

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/JS/VC/2025-26/31544)**

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995.

**In respect of
MCS Share Transfer Agent Limited
(PAN: AAHCM3618E)
(SEBI Registration No.: INR000004108)**

In the matter of MCS Share Transfer Agent Limited

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted inspection of MCS Share Transfer Agent Limited, Category-I Registrar to an Issue and Share Transfer Agent (hereinafter referred to as the '**Noticee**' or '**MCS**' or '**RTA**'), having Registration No.: INR000004108. The said inspection was conducted on May 02 and 03, 2024, for the period from April 01, 2022 to April 30, 2024 (hereinafter referred to as '**Inspection Period**'). SEBI communicated the findings / observations made during the course of inspection to Noticee vide letter dated June 14, 2024. Noticee submitted its comments on the aforesaid findings of the inspection vide its emails dated June 21, 24 and 26, 2024.
2. Taking into account the findings of the inspection and the comments of the Noticee, SEBI initiated adjudication proceedings against the Noticee for alleged violation of the following provisions:
 - (a) Regulation 14 (3) and 15 of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 (hereinafter referred to as '**RTA and STA Regulations**');
 - (b) Clauses 1, 2, 3, 5 and 20 of Schedule III (Code of Conduct) read with regulation 13 of RTA and STA Regulations;
 - (c) Regulation 71 of SEBI (Depositories and Participants) Regulations, 2018 (hereinafter referred to as '**DP Regulations**') and clause 3.4.1 of SEBI

Master Circular for Depositories No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023 /166 dated October 06, 2023;

- (d) Clause 12 and 13 of Para II of Annexure 6 read with Sr. No. 12 of Table of contents mentioned at SEBI Master Circular for RTA and STA No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/37 dated May 07, 2024.

APPOINTMENT OF ADJUDICATING OFFICER

3. Pursuant to transfer to the erstwhile Adjudicating Officer (hereinafter referred to as '**AO**') who had been appointed so vide order dated December 18, 2024, the undersigned was appointed as AO in the matter vide order dated April 02, 2025, under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the '**SEBI Act**') read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Rules**'), to inquiry into and adjudge under the provisions of section 15HB of the SEBI Act for the abovementioned violations alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice bearing Ref. No. SEBI/HO/EAD-8/AS/VC/853/1-2/2025 dated January 08, 2025 (hereinafter referred to as '**SCN**') was issued to the Noticee in terms of the provisions of rule 4(1) of the Rules read with section 15-I of the SEBI Act, requesting the Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed upon the Noticee under section 15HB of the SEBI Act for the alleged violations.
5. The SCN dated January 08, 2025, *inter alia*, alleged the following:
- (A) "Due diligence of RTA w.r.t. transfer of shares of Mishtann Foods Ltd. (hereinafter referred to as '**MFL**')."
- (i) *It was observed that none of the Share Transfer Agents (STA) related documents, for the period from July 30, 2015 [date of agreement with Mishtann Foods Limited (MFL)] till the date of inspection, i.e., May 02, 2024, pertaining to MFL (formerly known as HICS Cements Limited), were physically available with the Noticee. Hence, Noticee did not maintain any records such as shareholders list, signature cards, transfer records, complaint register, etc., starting from its agreement with MFL in 2015 as under:*

- (a) Noticee had the shareholders list of MFL for the period after September 20, 2018 and shareholder details before the said date was not available.
- (b) Noticee did not maintain the signature cards of the shareholders of MFL.
- (c) Noticee did not maintain any complaint register even though it received e-mail complaints from investors of its client companies including MFL.
- (d) The details regarding complaint processing of the following investors complaints of MFL were not available with the Noticee:
 - Uma R. Dadhich (SEBIE/GJ23/0002688/1);
 - Arun Sahal (SEBIP/GJ23/000043/1 and SEBIP/GJ23/000043/2);
 - Praful A. Shah (SEBIE/GJ23/0002391/1);
 - Praful B. Brahmakshatriya (SEBIP/GJ23/0000311/1);
 - Avinash Gulabshand Kothari (SEBIE/GJ23/0001528/1);
 - Amrit Pitale/ Advocate Anand R, Firodiya (SEBIP/GJ23/0000222/1).

During inspection, Noticee mentioned that the above-mentioned complaints were processed directly by MFL and it did not have any data related to said complaints. Further, it was observed that the above-mentioned complainants were shareholders of erstwhile company, i.e., HICS Cements Ltd. and Noticee did not have any data of the shareholders of erstwhile company. It was also observed that the afore-mentioned complainants' name were not appearing in the shareholders list of MFL as of September 20, 2018 as available with the Noticee.

- (e) It was observed that Noticee did not have backup of email correspondences, made with its client companies including MFL, related to its RTA/STA activities.
- (f) Noticee had failed to collect the complete data from previous RTA and failed to safeguard the past data of all shareholders.
- (g) Noticee failed to implement the single place maintenance of records.
- (h) During inspection, the inspection team sought certain supporting documents with respect to 44 letters pertaining to MFL which was available on the computers of Noticee. Noticee could not provide the same and informed that it does not maintain any physical file specifically for MFL. Hence, it was observed that Noticee did not maintain complete records related to MFL.
- (i) In its signing off report, Noticee categorically stated that it did not have any records about MFL. However, in letter dated December 27, 2019 addressed by Noticee to MFL, it was, *inter alia*, stated that "We have received your letter dated as stated above for providing the details of shares as mentioned in your letter. Further, as per the data provided by the company, we do not have any details in the record of folios as under....". Hence, it was observed that Noticee has provided false declaration to the company.

- (ii) *From the above, it was observed that Noticee had no documents and was not performing any RTA related activity for MFL. However, Noticee was billing MFL for its services. Hence, it was observed that Noticee shows a lack of professionalism and discipline in conducting business as RTA.*
- (iii) *In view of the above, it was alleged that the Noticee violated the following provisions:*
 - (a) *Regulation 14 (3) and 15 of RTA and STA Regulations;*
 - (b) *Clauses 1, 2, 3, 5 and 20 of Schedule III (Code of Conduct) read with regulation 13 of RTA and STA Regulations;*
 - (c) *Regulation 71 of DP Regulations and Clause 3.4.1 of SEBI Master Circular for Depositories No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023/166 dated October 06, 2023.*

(B) *System based alerts to exercise enhanced due diligence*

- (i) *As per the Pre Inspection Questionnaire (PIQ) data submitted by Noticee, it was observed that Noticee had 81,506 folios without PAN details and 76,805 folios without bank details and none of these cases were marked for enhance due diligence.*
- (ii) *During inspection, it was observed that Noticee did not have any system based alerts to exercise enhanced due diligence for cases where PAN and bank account details of shareholder were missing in folios. Noticee informed that it checks the same manually, as and when it receives any request from investors in this regard.*
- (i) *In view of the above, it is alleged that the Noticee violated the provisions of Clause 12 and 13 of Para II of Annexure 6 read with Sr. No. 12 of Table of contents mentioned at SEBI Master Circular for RTA and STA No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/37 dated May 07, 2024.*

6. I note that the SCN issued to Noticee was duly served upon it. Vide email dated January 17, 2025, Noticee requested for extension of 2 weeks' time to file its reply to the SCN, which was granted. Thereafter, vide email dated February 04, 2025, Noticee submitted its reply to the SCN.

7. The relevant extract of the Noticee's reply dated February 04, 2025 is reproduced below:

(A) *Due diligence of RTA w.r.t transfer of shares of MFL.*

- (a) *With regard to allegations pertaining to non-availability of STA related documents (viz., shareholders list, signature cards, transfer records, complaint register, etc.)*

pertaining to MFL, for the period from July 30, 2015 [date of agreement with MFL] till the date of inspection, i.e., May 02, 2024, following sequence of events be noted:

- (i) *In the year 2015, MFL had executed an MOU dated July 31, 2015 with Noticee for appointing it as RTA. Prior to its becoming the RTA of MFL, Purva Share Registry Pvt. Ltd. was the RTA of MFL. Post such appointment, Noticee had requested MFL to provide complete STA related documents in MFL's custody. MFL did not provide the documents as requested by Noticee, despite its repeated reminders. At the relevant time, Noticee was not aware that after signing of MOU with MFL, Noticee would not be handed over the STA related documents/data either by the erstwhile RTA and/or MFL.*

*{Note: The appointment of MCS as the new RTA took place in July 2015, i.e., prior to coming into effect of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as '**LODR Regulations**'), in September 2015. Regulation 7(4) of the LODR Regulations, inter alia, states that in case of any change or appointment of a new share transfer agent the listed entity shall enter into a tripartite agreement between the existing share transfer agent, the new share transfer agent and the listed entity. Otherwise, Noticee would have obtained the STA related documents directly from the erstwhile RTA, i.e., Purva Share Registry Pvt. Ltd.*

- (ii) *Subsequently, MFL, vide its letter dated January 6, 2016, with regard to STA related documents, inter alia, informed the Noticee as follows:*

"With reference to the above subject, we would like to inform you that whatever documents received from the previous RTA Purva Share Registry Pvt. Ltd. has been kept with the company for better control of documents.

Please also note that henceforth you will send all the documents to us after processing and the same will be kept in our custody."

- (iii) *In response to the said letter of MFL, Noticee vide letter dated January 8, 2016, informed MFL as follows:*

"We refer to your letter dated 06.01.2016 and the subsequent discussion the undersigned had with you over the telephone.

In this connection, please note that in terms of SEBI Rules, the documents are required to be kept in our office only.

However, while we have noted the contents of your letter, we will also request you to please reconsider your decision and keep the documents in our Ahmedabad office. Please also note that till the documents are handed over to

us, you will forthwith send the same to our Ahmedabad office whenever we will require any document for our reference find/or for audit/inspection of authorities concerned.

In the meantime, we are keeping the concerned Authorities informed by endorsing a copy of this letter with a copy of your above letter dated 06.01.2016”.

- (iv) Despite the aforesaid stance of MFL, Noticee’s officials at Ahmedabad Branch earnestly kept pursuing with MFL for parting with the complete STA related documents and providing the same to it, but to no avail. Repeated reminders fell on their deaf ears. Under the said circumstances, Noticee continued as RTA without the STA related documents.*
- (v) As Noticee was not getting complete data from MFL, despite repeated reminders, it was constrained to issue Notice dated March 09, 2020 to MFL for terminating the agreement discontinuing its services as RTA.*
- (vi) Subsequently, in the year 2022, MFL had, inter alia, informed that all the STA related documents, available at their end, were destroyed in a fire incident, which happened in their office, and in support MFL had delivered a copy of FIR dated May 07, 2022 in Gujarati language to the Noticee.*
- (vii) Record bear out that till date, MFL has not bothered to give any reply to its notice for discontinuation of its services as RTA and has also not appointed any new RTA. Under the circumstances, Noticee was left with no option but to continue extending services as an RTA, much against its wishes, in order to protect the interest of the shareholders. Under the guidelines of SEBI/NSDL/CDSL Noticee was duty bound to continue the services till the change of RTA takes place and NSDL/CDSL connectivity is shifted to a new RTA.*
- (b) It is in these peculiar circumstances, the factum of non-availability of STA related documents at its end, have to be viewed. Further, it is not the case that MFL had handed over the STA related documents to Noticee and Noticee was not maintaining the same. Further, the non-availability of STA related documents is not out of its own volition or its own creation, but because of reasons beyond its control, wherein, post execution of MOU, MFL did not part with the documents.*
- (c) With regard to allegations in para 6(a) to 6 (d) of the SCN, Noticee submitted that the same is matter of record. Noticee submitted that the said data/documents of MFL including the data/documents of HICS Cements Ltd., were not provided either by MFL or by the erstwhile RTA to it, despite its reminders from time to time. Noticee’s top management had also discussed the matter with MFL, but no positive response was*

received from MFL. Ultimately, the director of MCS had issued a notice of termination to MFL, but MFL did not reply to it. Under the circumstances, Noticee was left with no option but to continue extending services as an RTA, much against its wishes, in order to protect the interest of the shareholders, as under the guidelines of SEBI/NSDL/CDSL, Noticee was bound to give services till the change of RTA takes place and NSDL/CDSL connectivity is shifted to a new RTA.

- (d) With regard to allegations of not having the backup of email correspondences with client companies, Noticee submitted that due to space constraint email correspondence are deleted from time to time. However, for MFL complaints, the emails were forwarded to MFL, and MFL used to respond to all the complaints.
- (e) With regard to allegations of failure to collect the complete data from previous RTA and failure to implement the single place maintenance of records, Noticee submitted that MFL did not provide the data, which was with them. Despite various requests made to MFL, it did not part with the data/documents resulting in non-implementation of single point maintenance. As Noticee was not able to get the data/documents from MFL, despite persistent reminders, termination notice was issued as stated hereinbefore.
- (f) With regard to allegations of not maintaining the physical files of supporting documents with respect to 44 letters pertaining to MFL, Noticee submitted that whatever correspondence was made by it, has been handed over to the Inspection team. MFL used to process and work on all the physical files as well as shareholders requests and queries and accordingly data/documents for physical file are in MFL's custody and Noticee do not have any physical files.
- (g) With regard to allegations of provided false declaration to MFL, Noticee denied the allegation. Noticee submitted that record bear out that Noticee had clearly informed in its reply under Sl. no. 7 (Annexure C of the SCN) that from time to time some data were given by MFL. In its letter dated December 27, 2019 addressed to MFL, Noticee had mentioned that the details they wanted for some shareholders were not available in its records which includes the data MFL had given from time to time. Therefore, the question of providing any false declaration, as alleged, does not arise.
- (h) With regard to allegations that Noticee did not have documents and was not performing any RTA related activity for MFL, however, it was billing MFL for its services, Noticee denied the allegation. Noticee submitted that it was billing to MFL for its services. Over the years, various services relating mainly to depository operations (viz., Dematerialisation, Re-materialisation, Corporate Action, e-voting,

dividend processing, other event based special jobs from time to time which are not regular in nature) were rendered by Noticee, as the connectivity of NSDL and CDSL were transferred from the previous RTA to it. Therefore, it is incorrect to suggest that Noticee was not performing any RTA related activity for MFL and that Noticee was billing them unnecessarily as insinuated. As regards billing, MCS has charged a mere fee of Rs.1500/- per month as professional fees since its appointment as RTA. The bills are raised on a quarterly basis. The out-of-pocket expenses, viz., postage etc. charged in the bills are actual expenses incurred by MCS. The special jobs, viz., dividend processing, e-voting etc. were charged on event basis which are not regular in nature. Accordingly, the regular fees income of MCS was only Rs.1500/- per month. Noticee has rendered RTA related services to MFL and bonafide billed them, at a lower rate compared to standard rates applicable in the industry, for the same. Further, as stated hereinbefore, unless a new RTA is appointed, Noticee has to continue rendering services to MFL, in order to protect the interest of the shareholders as under the guidelines of SEBI/NSDL/CDSL Noticee was bound to give services till the change of RTA takes place and NSDL/CDSL connectivity is shifted to a new RTA. Noticee denied that it had shown a lack of professionalism and discipline in conducting business as RTA as alleged.

- (i) Noticee submitted that as an RTA, it always maintained proper books of accounts and records, etc., pertaining to its client companies. The alleged non-maintenance of records pertaining to MFL has happened under peculiar circumstances as stated hereinbefore, wherein Noticee had made all efforts to get the records from MFL but to no avail. Further, Noticee at all points of time abided by the Code of Conduct as prescribed under the RTA Regulations. Noticee always maintained high standards of integrity in the conduct of its business and fulfilled its obligations in a prompt, ethical and professional manner. Further, Noticee always exercised due diligence, ensured proper care and exercised independent professional judgment. Noticee has always ensured that inquiries from investors are adequately dealt with, grievances of investors are redressed without any delay, transfer of securities held in physical form and confirmation of dematerialisation / rematerialisation requests and distribution of corporate benefits and allotment of securities is done within the time specified under any law. Noticee has always taken adequate and necessary steps to ensure that continuity in data and record keeping is maintained, and that the data or records are not lost or destroyed and have ensured that for electronic records and data, up-to-date back up is always available.

(B) System based alerts to exercise enhanced due diligence

- (a) With regards to above allegations, Noticee, inter alia, submitted that SEBI had conducted a sudden inspection in Ahmedabad Branch on May 02 and 03, 2024. The purported PIQ referred in the paragraph, was sent by SEBI on May 07, 2024 which was after the completion of inspection. Therefore, questionnaire cannot be termed as Pre-Inspection Questionnaire as the same was sent post Inspection and the data referred to in the paragraph was also submitted post inspection.*
- (b) Noticee further submitted that when any service request is received for any Folio, it always check whether the KYC is updated in its system or not. If PAN/bank details are not updated, it rejects the request and ask the shareholder concerned to update KYC including PAN/bank details. Once the KYC is updated, it processes the service request. Given its 'Procedural Query System', no service request can be processed without updating the KYC. Therefore, the said 'Procedural Query System' takes care of the system-based alert. Further, there is not a single case which was pointed out wherein it processed the request without obtaining PAN/bank details from the shareholder. However, in certain cases (viz., shareholders holding shares in physical form), wherein no response is forthcoming from the physical shareholders despite communications to them resulting in non-updating of KYC, if service requests are received from such physical shareholders, their requests are processed only after updating KYC.*

8. An opportunity of personal hearing was granted to the Noticee vide notice of hearing dated May 13, 2025. However, due to unavailability of the authorised representatives of Noticee (hereinafter referred to as '**AR**') on May 28, 2025, Noticee requested for adjournment of the personal hearing and the same was rescheduled. On June 02, 2025, ARs of the Noticee, Mr. Vinay Chauhan, Advocate and Mr. Shankar Ghosh attended the personal hearing through video-conferencing and reiterated the submissions made by the Noticee vide letter dated February 04, 2025 and sought time to file additional submissions. The said additional submission was filed by Noticee vide email dated June 03, 2025.

CONSIDERATION OF ISSUES AND FINDINGS

9. I have carefully perused the charges levelled against the Noticee in the SCN, its reply, the submissions made during personal hearing and material available on record. The issues that arise for consideration in the present case are as follows:

- I.** Whether the Noticee failed to maintain STA related documents of MFL including details of shareholders, signature cards, complaint register, details regarding processing of complaints of investors in MFL and thereby violated regulation 14 (3) and 15 of RTA and STA Regulations?
- II.** Whether the Noticee made false declaration to MFL with respect to MFL's records and thereby violated regulation 14 (3) and 15 of RTA and STA Regulations?
- III.** Whether the Noticee improperly billed MFL without performing RTA related services and thereby violated regulation 14 (3) and 15 of RTA and STA Regulations?
- IV.** Whether the Noticee failed to maintain back up of email correspondence made with its clients including MFL and supporting documents relating to 44 letters pertaining to MFL and thereby violated clauses 1, 2, 3, 5 and 20 of Schedule III (Code of Conduct) read with regulation 13 of RTA and STA Regulations??
- V.** Whether the Noticee failed to collect data from the past RTA and implement single place maintenance of records with respect to MFL and thereby violated regulation 71 of DP Regulations and clause 3.4.1 of SEBI Master Circular for Depositories No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023 /166 dated October 06, 2023?
- VI.** Whether the Noticee failed to implement system based alerts to exercise enhanced due diligence and thereby violated clause 12 and 13 of Para II of Annexure 6 read with Sr. No. 12 of table of contents mentioned at SEBI Master Circular for RTA and STA No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/37 dated May 07, 2024?
- VII.** Does the violation, if any, attract monetary penalty under section 15HB of the SEBI Act?
- VIII.** If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in section 15-J of the SEBI Act read with rule 5(2) of the Rules?

10. Before proceeding further, it is pertinent to refer to the relevant provisions of SEBI regulations and circulars which are alleged to have been violated by the Noticee. The said provisions are reproduced below for reference:

RTA and STA Regulations:

“13. To abide by Code of Conduct.— Every registrar to an issue and share transfer agent holding a certificate shall at all times abide by the Code of Conduct as specified in Schedule III.

14. To maintain proper books of accounts and records, etc. —

.....

(3) Every share transfer agent shall maintain the following records in respect of a body corporate on whose behalf he is carrying on the activities as share transfer agent namely:-

- (a) list of holders of securities of such body corporate;*
- (b) the names of transferor and transferee and the dates of transfer of securities;*
- (c) such other records as may be specified by the Board for carrying out the activities as share transfer agents.*

.....

15. Maintenance of records. —*Subject to provisions of any other law, the registrar to an issue or share transfer agent shall preserve the books of accounts and other records and documents maintained under regulation 14 for a minimum period of eight years. “*

SCHEDULE III of RTA and STA Regulations

[Regulation 13]

CODE OF CONDUCT

- “1. A Registrar to an Issue and Share Transfer Agent shall maintain high standards of integrity in the conduct of its business.*
- 2. A Registrar to an Issue and Share Transfer Agent shall fulfill its obligations in a prompt, ethical and professional manner.*
- 3. A Registrar to an Issue and Share Transfer Agent shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.”*

.....

- “5. A Registrar to an Issue and Share Transfer Agent shall always endeavor to ensure that –*
- a. inquiries from investors are adequately dealt with;*
 - b. grievances of investors are redressed without any delay;*

c. transfer of securities held in physical form and confirmation of dematerialisation / rematerialisation requests and distribution of corporate benefits and allotment of securities is done within the time specified under any law.”

.....

“20. A Registrar to an Issue and Share Transfer Agent shall take adequate and necessary steps to ensure that continuity in data and record keeping is maintained and that the data or records are not lost or destroyed. Further, it shall ensure that for electronic records and data, up-to-date back up is always available with it.”

DP Regulations:

Manner of handling share registry work

“71. All matters relating to transfer of securities, maintenance of records of holders of securities, handling of physical securities and establishing connectivity with the depositories shall be handled and maintained at a single point i.e. either in-house by the issuer or by a Share Transfer Agent registered with the Board.”

Clause 3.4.1 of SEBI master circular for Depositories No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023 /166 dated October 06, 2023:

3.4 Registrar and Share Transfer Agent

“3.4.1 Appointment of a single agency for share registry work

All work related to share registry pertaining in terms of both physical and electronic shares shall be maintained at a single point i.e. either in-house by the company or by a SEBI registered Registrar and Transfer Agent.”

Clause 12 and 13 of Para II of Annexure 6 read with Sr. No. 12 of Table of contents mentioned at SEBI Master Circular for RTA and STA No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/37 dated May 07, 2024:

Table of contents:

12. Strengthening the Guidelines and Raising Industry standards for RTA, Issuer Companies and Banker to an Issue:

“12.1. RTAs shall strictly comply with guidelines (Annexure-6). Issuer companies shall strictly monitor the activities of their RTAs and ensure compliance with these guidelines. It is clarified that where STA activities are carried out in-house by issuer companies, the issuer companies shall ensure that their in-house share transfer activities comply with the relevant norms as applicable to them.

12.2. The records /documents described in Annexure-6 shall be maintained for period not less than eight years after completion of the relevant transactions by RTAs on behalf of Issuer Companies.”

Annexure-6:

Para. II. Provisions with regard to Transfer/Transmission/Correction of Errors etc.:

"12. The Issuer Company and RTAs shall exercise enhanced due diligence in following cases:

- i. Where dividend/interest/redemption remains unpaid for three years & above*
 - ii. PAN/bank account details not available in the folio.*
 - iii. Unclaimed suspense account constituted pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations.*
 - iv. IEPF suspense account set up pursuant to Companies Act 2013.*
 - v. Any other stringent criteria as decided by the Issuer Company and the RTAs.*
- RTAs shall maintain a list of such account folios and share with the Issuer Company at the end of every quarter of a financial year.*

13. RTAs shall have system based alerts for processing of all transactions in such account folios referred above in para 12. In case any request for transactions is received from such folios, the Issuer Company and RTAs shall exercise enhanced due diligence. For the purpose of exercising enhanced due diligence, Issuer Companies and/or RTAs shall call for documents related to proof of identity/address, PAN and bank details, and such other additional procedures that would enable the Issuer Company/RTA to reasonably satisfy itself about the genuineness of the request."

11. Based on perusal of the material on record and submissions of the Noticee, the issues raised in this matter are dealt in the following paragraphs.

Issue I. Whether the Noticee failed to maintain STA related documents of MFL including details of shareholders, signature cards, complaint register, details regarding processing of complaints of investors in MFL and thereby violated regulation 14 (3) and 15 of RTA and STA Regulations?

Issue II. Whether the Noticee made false declaration to MFL with respect to MFL's records and thereby violated regulation 14 (3) and 15 of RTA and STA Regulations?

Issue III. Whether the Noticee improperly billed MFL without performing RTA related services and thereby violated regulation 14 (3) and 15 of RTA and STA Regulations?

12. Issue I, II and III being part of the same allegation on deficiency in, maintaining records of MFL shareholders and providing services, these are dealt together for convenience.
13. It was alleged in the SCN that Noticee failed to maintain STA related documents of MFL such as shareholders list, signature cards, complaint register, complaint processing details, supporting documents with respect to MFL letters, etc.
14. I note that as per regulation 14 (3) of RTA and STA Regulations, every share transfer agent shall maintain the following records in respect of a body corporate on whose behalf he is carrying on the activities as share transfer agent namely:
 - (a) list of holders of securities of such body corporate;
 - (b) the names of transferor and transferee and the dates of transfer of securities;
 - (c) such other records as may be specified by the Board for carrying out the activities as share transfer agents.

Further, regulation 15 of RTA and STA Regulations provides that the registrar to an issue or share transfer agent shall preserve the books of accounts and other records and documents maintained under regulation 14 for a minimum period of eight years.

15. In response to above allegations, Noticee submitted that said data/documents of MFL including the data/documents of HICS Cements Ltd., were not provided either by MFL or by the erstwhile RTA to Noticee on its appointment as RTA of MFL, despite reminders. Noticee further submitted that since it was not getting complete data from MFL despite repeated reminders, it issued notice dated March 09, 2020 to MFL for terminating the agreement discontinuing its services as RTA. Subsequently, in the year 2022, MFL had informed the Noticee that all the STA related documents were destroyed in a fire incident in MFL's office and in support, MFL furnished a copy of FIR dated May 07, 2022. Noticee further submitted that MFL had not given any reply to its notice for discontinuation of services as RTA and had also not appointed a new RTA. Under the circumstances, Noticee was left with no option but to continue extending services as an RTA, much against its wishes in order to protect the interest of the shareholders. As per the statutory mandate, Noticee was duty bound to continue the services till the change of RTA takes place and NSDL/CDSL connectivity is shifted to a new RTA.

16. Noticee further submitted that it is not the case that MFL had handed over the STA related documents to Noticee and Noticee was not maintaining the same. The non-availability of STA related documents is not out of its own volition or its own creation, but because of reasons beyond its control, wherein, post execution of MOU, MFL did not part with the documents.

17. During the personal hearing, the AR of the Noticee, Vinay Chauhan, Advocate submitted that the Noticee was not a willing accomplice to the allegations rather it had tried its level best to align with the mandate of the Regulations, though the situation was beyond its control as MFL did not cooperate. In this regard, he pointed out a letter issued by the Noticee to MFL dated January 8, 2016 on the subject 'Keeping of Documents' with copies to depositories and SEBI wherein the Noticee had informed MFL as under:

"In this connection please note that in terms of SEBI Rules, the documents are required to be kept in our office only. However, while we have noted the contents of your letter, we will also request you to please reconsider your decision and keep the documents in our Ahmedabad office. Please also note that till the documents are handed over to us, you will forthwith send the same to our Ahmedabad office whenever we will require any document for our reference and/or for audit/inspection of authorities concerned.

In the meantime, we are keeping the concerned authorities informed by endorsing a copy of this letter with a copy of your above letter dated 06.01.2016."

18. It was also pointed out in the personal hearing that the situation remains the same even today as there is no cooperation from MFL and the Noticee is unable to find a solution to the issue. However, occurrence of such an issue is remote after coming into force of LODR Regulations in September 2015 where a tripartite agreement between the existing share transfer agent, the new share transfer agent and the listed entity is made mandatory in case of any change or appointment of a new share transfer agent.

19. Thus, considering the above submissions of the Noticee and supporting documents provided by it, I am of the view that the circumstances were beyond the control of the Noticee as STA related documents were not provided to Noticee by MFL or its

erstwhile RTA, i.e., Purva Share Registry Pvt. Ltd. despite follow up by the Noticee. Therefore, Noticee should not be held responsible for not maintaining the documents which were not provided to it by MFL or its erstwhile RTA, hence, I am inclined to take a lenient view and drop the said allegations in favour of the Noticee.

20. With regard to allegations of providing false declaration to the company, I find that Noticee, in its signoff report, stated that *'it is managing and maintaining all records in hard copies pertaining to all our clients except Mishtann Foods Ltd. But the Company did not handover the documents which they had mentioned in their letter dated 06.01.2016. We had also replied to them by our letter dated 08.01.2016 requesting them to handover the documents.'* and *'..... MCS does not have any records from 1994. It may be noted that MCS entered MOU with MFL in 2015 only....'* Further, Noticee, in its letter dated December 27, 2019 addressed to MFL, had mentioned that *'as per the data provided by the company, we do not have any details in the record of folios as under...'* In this connection, Noticee submitted that it had clearly informed in its reply that from time to time, some data was given by MFL. In its letter dated December 27, 2019 addressed to MFL, Noticee had mentioned that the details MFL wanted with respect to some shareholders which was not available in its records and the Noticee communicated the same to MFL. Therefore, Noticee claimed that it had not provided false declaration to the MFL. In this regard, taking into account the material on record and after perusing the letter dated December 27, 2019, it appears that Noticee did not make a false declaration to MFL. Hence, I am inclined to drop this allegation.
21. In response to allegations of not performing any RTA related activity for MFL and still billing to it for services, Noticee submitted that it was billing to MFL for its identifiable services. Over the years, various services mainly relating to depository operations (viz., Dematerialisation, Re-materialisation, Corporate Action, e-voting, dividend processing, other event based special jobs from time to time which are not regular in nature) were rendered by Noticee, as the connectivity of NSDL and CDSL were transferred from the previous RTA to Noticee. Noticee further submitted that the out-of-pocket expenses, viz., postage etc. charged in the bills were actual expenses incurred by the Noticee. The special jobs, viz., dividend processing, e-voting, etc., were charged on event basis which were not regular in nature. Accordingly, the regular fees charged on MFL by Noticee was only

Rs.1500/- per month which was at a lower rate compared to standard rates applicable in the industry. Considering the said submissions of the Noticee, I am of the opinion that there appears to be no anomaly in the Noticee's billing of MFL, hence, the said allegation is not substantiated.

22. In view of the above, I hold that the allegation that the Noticee violated the provisions of regulation 14 (3) and 15 of RTA and STA Regulations are not established.

Issue IV. Whether the Noticee failed to maintain back up of email correspondence made with its clients including MFL and supporting documents relating to 44 letters pertaining to MFL and thereby violated clauses 1, 2, 3, 5 and 20 of Schedule III (Code of Conduct) read with regulation 13 of RTA and STA Regulations?

23. SCN alleged that Noticee did not have backup of email correspondences made with its client companies, including MFL related to its RTA/STA activities. Further, Noticee could not provide supporting documents relating to 44 letters pertaining to MFL.
24. As per Code of Conduct for RTA given in RTA and STA Regulations, RTA and STA shall maintain high standards of integrity, exercise due diligence, ensure proper care and exercise independent professional judgment. It shall also take adequate and necessary steps to ensure that continuity in data and record keeping is maintained and that the data or records are not lost or destroyed. Further, it shall ensure that for electronic records and data, up-to-date back up is always available with it.
25. With respect to allegations of not having backup of email correspondences with its client companies, Noticee admitted that due to space constraint, email correspondences were deleted from time to time. However, for MFL complaints, the emails were forwarded to MFL and MFL used to respond to all the complaints. RTA and STA Regulations and Code of Conduct for RTA requires the Noticee to preserve and maintain the RTA and STA related activity data with it and to ensure that the data or records are not lost or destroyed and up-to-date back up of electronic records and data is always available with it. However, Noticee failed to

do so, therefore, it violated the provisions of Code of Conduct for RTA read with Regulation 13 of RTA and STA Regulations.

26. With respect to the allegation of not maintaining the physical files of supporting documents with respect to 44 letters pertaining to MFL, Noticee submitted that whatever correspondence was made by it, has been handed over to the Inspection team. MFL used to process and work on all the physical files as well as shareholders requests and queries, and accordingly data/documents for physical file are in MFL's custody. I am inclined to accept the submission of the Noticee in this regard for the reason that there are no investor complaints in these matters and as explained in connection with Issue I that the circumstances were beyond the control of Noticee due to non-cooperation of MFL.
27. In view of the destruction of the email correspondence by Noticee as above, I hold that the allegation that the Noticee violated the provisions of clauses 1, 2, 3, 5 and 20 of Schedule III (Code of Conduct) read with regulation 13 of RTA and STA Regulations, stands established.

Issue V. Whether the Noticee failed to collect data from the past RTA and implement single place maintenance of records with respect to MFL and thereby violated regulation 71 of DP Regulations and clause 3.4.1 of SEBI Master Circular for Depositories No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023 /166 dated October 06, 2023?

28. SCN alleged that Noticee had failed to collect the complete data from previous RTA and failed to safeguard the past data of all shareholders. Further, it was alleged that Noticee failed to implement the single place maintenance of records.
29. As per regulation 71 of DP Regulations and clause 3.4.1 of SEBI Master Circular dated October 06, 2023, all matters relating to transfer of securities, maintenance of records of holders of securities, handling of physical securities and establishing connectivity with the depositories and all work related to share registry, shall be handled and maintained at a single point, i.e., either in-house by the issuer or by a Share Transfer Agent registered with the Board.

30. With regard to allegations of failure to collect the complete data from previous RTA and failure to implement the single place maintenance of records, reliance is placed on the findings on Issue I above. Considering the submissions of the Noticee and supporting documents provided by it, I am of the view that the circumstances were beyond the control of the Noticee due to non-cooperation of MFL. In view of the above, I am inclined to take a lenient view with respect to the alleged violation of regulation 71 of DP Regulations and clause 3.4.1 of SEBI master circular for Depositories number SEBI/HO/MRD/MRD-PoD-2/P/CIR/2023 /166 dated October 06, 2023, by the Noticee.

Issue VI. Whether the Noticee failed to implement system based alerts to exercise enhanced due diligence and thereby violated clause 12 and 13 of Para II of Annexure 6 read with Sr. No. 12 of table of contents mentioned at SEBI Master Circular for RTA and STA No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/37 dated May 07, 2024?

31. It was alleged in the SCN that Noticee did not implement system based alerts to exercise enhanced due diligence for cases where PAN and bank account details of shareholder were missing in folios. Further, as per the data submitted by the Noticee post inspection, Noticee had 81,506 folios without PAN details and 76,805 folios without bank details and none of these cases were marked for enhanced due diligence.
32. As per SEBI Master Circular for RTA and STA dated May 07, 2024, the issuer company and RTAs shall exercise enhanced due diligence in cases where PAN/bank account details are not available in the folio. RTAs shall have system based alerts for processing of all transactions in such account folios. In case any request for transactions is received from such folios, the issuer company and RTAs shall exercise enhanced due diligence. For the purpose of exercising enhanced due diligence, issuer companies and/or RTAs shall call for documents related to proof of identity/address, PAN and bank details, and such other additional procedures that would enable the issuer company/RTA to reasonably satisfy itself about the genuineness of the request.
33. In response to allegations of failure to implement system based alerts to exercise enhanced due diligence, Noticee submitted that at the receipt of any service

request for any folio, Noticee had to check whether the KYC is updated in its system or not. This clearly indicates the absence of a system based alert.

34. Noticee further submitted that 'Procedural Query System' takes care of the system based alert. Besides, there is not a single case which has been pointed out wherein Noticee processed the request without obtaining PAN/bank details from the shareholder. During the personal hearing, it was submitted by the AR of the Noticee that there is no specific mode provided for such system based alert. However, as on date, the Noticee has tagged court cases related to shares in the soft copy system. When a request is processed, the tag of litigation would come up (if there is any case pending) and further Noticee is in the process of introducing PAN, etc. as tags in the future. It was also submitted by the Noticee during the personal hearing that there is substantial compliance with the circular and no harm was caused to anyone so far.
35. As such, Noticee has accepted the finding that it lacks system based alerts and it is in the process of tagging relevant details in its soft copy system. The submission of the Noticee that its 'Procedural Query System' takes care of the system based alert is not acceptable as it still requires manual intervention by Noticee while processing a request.
36. In view of the above, I hold that Noticee failed to implement system based alerts to exercise enhanced due diligence for cases where PAN and bank account details of shareholder were missing in folios, therefore, the Noticee violated the provisions of clause 12 and 13 of Para II of Annexure 6 read with Sr. No. 12 of table of contents mentioned at SEBI Master Circular for RTA and STA No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/37 dated May 07, 2024.

Issue VII. Does the violation, if any, attract monetary penalty under section 15HB of the SEBI Act?

37. In the light of findings and observations made against the Noticee brought out in the foregoing paragraphs, it has been established that the Noticee violated the regulatory provisions of clauses 1, 2, 3, 5 and 20 of Schedule III (Code of Conduct) read with regulation 13 of RTA and STA Regulations and clause 12 and 13 of Para II of Annexure 6 read with Sr. No. 12 of table of contents mentioned at SEBI Master

Circular for RTA and STA dated May 07, 2024. The said violations make the Noticee liable for monetary penalty under the provisions of the SEBI Act.

38. With regard to levy of penalty, Noticee submitted that there are only technical and procedural violations and it has not made any gains or derived any unfair advantage. In this regard, Noticee placed reliance on the Hon'ble Securities Appellate Tribunal's ('SAT') order dated June 16, 2011 in the matter of *Religare Securities Ltd. v. SEBI*, wherein it is observed that *'the purpose of carrying out inspection is not punitive and the object is to make the intermediary comply with the procedural requirements.'* Noticee further quoted the Hon'ble Supreme Court's observations in the matter of *Hindustan Steel v. State of Orissa* [(1969) 2 SCC 627], wherein it was held that *'Even if a minimum penalty is prescribed, the authority competent to impose the penalty will be justified in refusing to impose penalty, when there is a technical or venial breach of the provisions of the Act or where the breach flows from a bonafide belief that the offender is not liable to act in the manner prescribed by the statute.'* Further, Noticee placed reliance on the Hon'ble SAT's observations in the matter of *P G Electroplast Limited v. SEBI* (SAT Appeal No. 281 of 2017) that *'Even if a minimum penalty is prescribed, the authority, after considering the circumstances of the case and other factors enumerated in Section 15J would be justified in refusing to impose penalty when there is a technical or venial breach of the provisions of the Act.the provisions of Clauses (a), (b) and (c) of Section 15-J are illustrative in nature and have to be taken into account whenever such circumstances exist. The Supreme Court further held that factors other than those enumerated in Clauses (a), (b) and (c) of Section 15-J can also be considered by the Adjudicating Officer.'*
39. In this regard, I find that the allegation of violations that were established in the cases relied upon by Noticee are different from the violations that have been established in the present case of Noticee. Further, the facts and circumstances of the said cases differ from the instant matter. In the matter of *Religare Securities Ltd. v. SEBI*, the inspection was with respect to the appellant's activities as stock broker and depository participant, wherein Hon'ble SAT observed that the adjudicating officer had refused to accept the stand of the appellant on the ground that the supporting documents were not produced before the inspecting team. However, in the instant case, all submissions made by the Noticee subsequent to

inspection are admitted and taken into account while deciding this matter. Besides, in this matter, the Noticee has admitted the violation with respect to deletion of emails due to space constraint and failure to implement system based alerts. As regards the matters of *Hindustan Steel v. State of Orissa* and *P G Electroplast Limited v. SEBI*, it is noted that in the instant case, it is not a technical or venial breach where the breach flows from a *bona fide* belief that the Noticee was not liable. On the contrary, here Noticee knew that the breaches are in direct conflict with the regulations and circulars and the breaches are of continuing nature, i.e., absence of email data and system based alerts. Hence, I note that the said cases do not stand on the same footing as the given case of Noticee.

40. In this regard, reliance is placed on the judgment of Hon'ble Supreme Court in the matter of *SEBI v. Shriram Mutual Fund* [2006] 68 SCL 216 (SC)] wherein it was, *inter-alia*, observed that '*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.*'

41. The aforesaid violations, make the Noticee liable for penalty under section 15HB of the SEBI Act. The said section reads as follows:

“Penalty for contravention where no separate penalty has been provided.
15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.”*

Issue VIII. If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in section 15-J of the SEBI Act read with rule 5(2) of the Rules?

42. While determining the quantum of penalty, the factors stipulated in section 15-J of the SEBI Act are taken into account, which reads as under:

“Factors to be taken into account while adjudging quantum of penalty

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

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

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

43. In this connection, due regard is given to the statement of the Noticee's AR that it is in the process of introducing PAN, etc., as tags in the future in line with the mandate of system based alerts. Further, in this case, any quantifiable gain or unfair advantage accrued to the Noticee or the extent of loss suffered by the investors as a result of non-compliance to the provisions of the RTA and STA Regulations and SEBI circular is not available from the material available on record. With respect to the repetitive nature of the default, I note that there are SEBI orders against the Noticee and regulatory action was taken in the past, as summarised below:

Sr. No.	Case Name	Order date	Violation of provisions of Acts / Regulations	Penalty / Regulatory Action
1	In the matter of Inspection/Audit of Books of MCS Share Transfer Agent Limited	August 24, 2020	RTA and STA Regulations	Rs. 5,00,000/-
2	In the matter of MCS Share Transfer Agent Ltd. (Inspection of RTA)	April 29, 2022	RTA and STA Regulations, SEBI (Depositories and participants) Regulation, 2018, SEBI (Listing Obligation and Disclosure Requirement), Regulations, 2015 and SEBI circular etc.	Rs. 3,00,000/-
3	In the matter of MCS Share Transfer Agent Ltd. (Inspection of RTA)	October 31, 2022	RTA and STA Regulations	Rs. 3,00,000/-
4	In the matter of Complaint of Ms. M Vimala against MCS Share Transfer Agent Limited.	January 4, 2023	RTA and STA Regulations	Rs. 1,00,000/-

Sr. No.	Case Name	Order date	Violation of provisions of Acts / Regulations	Penalty / Regulatory Action
5	MCS Share Transfer Agent Ltd RTA	-	Violation related to: <ul style="list-style-type: none"> - Processing of investor request for Dematerialization of securities - Timely processing of ISR - Processing of request for Duplicate share - Redressal of investor grievances 	Administrative warning was issued on March 27, 2025

44. Further, in the present matter, based on findings of inspection, it is established that the Noticee had not complied with the requirements of RTA and STA Regulations and SEBI Master Circular for RTA and STA dated May 07, 2024. Noticee was under a statutory obligation to abide by the provisions of RTA and STA Regulations and SEBI Circular, which it failed to do by deleting the email data and not implementing system based alerts to exercise enhanced due diligence. The said violations by the Noticee attract monetary penalty. Therefore, I feel it appropriate to levy a penalty which is commensurate with the nature of violation.

ORDER

45. Taking into account the facts and circumstances of the case, material available on record, submissions of the Noticee, findings hereinabove and factors mentioned in section 15J of the SEBI Act, in exercise of the powers conferred upon me under section 15-I of SEBI Act, 1992 read with rule 5 of the Rules, I hereby impose a monetary penalty of ₹2,00,000/- (Rupees Two Lakh only) under section 15HB of the SEBI Act, on the Noticee. In my view, the said penalty is commensurate with the violations committed by the Noticee in this case.
46. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

47. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI

Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

48. In terms of rule 6 of the Rules, copy of this order is sent to the Noticee and also to the SEBI.

Place: Mumbai

Date: July 18, 2025

JAI SEBASTIAN

ADJUDICATING OFFICER