fails to furnish the same within the time specified therefore in the listing agreement or conditions or bye-laws of the recognised stock exchange, shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less for each such failure;

Penalty for failure to comply with provision of listing conditions or delisting conditions or grounds.

23E. If a company or any person managing collective investment scheme or mutual fund, fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof, it or he shall be liable to a penalty not exceeding twenty-five crore rupees.

44. Hon'ble Supreme Court of India in the matter of *Chairman, SEBI v.. Shriram Mutual Fund* {[2006] 5 SCC 361} wherein it was held that "*In our view, the penalty is attracted as soon as contravention of the statutory obligations as contemplated by the Act is established and, therefore, the intention of the parties committing such violation becomes immaterial. Hence, we are of the view that once the contravention is established, then the penalty has to follow and only the quantum of penalty is discretionary.*"

45. Based on the above, present case is a fit case for imposing penalty against Ranklin, MJVVD Prakash, Venkateswara Rao, Jyotsana Lakshmi, JVV Raghava Kumar, M Satish Kumar and K S Chakravarthi and K Vijaya Rama Raju under Section 15HA of SEBI Act and Section 23A and 23E of SCRA for violation of Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of PFUTP Regulations and Clause 36 of listing agreement read with Section 21 of the SCRA.

Issue F- what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act and Section 23J of SCRA?

46. While determining the quantum of penalty under section 15HA of SEBI Act and Section 23J of SCRA, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

SEBI Act:

"15J - Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default."*

¹[Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

SCRA

Factors to be taken into account by adjudicating officer.

23J. While adjudging the quantum of penalty under section 23-I, the adjudicating officer shall have due regard to the following factors, namely:—

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

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

(c) the repetitive nature of the default.

²[Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 23A to 23C shall be and shall always be deemed to have exercised under the provisions of this section.]

47. The material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticees and the loss suffered by the investors due to such violations and nor has such allegations been made against the Noticees.

48. Therefore, taking into consideration the facts / circumstance of the case and above factors, a justifiable penalty needs to be imposed upon the Noticees.

ORDER

49. After taking into consideration all the facts and circumstance of the case and the factors mentioned in the provisions of Section 15-J of the SEBI Act and 23J of SCRA, in exercise of the powers conferred under Section 15-I of the SEBI Act read with Rule 5 of the SEBI Adjudication Rules and 23-I of SCRA read with Rule 5 of SCRA Adjudication Rules, it is concluded that the proceeding against the Noticees stands established in terms of the provisions of the SEBI Act and SCRA.

50. Considering the applicability of the provisions, Section 15HA of the SEBI and Section 23A(a) are invoked against the Company and its directors and Section 23E of SCRA is invoked only against the Company and not against Directors of the Company

¹ Inserted by Part VIII of Chapter VI of the Finance Act, 2017 vide Gazette Notification No. 7, Extraordinary Part II Section 1 dated March 31, 2017. This shall come into force from April 26, 2017.

² Inserted by Part V of Chapter VI of the Finance Act, 2017, w.e.f. 01.04.2017 vide Gazette Notification No. 7, Extraordinary, Pt II Section I dated March 31, 2017

namely MJVVD Prakash, Venkateswara Rao, Jyotsana Lakshmi, JVV Raghava Kumar, M Satish Kumar, K S Chakravarthi, K Vijaya Rama Raju.

51. Accordingly, monetary penalties imposed against the Noticees, are as follows:

Sr. No	Noticee Name	Violated	Penal Provisions	Penalty Amount in Rs.
1.	Ranklin Solutions Ltd	Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of the PFUTP Regulations	Under Section 15HA of SEBI Act	Rs. 5 lakhs in words Rupees Five Lakhs
		Clause 36 of the Listing Agreement read with Section 21 of the SCRA	Under Section 23A(a) of SCRA	Rs. 2.5 lakhs in words Rupees Two Lakhs and Fifty Thousand
			Under Section 23E of SCRA	Rs. 2.5 lakhs in words Rupees Two Lakhs and Fifty Thousand
2	MJVVD Prakash	Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of the PFUTP Regulations	Under Section 15HA of SEBI Act	Rs. 5 lakhs in words Rupees Five Lakhs
		Clause 36 of the Listing Agreement read with Section 21 of the SCRA	Under Section 23A(a) of SCRA	Rs. 2.5 lakhs in words Rupees Two Lakhs and Fifty Thousand
3	P Venkateswara Rao	Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of the PFUTP Regulations	Under Section 15HA of SEBI Act	Rs. 5 lakhs in words Rupees Five Lakhs
		Clause 36 of the Listing Agreement read with Section 21 of the SCRA	Under Section 23A(a) of SCRA	Rs. 2.5 lakhs in words Rupees Two Lakhs and Fifty Thousand
4	M Jyotsana Lakshmi	Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of the PFUTP Regulations	Under Section 15HA of SEBI Act	Rs. 5 lakhs in words Rupees Five Lakhs
		Clause 36 of the Listing Agreement read with Section 21 of the SCRA	Under Section 23A(a) of SCRA	Rs. 2.5 lakhs in words Rupees Two Lakhs and Fifty Thousand
5	JVV Raghava Kumar	Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of the PFUTP Regulations	Under Section 15HA of SEBI Act	Rs. 5 lakhs in words Rupees Five Lakhs
		Clause 36 of the Listing Agreement read with Section 21 of the SCRA	Under Section 23A(a) of SCRA	Rs. 2.5 lakhs in words Rupees Two Lakhs and Fifty Thousand

6	M Satish Kumar	Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of the PFUTP Regulations	Under Section 15HA of SEBI Act	Rs. 5 lakhs in words Rupees Five Lakhs
		Clause 36 of the Listing Agreement read with Section 21 of the SCRA	Under Section 23A(a) of SCRA	Rs. 2.5 lakhs in words Rupees Two Lakhs and Fifty Thousand
7	K S Chakravarthi	Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of the PFUTP Regulations	Under Section 15HA of SEBI Act	Rs. 5 lakhs in words Rupees Five Lakhs
		Clause 36 of the Listing Agreement read with Section 21 of the SCRA	Under Section 23A(a) of SCRA	Rs. 2.5 lakhs in words Rupees Two Lakhs and Fifty Thousand
8	K Vijaya Rama Raju	Regulation 3(a), (b), (c), (d) and Regulation 4(1) & (2) (f), (r) of the PFUTP Regulations	Under Section 15HA of SEBI Act	Rs. 5 lakhs in words Rupees Five Lakhs
		Clause 36 of the Listing Agreement read with Section 21 of the SCRA	Under Section 23A(a) of SCRA	Rs. 2.5 lakhs in words Rupees Two Lakhs and Fifty Thousand

52. The Noticees shall remit / pay the said amount of penalty within 45 (forty five) days of receipt of this order either by way of Demand Draft (DD) in favour of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, or through e-payment facility into Bank Account, the details whereof are as follows:-

Account No. for remittance of penalties levied by Adjudication Officer	
Bank Name	State Bank of India
Branch	Bandra Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No.	31465271959

53. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department 1, Division of Regulatory Action - II [EFD1-DRA-II], SEBI Bhavan, Plot No.C4-A, ‘ G ’ Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051. The Format for forwarding details / confirmations of e-payments made to SEBI shall be in the form as provided at Annexure A of Press Release No. 131/2016 dated August 09, 2016 shown at the SEBI Website which is produced as under:

1. Case Name :

2. Name of Payee:
3. Date of payment:
4. Amount Paid:
5. Transaction No:
6. Bank Details in which payment is made:
7. Payment is made for: (like penalties/disgorgement/recovery/Settlement amount and legal charges along with order details)

54. In terms of Rule 6 of the SEBI Adjudication Rules and SCRA Adjudication Rules, copies of this order is being sent to the Noticees and also to SEBI.

Date: May 07, 2019
Place: Mumbai

Jeevan Sonparote
Adjudicating Officer