

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**

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**SETTLEMENT ORDER**

On the Application No. 2768 of 2013

filed by

**Centrum Capital Ltd.**

(Permanent Account Number: AAACC5099G)

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1. Centrum Capital Ltd. (hereinafter referred to as 'the applicant') having its registered office at 2<sup>nd</sup> Floor, Bombay Mutual Building, Dr. DN Road, Fort, Mumbai – 400 001 had filed an application dated November 6, 2013 proposing to settle, enquiry proceedings initiated against it by the Securities and Exchange Board of India ("SEBI") vide show cause notice ("SCN") dated August 19, 2013 issued under the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 for the alleged violation of the provisions of regulation 24(1) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("Takeover Regulation") and regulation 13 read with Clauses 1,2,3,4 and 14 of the Code of Conduct for Merchant Bankers specified in schedule II of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 in the matter of Madhusudan Securities Ltd. ("Target Company").
2. On February 10, 2011, the applicant; a Merchant Banker, on behalf of Primus Retail Private Limited, IndusAge Advisors Limited, Growsafe Securities Private Limited (collectively referred to as the "Acquirers") along with Mr. Salim Govani and Foresight Enterprises (collectively referred to as "Persons acting in Concert/PAC"), made a public announcement to the public shareholders of the target company to acquire 6,89,700 fully paid up equity shares of ₹ 10 each, representing 45.98% of the existing paid up and voting share capital and 9.02% of the emerging paid-up and voting share capital of the target company, at a price of ₹ 70/- per share ("open offer") pursuant to and in compliance with

regulations 10 and 12 of the Takeover Regulations and subsequent amendments thereto.

3. On a perusal of the draft letter of offer filed with SEBI, *inter alia* following are observed:

- (a) One of the Acquirers, Primus Retail Private Limited had been subjected to winding up. Therefore, the acquirers and Pas did to take any steps to proceed with the open offer. The precarious financial position of Primus Retail Private Limited was evident even at the time of making the public announcement indicating that the Acquirers and PACs would not take steps to proceed with the open offer.
- (b) The target company, being stock broker (member of Bhuvaneshvar Stock Exchange and OTC Exchange of India) is prohibited from engaging in the proposed business in terms of the requirements of Rule 8(1)(f) of Securities Contracts (Regulation) Rules, 1957. The applicant had informed SEBI that the target company had filed for surrendering of stock broking licenses with the Stock Exchanges vide applications dated September 6, 2011, which indicated that the applicant had *prima facie* failed to guide the target company suitably and had not ensured compliance with applicable Rules and Regulations at the time of making the Public Announcement.
- (c) The Public Announcement made on February 10, 2011 envisaged a change in control from the existing promoters to the Acquirers. However, the explanatory statement for preferential allotment dated March 18, 2011 categorized the acquirers under the non-promoter category in the post preferential allotment shareholding pattern which was in violation of Regulation 73 of Securities and exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and Clause 35 of Listing Agreement. The violation has occurred after making the Public Announcement and filing the offer document with SEBI. Thus, the applicant had once again failed to provide correct advice to the Acquirers.
- (d) On the basis of the above, the applicant was alleged to have failed to exercise due diligence in the aforesaid open offer process.

4. The representatives of the applicant had meetings with the Internal Committee of SEBI where the terms of settlement was deliberated upon. During the said meetings, the applicant was informed that the application for settlement would be considered on the condition that the applicant ensures that its clients/ the acquirers make the aforesaid open offer.
5. The Applicant had vide an application dated November 17, 2014 filed revised draft letter of offer with respect to the Target Company. The applicant intimated the same to SEBI and vide letter December 29, 2014 proposed to pay a sum of ₹19,76,250/- (Rupees Nineteen lakh seventy six thousand two hundred and fifty only) towards settlement charges. The open offer filed by the applicant has been completed on March 30, 2015.
6. The High Powered Advisory Committee (hereinafter referred to as "HPAC"), considered the settlement terms proposed by the applicant and recommended the case for settlement upon payment of ₹19,76,250/- (Rupees nineteen lakh seventy six thousand two hundred and fifty only) towards settlement charges. The Panel of Whole Time Members accepted the said recommendations of the HPAC and the same was communicated to the applicant vide letter and e-mail dated May 6, 2015.
7. Accordingly, the applicant has, vide Demand Draft No. '017744' dated May 18, 2015 drawn on 'HDFC Bank Ltd.' and payable at Mumbai, remitted a sum of ₹19,76,250/- (Rupees Nineteen lakh seventy six thousand two hundred and fifty only) towards the settlement charges.
8. In view of the above, in terms of Regulation 15(2) of Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2014, it is hereby ordered that:
  - (a) this Settlement Order disposes of the said Enquiry Proceedings pending in respect of the Applicant as mentioned above and;
  - (b) passing of this Order is without prejudice to the right of SEBI to take enforcement actions including commencing/ reopening of the pending

proceedings against the Applicant, if SEBI finds that:

- (i) any representations made by the Applicant in the consent proceedings are subsequently discovered to be untrue;
- (ii) the Applicant has breached any of the clauses/ conditions of undertakings/ waivers filed during the current consent proceedings.

9. This consent order is passed on this the 15<sup>th</sup> day of July, 2015 and shall come into force with immediate effect.

**RAJEEV KUMAR AGARWAL**  
**WHOLE TIME MEMBER**

**PRASHANT SARAN**  
**WHOLE TIME MEMBER**