

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: RAJEEV KUMAR AGARWAL, WHOLE TIME MEMBER**

ORDER

Under sections 11, 11(4) and 11 B of the Securities and Exchange Board of India Act, 1992 read with regulation 107 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and regulation 11 of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

In respect of M/S. SGI Research & Analysis Ltd., Shri Lokeshwar Dev, Ms. Priyanka Saraswat Dev, Shri Pradeep Sharma, Shri Baldev Raj Sharma, Ms. Ramesh Sharma, Shri Sanjeev Sharma and Ms. Sonia Sharma.

In the matter of M/S. SGI Research & Analysis Ltd.

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") received a complaint with regard to the preference shares issued by M/s. SGI Research & Analysis Ltd. (hereinafter referred to as 'SGI'). In the said complaint, it was *inter-alia* alleged that Shri Lokeshwar Dev (promoter/director of SGI) had raised more than fifteen hundred crore rupees belonging to two lakh investors and had vanished alongwith his entire staff. It was also alleged in the complaint that SGI had offered 18% preference shares of face value ₹10/- each at a premium of ₹1,500/- per share to investors. The investors were induced by the promise made by SGI that the shares will be listed on the stock exchanges after SEBI approval and the listing price would be around ₹2,000/- per share. Further, the SGI had informed the complainant that subscription for the said preference shares was opened somewhere in October, 2010 and the scheme may get closed in January, 2011.
2. SEBI conducted an investigation into the matter and found that SGI is a company incorporated on June 10, 2010 under the provisions of Companies Act, 1956. SGI had issued convertible preference shares of ₹10/- each at a premium of ₹1,500 per share to 162 investors. This issue of convertible preference shares by SGI was apparently to public and, thus, it was in violation of regulations 4(2), 5(1), 5(7), 6, 7, 25, 26, 46 and 59 of SEBI (Issue of Capital and Disclosure Requirements) Regulation, 2009 (hereinafter referred to as 'ICDR Regulations') and regulations 3(b), 4(1) and 4(2)(r) of SEBI (Prohibition of Fraudulent and

Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations').

3. Accordingly, SEBI issued show cause notices (SCNs) dated May 18, 2012 to SGI , Shri Lokeshwar Dev, Ms. Priyanka Saraswat Dev, Shri Pradeep Sharma, Shri Baldev Raj Sharma, Ms. Ramesh Sharma, Shri Sanjeev Sharma and Ms. Sonia Sharma (hereinafter collectively referred as "the noticees"). The SCNs *inter alia* alleged that-
 - (a) Shri Lokeshwar Dev, Ms. Priyanka Saraswat Dev, Shri Pradeep Sharma, Shri Baldev Raj Sharma, Ms. Ramesh Sharma, Shri Sanjeev Sharma and Ms. Sonia Sharma were promoters/directors of SGI;
 - (b) The said issue of convertible preferential shares by SGI was a 'public issue' in terms of provisions of first proviso to sub-section (3) of section 67 of the Companies Act, 1956 (hereinafter referred to as the 'Companies Act');
 - (c) The SGI was required to apply for listing of those convertible preference shares to one or more recognised stock exchanges in terms of section 73 of the Companies Act and regulation 3 of the ICDR Regulations. However, SGI had not complied with these requirements;
 - (d) SGI had misrepresented to the subscribers of the convertible preference shares that it had applied to SEBI for listing of preference shares and the listing price of the preference shares shall be ₹2000/ per share and thereby fraudulently induced investors to invest in the said preference shares; and
 - (e) The noticees had violated provisions of regulations 4(2), 5(1), 5(7), 6, 7, 25, 26, 46 and 59 of the ICDR Regulations and regulations 3(b), 4(1) and 4(2)(r) of the PFUTP Regulations.
4. In the SCNs, the noticees were called upon to show cause as to why appropriate action including appropriate directions under section 11(1), 11(4)(b) and 11B of the SEBI Act, 1992 read with regulation 107 of ICDR Regulations and regulation 11 of the PFUTP Regulations, should not be issued against them.
5. The SCNs were sent to the last known addresses of the noticees through speed post. The SCNs issued to SGI, Shri Lokeshwar Dev, Ms. Priyanka Saraswat Dev, Shri Pradeep Sharma, Shri Baldev Raj Sharma and Ms. Ramesh Sharma were returned undelivered and thereafter, it were uploaded on the SEBI website. The SCNs issued to SGI, Shri Lokeshwar Dev and Ms. Priyanka Saraswat Dev were also affixed at their respective last known addresses. The SCNs issued to Shri Pradeep Sharma, Shri Baldev Raj Sharma and Ms.

Ramesh Sharma were resent at their new address and were delivered to them. Shri Pradeep Sharma submitted his reply to the SCN vide his letter dated September 12, 2012. Shri Baldev Raj Sharma, Ms. Ramesh Sharma, Shri Sanjeev Sharma and Ms. Sonia Sharma also submitted their replies through their undated letters. The other noticees i.e. SGI , Mr. Lokeshwar Dev and Ms. Priyanka Saraswat Dev did not submit their replies to the SCNs issued to them.

6. Shri Pradeep Sharma submitted *inter alia* as follows:
 - i. That he has 90% physical disability and was appointed as director in SGI by Mr. Lokeshwar Dev and Ms. Priyanka Saraswat Dev for fulfilling statutory requirement for incorporating SGI under the Companies Act;
 - ii. That due to physical inability he was not involved in any decision making or activity carried out by SGI;
 - iii. That he does not have any technical or professional qualification to do such type of work which relates to shares and securities;
 - iv. That he did not make any transaction with SGI and did not take any remuneration or any type of benefit from the company or from Mr. Lokeshwar Dev and Mrs. Priyanka Saraswat Dev;
 - v. That he was threatened by Mr. Lokeshwar Dev to give consent to become a director of SGI and he was also threatened when he requested him to let him resign from the directorship;
 - vi. That he has no other earning except pension of his father;
 - vii. That he is also cheated by Mr. Lokeshwar Dev and Ms. Priyanka Saraswat Dev; and
 - viii. That is considering his physical and economic condition, all charges against him be dropped.
7. Shri Baldev Raj Sharma, Ms. Ramesh Sharma, Shri Sanjeev Sharma and Ms. Sonia Sharma submitted *inter alia* as follows:
 - i. That they were only the subscribers of 10 shares of ₹10/- each;
 - ii. That they were never appointed as director of the SGI. They were not involved in any policy matter or activities carried out by SGI and were never part of decision making;
 - iii. That they do not have any knowledge of any dividend given by the company SGI.
 - iv. That they were not the directors of the company so they are not legally bound to comply with any provision related to filing of any offer document;
 - v. That they have no knowledge of issuing of preference shares; and

- vi. That being an investor of the company, they have also suffered from these non-compliances made by the company.
8. An opportunity of personal hearing was granted to the noticees on September 26, 2012 at Mumbai. However, vide email dated September 19, 2012, Shri Pradeep Sharma, and vide emails dated September 21, 2012, Shri Sanjeev Sharma, Ms. Ramesh Sharma, Shri Baldev Raj Sharma and Ms. Sonia Sharma requested that the hearing may be rescheduled at New Delhi. Considering their request, another opportunity of personal hearing was granted to the noticees on November 23, 2012 at SEBI, Northern Regional Office at New Delhi before me. On the scheduled date and time, none of the noticees neither appeared for personal hearing nor furnished any reason for non-appearance. Also, no letter seeking any further opportunity was received by SEBI from them. The noticees' non-appearance for personal hearing even at the desired place shows that they do not want to avail the opportunity of personal hearing. I, therefore, am of the view that sufficient opportunity of personal hearing has been afforded to the said noticees which has not been availed by them. I further note that SGI, Shri Lokeshwar Dev and Ms. Priyanka Saraswat Dev have not even submitted their reply till date. In the facts and circumstances, I am of the view that sufficient opportunity to file reply to SCNs and make oral submissions has been provided to SGI, Shri Lokeshwar Dev and Ms. Priyanka Saraswat Dev and they are keeping away from these proceedings and do not want to avail the opportunity to submit their reply to the SCNs. I, therefore, proceed in the matter on the basis of material available on record.
9. I have carefully considered the SCNs, replies of Shri Baldev Raj Sharma, Ms. Ramesh Sharma, Shri Sanjeev Sharma, Ms. Sonia Sharma and Shri Pradeep Sharma, and other material available on record. I note that on examination of the entries in the bank account no. 02498630000174 of SGI with HDFC Bank, Sector 5, Dwarka, New Delhi Branch, it was found, during investigations, that there were 162 entries in the multiple of ₹1510/- aggregating to ₹44,39,400/ and SGI had collected monies from at least 162 persons towards subscription to 2,940 convertible preference shares at the rate of ₹1510/- per share, aggregating to ₹44,39,400/. Further, SGI had invited investors to subscribe to its convertible preference shares through its office at Kirti Nagar, Delhi, its agents, its representatives, its associate i.e. 'M/s stockguru.india'. SEBI had received letters from investors confirming their subscription for preference shares. In view of these facts found

during investigations, I find that the convertible preference shares offered by SGI were subscribed by at least 162 investors.

10. I note that in terms of the first proviso to sub-section (3) of section 67 of the Companies Act, the offer or invitation to subscribe for shares or debentures made to fifty or more persons is a public issue, even if it is of domestic concern or it is proved that the shares or debentures are not available for subscription or purchase by persons other than those receiving the offer or invitation. In this regard, I note that Hon'ble Supreme Court of India in the matter of *Sahara India Real Estate Corporation Limited & Ors. v. SEBI* (Civil Appeal No. 98833 of 2011) (*Sahara Case*) has, vide its judgment and order dated 31.08.2012 held that an offer to fifty or more persons becomes public issue by virtue of first proviso to section 67(3) of the Companies Act and thereby attracts compulsory listing as mandated under section 73 of the Companies Act. In the present case, the convertible preference shares were offered and issued to more than 49 persons and thus, in terms of first proviso to sub-section (3) of section 67 of the Companies Act, the offer was made to public to subscribe to the convertible preference shares of SGI.
11. In terms of section 2(36) of the Companies Act any notice, circular, advertisement or other document inviting offers from the public (50 or more persons) for subscription or purchase of any shares in or debenture of a body corporate is a prospectus and such offer./issue is public issue. I further note that Part III - sections 55 to 60B of the Companies Act apply to every such document/prospectus. Further, section 56 read with Schedule II of the Companies Act emphasizes the need to comply with SEBI Act/ Guidelines (Regulations) for public issues. The Hon'ble Supreme Court, in the above mentioned *Sahara case*, has also confirmed that in case of public issue of shares or debentures the provisions of the Companies Act and ICDR Regulations must be complied with by the companies.
12. It is pertinent to note that, under SEBI Act, SEBI has statutory duty to protect the interests of investors in securities and to protect the development of, and to regulate, the securities market and for matters connected therewith or incidental thereto. Section 11 of the SEBI Act has empowered it to take such '*measures*' as it thinks fit for carrying out those objectives and duties. Section 11A read with section 30 of the SEBI Act empowers SEBI to specify by regulations, the matters relating to issue of capital, transfer of securities and other matters incidental thereto and the manner in which such matters shall be disclosed by the companies. Section 11A also empowers SEBI to prohibit any company from issuing

prospectus or any offer document soliciting money from public for the issue of securities and specify conditions subject to which the prospectus may be issued. This provision is without prejudice to the provisions of the Companies Act. For the purposes of aforesaid sections, SEBI has framed ICDR Regulations which *inter alia* deals with issue of specified securities including equity shares and convertible securities. The ICDR Regulations lays down eligibility norms, disclosure norms and other procedural requirements, for ensuring investor protection in case of issue of specified securities. In terms of regulation 3 of the ICDR Regulations, *inter alia* all public issues are required to comply with the ICDR Regulations. I note that SEBI investigation had observed that SGI had issued convertible preference shares. Thus, in my view, being '*convertible securities*', these convertible preference shares were '*specified securities*' defined in regulation 2(1)(zi) of the ICDR Regulations and SGI was under obligations to comply with all requirements prescribed for a public issue under the Companies Act and the ICDR Regulations.

13. As per regulation 4 of the ICDR Regulations, SGI had to satisfy the conditions mandated in the Chapter II of the ICDR Regulations and other requirements specified therein including:

- (a) application for listing of specified securities on one or more recognized stock exchange {regulation 4(2)},
- (b) appointment of merchant banker and other intermediaries {regulation 5}, filing of draft offer document with SEBI {regulation 6},
- (c) obtaining in- principle approval from the recognized stock exchanges in which the specified securities are to be listed {regulation 7},
- (d) satisfy the conditions of initial public offer {regulation 25 and 26},
- (e) keeping the public issue open for the specified period {regulation 46},
- (f) refrain from offering any incentive to any person making application for allotment of specified securities {regulation 59}.

14. SGI had declared to public that the convertible preference shares offered by it shall be listed soon after SEBI approval and their listing price shall be ₹2000/ per share. I note that section 73(1) of the Companies Act casts an obligation on every company intending to offer shares or debentures to the public to apply on a recognized stock exchange for listing of its securities. Provisions of section 73 are mandatory and non compliance thereof renders the public issue void. Section 73 itself provides for consequences of non-compliance i.e. refund of subscription amount 'forthwith' and criminal action in case of

default in making refund. In the present case, I am of the view that in terms of section 73 of the Companies Act, SGI was required to apply for the listing of such shares to one or more recognized stock exchange. However, since, SGI has not applied for listing of those convertible preference shares on one or more recognised stock exchanges, it has contravened provisions of section 73 of the Companies Act; and hence, consequences thereof should follow.

15. It is settled position, in view of above mentioned judgment and order of Hon'ble Supreme Court in *Sahara Case*, that the power to administer sections enumerated in section 55A of the Companies Act including sections 56, 62, 63 and 73 thereof with respect to issue of shares or debentures lies with SEBI in such cases, since they relate to issue of securities. Further, SEBI's powers under sections 11, 11A and 11B of the SEBI Act are not fettered by any other law including the Companies Act and in view of provisions of section 55A of the Companies Act, administrative authority on the subjects relating to public issue of securities is exclusively with SEBI. For this purpose, SEBI can exercise its jurisdiction under sections 11(1), 11(4), 11A(1)(b) and 11B of the SEBI Act and regulation 107 of ICDR Regulations over companies who issue shares or debentures to fifty or more persons, but do not comply with the applicable provisions of the Companies Act including section 73(1).
16. In view of the above, I find that the SGI offered '*specified securities*' to public but did not comply with any of the applicable provisions of the ICDR Regulations and Companies Act. I, therefore, find that SGI contravened the provisions of the ICDR Regulations and the Companies Act, as charged in the SCNs, for which the directions under section 11, 11A and 11B read with regulation 107 of the ICDR Regulations can be issued against SGI and the '*persons concerned*' including its promoters/directors.
17. Before dealing with the charge of contravention of provisions of regulations 3(b), 4(1) and 4(2)(r) of the PFUTP Regulations, I deem it necessary to refer to those regulations that are reproduced below:

“3. Prohibition of certain dealings in securities

No person shall directly or indirectly-

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;”

4. Prohibition of manipulative, fraudulent and unfair trade practices

“(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-

(r) planting false or misleading news which may induce sale or purchase of securities.”

18. In order to deal with the applicability of the above regulations in this case, it is necessary to examine the definition of “*fraud*” in regulation 2(1) (c) which is reproduced as under-

Regulation 2(1) (c).

(c) “fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

(3) an active concealment of a fact by a person having knowledge or belief of the fact;

(4) a promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false;

(6) any such act or omission as any other law specifically declares to be fraudulent;

(7) deceptive behaviour by a person depriving another of informed consent or full participation;

(8) a false statement made without reasonable ground for believing it to be true;

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And “fraudulent” shall be construed accordingly;”

19. I note that the above definition is inclusive with respect to act; expression, omission or concealment committed by any person whether in deceitful manner or not, while dealing in securities in order to induce another person. The definition is also inclusive with respect to knowing misrepresentation, concealment of material fact, suggestion to an untrue fact, active concealment of fact with knowledge, promise without intention to perform, reckless and careless representations, deceptive behaviour, false statement, etc. as listed in points (1) to (8) of regulation 2(1) (c) of PFUTP Regulations. In my view, the act of making false, misleading and distorted statements is squarely covered in the second part of the definition.
20. Regulation 4 (1) of the PFUTP Regulations, prohibits indulgence in fraudulent or unfair trade practices in securities. Making false representations, misrepresentations, statements

without intention to perform, concealing the material disclosures, making statements containing distorted information, are certainly fraudulent and unfair activities that are prohibited under regulation 4(1) read with regulation 2(1) (c) of the PFUTP Regulations. Planting of false and misleading news is declared fraudulent and unfair trade practices under regulation 4(2) (r) of the PFUTP Regulations. In my view, making false, untrue and misleading statements that contain distorted information is covered by the prohibitions of regulation 4(2) (r), if they 'may' influence the decision of investors or induce sale or purchase of securities.

21. I note that SGI invited public to subscribe to its convertible preferential shares through its office at Kirti Nagar, New Delhi, its agents, its representatives, its associate concern i.e. Stockguru.india and its website. I further note that these specified securities were of face value ₹10/- each and were offered and subscribed at an exorbitant premium of ₹1,500/- per share. The subscribers were promised 18% dividend on ₹10/- and not on ₹1,510/. In other words, subscribers were promised dividend of ₹1.80 on investment of ₹1510/. Further, there was no reference of redemption premium to be paid to the subscribers. Thus, there was no economic justification of payment of so high premium with minuscule dividend for the said securities. I also note that SGI has not issued any share certificate to the subscribers even on payment of subscription monies for the same. Further, while the SGI had not applied for listing of its convertible preference shares as required under the Companies Act and ICDR Regulations, it made misrepresentations and false statements containing misleading and distorted information that the said convertible preference shares shall soon get listed after SEBI approval and the listing price would be around ₹2000/ per share. In the facts and circumstances of the case, I find that the notices never intended to make disclosures in compliance of ICDR Regulations and the Companies Act and apply for listing of the specified securities offered to public. Instead, it made false and untrue, promises, declarations/ statements containing misleading and distorted information with intention to lure innocent and gullible investors. Apparently, the above stated promises were made without any intention to perform. These facts and circumstances clearly indicate that the noticees used and employed a deceptive device and contrivance to raise monies from public in fraudulent manner.
22. In my view, the conditions of public issue, procedural requirements and disclosure requirements mandated in ICDR Regulations and the Companies Act are with a purpose to provide the investors the true, fair and adequate disclosures so as to enable them to make

an informed investment decision and to protect them against fraud. With these objectives, various provisions of ICDR Regulations mandate commitment of promoters, disclosure of all relevant and material information including the justification of the issue price, listing of securities, etc. In the facts and circumstances of the present matter, as discussed above, I find that the noticees not only contravened the provisions of the ICDR Regulations and Companies Act but also deliberately concealed all material information and disclosures and made false, untrue and misleading promises, declarations/ statements containing misleading and distorted information to public so that innocent and gullible investors can be kept in dark and can easily fall prey to their fraudulent 'device' and 'contrivance' and, thus, they contravened the provisions of regulation 3(b) of the PFUTP Regulations. Further, by concealing the material disclosures by avoiding issuance of prospectus, making statements containing distorted information as observed above, the noticees have indulged in fraudulent activities that are prohibited under regulation 4(1) read with regulation 2(1) (c) of the PFUTP Regulations. I further find that such false, untrue, misleading and distorted information/ declarations by the noticees clearly had potential to influence the investment decision of the investors and, in fact, induced them to subscribe to the specified securities of the SGI. I, therefore, find that the noticee acted in a manner prohibited by regulations 3(b), 4(1) and 4(2) (r) of the PFUTP Regulations.

23. From the details provided by Registrar of Companies it is noted that Shri Lokeshwar Dev, Ms. Priyanka Saraswat Dev and Shri Pradeep Sharma are the directors of SGI. Shri Pradeep Sharma has contended that he was threatened by Shri Lokeshwar Dev to become a director of SGI and he was himself cheated by him. However, he has not provided any evidence to suggest so, or to the fact that he had ever taken recourse of law against Shi Lokeshwar Dev, in respect of such threat or cheating. As per the details provided by Registrar of Companies, I note that he was the director of SGI at the relevant time.
24. Shri Baldev Raj Sharma, Ms. Ramesh Sharma, Shri Sanjeev Sharma and Ms. Sonia Sharma have claimed that they were not the directors of SGI but they were the initial subscribers in the SGI and they had subscribed to 10 shares each and to the Memorandum of Association of the SGI for the purpose of its incorporation under the Companies Act. I note that as per section 254 of the Companies Act, in default of and subject to any regulations in the articles of a company, subscribers, of the Memorandum of Association, who are individuals, shall be deemed to be the directors of the company, until the directors are duly appointed in accordance with section 255. I note that as per the details provided by

Registrar of Companies, the directors of SGI are Shri Lokeshwar Dev, Ms. Priyanka Saraswat Dev and Shri Pradeep Sharma. Thus, the deeming fiction to treat initial subscribers namely, Shri Baldev Raj Sharma, Ms. Ramesh Sharma and Ms. Sonia Sharma is not present in this case. I, however, find that they were instrumental in incorporation of the SGI and were connected to it as initial subscribers.

25. I note that the scope of sections 11 and 11B is wide enough to include a promoter/director or other concerned persons. I further note that regulation 107 of the ICDR Regulations clarifies that for the purpose of violations thereof, the directions under sections 11, 11A, 11B and 11D of the SEBI Act can be issued by the Board against the '*persons concerned*'. In terms of regulation 2(1)(za) of the ICDR Regulations, the term "promoter" includes; '*the person or persons who are instrumental in the formulation of a plan or program pursuant to which specified securities are offered*'. I, therefore, am of the view that for contravention of provisions of ICDR Regulations, the directions can be issued to the '*persons concerned*' including the promoters who are instrumental in the formulation of a plan or program pursuant to which convertible preference shares were offered to public by SGI. I, further note that the prohibitions contained in regulations 3(b), 4(1) and 4(2) (r) of the PFUTP Regulations apply to any 'person' and are not limited with respect to their scope and application to a promoter/director and directions can be issued to any person who contravenes these regulations.
26. I note that, in the present case, SGI was incorporated on June 10, 2010 and the public issue of its convertible preference shares opened for subscription in October, 2010. Apparently, the process of offering the convertible preference shares and inviting monies from investors started almost immediately after its incorporation. Thus, it can be reasonably inferred that Shri Lokeshwar Dev, Ms. Priyanka Saraswat Dev, Shri Pradeep Sharma, Shri Baldev Raj Sharma, Ms. Ramesh Sharma, Shri Sanjeev Sharma and Ms. Sonia Sharma were also aware of and instrumental in the formulation of the plan of fraudulent public issue of SGI.
27. The SEBI investigations had also noted that the associate of SGI, namely, 'M/s Stockguru.india' and its partners had, at that time, also floated 'Multi Level Marketing' or 'Ponzi' schemes and raising monies from gullible public through such dubious schemes. In this regard, I note from the information available in public domain during November 2012, that Shri Lokeshwar Dev and Ms. Priyanka Saraswat Dev had, through such dubious schemes, raised substantial monies from public in different part of the country using

different names and had cheated them. I note that Economic Offences Wing, New Delhi has arrested them and they are investigating the frauds committed by Mr. Ulhas Prabhakar Khaire and Ms. Raksha J Urs.

28. After their arrest by Economic Offences Wing, New Delhi, it has been gathered that the Shri Lokeshwar Dev and Ms. Priyanka Saraswat Dev were also using the following names-

Sl.No.	Name	PAN No.
1.	Mr. Ulhas Prabhakar Khaire	AGWPK9472G
2.	Ms. Raksha J Urs
3.	Mr. Siddharth Jay Marathe	BOLPM1668G
4.	Mr. Maya Siddharth Marathe	BOLPM1669H
5.	Dr. Raj Zaveri
6.	Dr. Priya Zaveri
7.	Dr. Rakesh Kumar Maheshwari
8.	Dr. Prachi Maheshwari

29. It has been also been gathered that Shir Lokeshwar Dev and Ms. Priyanka Saraswat Dev had also been using the following entities which are controlled by them for the purpose of their fraud that is under investigation by Economic Offences Wing, New Delhi :-

Sl. No.	Name of the person	PAN No.
1.	SGI Securities Private Limited	AAPCS0647B
2.	G3 Commodities Private Limited	AAECG0383M
3.	SGI Beverages Limited	AAPCS0649R
4.	SGI Buildtech Limited	AAPCS0648Q
5.	Coppertrenzs	AAHFC0652P
6.	DP Securities	AAHFD8920B
7.	DP Currencies	AAHFD8916B
8.	DP Commodities	AAHFD8915C
9.	DP Gems and Diamonds	AAHFD8918R
10.	DP Jewels	AAHFD8917A
11.	DP Enterprises	AAHFD8919Q
12.	Stockguru India	ABPFS8187E

30. As regards the contraventions found in the present case for which SEBI is concerned, it is necessary to lift the corporate veil of SGI to reach out to all the persons involved and instrumental in the formulation of device and contrivance and making them answerable for

the acts committed in furtherance of common design. In the facts and circumstances as found above, the only possible inference would be that the SGI was incorporated by Shri Lokeshwar Dev, Ms. Priyanka Saraswat Dev and Shri Pradeep Sharma Shri Baldev Raj Sharma, Ms. Ramesh Sharma, Shri Sanjeev Sharma and Ms. Sonia Sharma to use it as camouflage to defraud the investors and to avoid legal action for the contraventions/violations of law by them. The facts and circumstances in which the above stated investigation by Economic Offences Wing, New Delhi is going on further corroborates the deliberate and intentional fraudulent acts of the noticees as found in the present case.

31. Having found the acts of the noticees and the resultant violations/contraventions by them in this case, I find that the acts and omissions of the noticees seriously impinge upon the integrity of securities market in India. While SEBI is endeavouring to increase investors' confidence and retail participation in the securities market, such acts of fraud of inducing investors to invest their hard earned monies in the garb of inviting investments in securities (convertible preference shares), shake the confidence of investors in the securities market. Therefore, in my view, such acts and omissions as found in this case are detrimental to the interests of the investors in securities and development of the securities market. I, therefore, find it a fit case for issuance of regulatory directions to all the noticees.
32. Taking into consideration the facts and circumstances of the case and the violations as found above, I, in exercise of the powers conferred under Sections 11, 11(4) and 11B read with section 19 of SEBI Act, 1992, hereby issue the following directions :
 - a) M/s. SGI Research & Analysis Ltd. (PAN: AAOCS553R), Shri Lokeshwar Dev (PAN: ARXPD5428P) *alias* Shri Lokeshwar Kumar Dev (PAN:BCIPD7291M) *alias* Shir Ulhas P Khair (PAN: AGWPK9472G) *alias* Shri Siddharth Jay Marathe (PAN: BOPLM1668G) *alias* Dr. Raj Zaveri *alias* Dr. Rakesh Kumar Maheshwari and Ms. Priyanka Saraswat Dev (PAN: ARXPD5427C) *alias* Ms. Priyanka Dev (PAN: BCIPD7292J) *alias* Ms. Maya Siddharth Marathe (PAN: BOLPM1669H) *alias* Ms. Gauri Siddharth Marathe (PAN: BXMPPM8652A) *alias* Dr. Priya Zaveri *alias* Dr. Prachi Maheshwari, or by whatever name they may be called, and Shri Pradeep Sharma (PAN: AOBPS1015G), Shri Baldev Raj Sharma (PAN: CRGPS318AN), Ms. Ramesh Sharma (PAN: AUTPR3288E), Shri Sanjeev Sharma (PAN: AARPS733G) and Ms. Sonia Sharma (AARPS7234B) are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities and being

associated with the securities market in any manner whatsoever, directly or indirectly through any person / entity including those described in para. 29, for a period of 10 years;

b) the aforesaid entities/persons shall, jointly and severally, forthwith, refund the money collected towards subscription of convertible preference shares, to the subscribers of such preference shares alongwith interest of 15% per annum from the date of receipt of money till the date of such repayment in the following manner:

- i. Such refund shall be made only in cash through Demand Draft or Pay Order;
- ii. The aforesaid entities/persons shall issue public notice, in all editions of two National Dailies (one English and one Hindi) with wide circulation, detailing the modalities for refund, including details of their contact persons including names, addresses and contact details, within fifteen days of this Order; and
- iii. They shall submit to SEBI, a report certified by a practicing Chartered Account to the effect that the all monies alongwith the interests as directed herein have been refunded.

33. The above directions are without prejudice to the right of SEBI to initiate any other action, as it may deem fit, including adjudication proceedings and prosecution against the above mentioned entities/persons for aforesaid contraventions/violations or for non-compliance with this order, if any.

34. A copy of this order shall be served on all recognized stock exchanges and depositories to ensure that the direction given in para 32(a) above are complied with.

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

DATE: January 11, 2013

PLACE: MUMBAI

**RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**