

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
SETTLEMENT ORDER NO. MC/DPS/2019-20/3312

SETTLEMENT ORDER

On the Application No. 3244 of 2017

Submitted by M/s Security and Intelligence Services (India) Limited

In the matter of M/s Security and Intelligence Services (India) Limited.

1. Securities and Exchange Board of India (hereinafter be referred to as, the “**SEBI**”) had initiated adjudication proceedings against M/s Security and Intelligence Services (India) Limited (hereinafter be referred to as, “**the Applicant**” / “**Noticee**”) and appointed Ms. Rachna Anand as Adjudicating Officer under Section 15I of the Securities and Exchange Board of India Act, 1992 (hereinafter be referred to as, the “**SEBI Act**”) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 *vide* order dated January 24, 2017 to inquire into and adjudge under section 15HB of the SEBI Act against the Noticee for the alleged violation of clause 2.1.1, 2.1.4, 2.1.5, 2.2, 4.1, 4.11, 4.14, 5.3.1, 5.6A, 5.6.2, 6.0 to 6.33, 8.8.1 and 8.13 of SEBI (Disclosure and Investor Protection) Guidelines 2000 (hereinafter referred to as “**DIP Guidelines**”) read with regulation 4(2) (d) & (e), 5 (1), 5(2), 5 (5), 5 (7), 6(1), 7, 26 (1), 26(2), 26 (6), 32 (1), 36, 37, 46(1), 47(1), 49(1), 57(1), 58(1) & (2), 63 and 115 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as “**ICDR Regulations**”).
2. Consequent to the transfer of Ms. Rachna Anand, the undersigned was appointed as Adjudicating Officer in the instant matter *vide* order dated May 10, 2018.

3. A Show Cause Notice Reference No. EAO/RA/JP/8777/2017 dated April 19, 2017 (hereinafter be referred to as, the “**SCN**”) was issued to the Noticee, wherein it was alleged that Noticee had issued and allotted equity shares to more than 49 persons on nine (9) occasions, during the period from April 1988 till February 2012 (most of them employees of the Company) pursuant to further issue, preferential allotment or stock options.
4. As per Section 67(1) and 67(2) read with first Proviso to Section 67(3) of the Companies Act, 1956 (*repealed by virtue of ‘The Companies Act, 2013’*), any offer or invitation to subscribe to shares or debentures, shall be deemed to be an offer made to public if the number of offerees / invitees exceeds forty nine.
5. List of allotments of equity shares to more than 49 persons made by Noticee (along with details of price allotment / amount raised) was submitted by the Noticee / Lead Manager(s) through letter dated October 17, 2016, details of which are shown as under;

Sl. No.	Date of Allotment	Type of Issue	No. of Equity Shares Allotted	No. of Allottees	Price of Allotment	Amount Raised (₹)	Whether employee or not
1	April 04, 1988	Further issue	2522	55	100	2,52,200	46 of the allottees were employees
2	January 30, 1996	Preferential Allotment	17390	778	100	17,39,000	761 of the allottees were employees
3	February 16, 1999	Preferential Allotment	21950	514	100	21,95,000	501 of the allottees were employee
4	October 12, 2000	Preferential Allotment	32530	448	100	32,53,000	440 of the allottees were employee
5	September 27, 2003	Preferential Allotment	44127	1088	100	44,12,700	1085 of the allottees were employee
6	March 26, 2004	Preferential Allotment	78286	4249	100	78,28,600	4228 of the allottees were employee
7	December 24, 2009	Allotment pursuant to exercise of Stock Options	14623	58	10	1,46,230	All of the allottees were employee
8	December 16, 2010		11350	54	10	1,13,500	
9	February 15, 2012		41501	287	10	4,15,010	

6. SEBI Circular dated December 31, 2015 *inter-alia* states:

“Considering the higher cap for private placement provided in the Companies Act, 2013, it has now been decided that in respect of earlier cases involving issuance of securities to more than 49 persons but up to 200 persons in a financial year, the companies may avoid penal action if they provide the investors with an option to surrender the securities and get the refund amount at a price not less than the amount of subscription money paid along with 15% interest p.a. thereon or such higher return as promised to investors.”

7. As per letter dated October 18, 2016 of the Noticee / Lead Manager, an invitation was issued on August 30, 2016 by the Noticee to all eligible shareholders in terms of SEBI Circular dated December 31, 2015 (excluding the promoters, being the purchasers, and their respective spouses, who had expressed their intent not to participate in Exit Offer). It was observed from the certificate from peer reviewed chartered accountant that the exit offer was made at an exit price of ₹ 53/- per share (calculated in terms of SEBI Circular). Out of total 281 shareholders as on Aug 20, 2016, 271 shareholders were offered the exit offer. Out of these 108 shareholders rejected the offer and 163 did not submit any response to the exit offer. No shareholder agreed to tender shares in the exit offer and no instance of complaint have been received in respect of the exit offer.
8. Even though, an option of exit offer was given to the investors in terms of SEBI Circular dated December 31, 2015, however, in this case allotment was made to more than 200 allottees. Hence, it was alleged that the offer and allotment of shares mentioned at the table above was not in lines with section 67 of the Companies Act, 1956 which stipulates that any offer or invitation to subscribe to shares / debentures shall be deemed to be an offer made to public if offerees / invitees exceeds 49 in numbers.
9. In view of the allotment of shares mentioned at the table above (Para 5) which shall be deemed to be a public offer/issue, it was alleged that the Noticee had

failed to comply with various statutory / regulatory requirements pertaining to a Public Issue. Thus Noticee was alleged to be in violation of clause 2.1.1, 2.1.4, 2.1.5, 2.2, 4.1, 4.11, 4.14, 5.3.1, 5.6A, 5.6.2, 6.0 to 6.33, 8.8.1 and 8.13 of DIP Guidelines read with regulation 4(2) (d) & (e), 5 (1), 5(2), 5 (5), 5 (7), 6(1), 7, 26 (1), 26(2), 26 (6), 32 (1), 36, 37, 46(1), 47(1), 49(1), 57(1), 58(1) & (2), 63 and 115 of ICDR Regulations.

10. Noticee vide letter dated May 10, 2017 and September 20, 2017 informed that it had filed suo moto settlement applications under SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 viz. first Application on November 15, 2016 and second Application on March 15, 2017.
11. Thereafter, the Noticee had a meeting with the Internal Committee of the SEBI (hereinafter be referred to as, the “**IC**”) on February 26, 2019 and proposed settlement terms.
12. The settlement terms as proposed by the Noticee / Applicant were considered by the IC and were placed before the High Powered Advisory Committee (hereinafter be referred to as, the “**HPAC**”) on March 29, 2019. After considering the facts / circumstances of the case, material brought before it and taking note that the Applicant is agreeable to pay the settlement amount calculated as per Settlement Regulations, the HPAC recommended that the case may be settled on payment of ₹36,56,250/- (Rupees Thirty Six Lakhs Fifty Six Thousand Two Hundred and Fifty only) towards settlement terms as proposed by the Applicant.
13. The recommendation of the HPAC was approved by a Panel of the Whole Time Members of the SEBI on May 10, 2019 and the same was communicated to the Applicant on May 13, 2019. Thereafter, the Applicant submitted a Demand Draft bearing No. 808241 dated May 17, 2019, drawn on Yes Bank Ltd for ₹36,56,250/- (Rupees Thirty Six Lakhs Fifty Six Thousand Two Hundred and Fifty only) towards settlement of actions in the instant matter.

14. Now, in view of the acceptance of the settlement terms as proposed by the Noticee / Applicant and upon receipt of the aforesaid Demand Draft by SEBI, pending adjudication proceedings initiated against the Noticee under the aforesaid SCN dated April 19, 2017, are hereby disposed of in terms of Regulation 15(1) of Settlement Regulations, 2014, read with Regulations 23(1) and 34 of the SEBI (Settlement Proceedings) Regulations, 2018
15. This order is without prejudice to the rights of SEBI to take enforcement actions including restoring or initiating the proceedings in respect to which this settlement order was passed against the Applicant, if :
- i. any representations made by the Applicant in the present settlement proceedings are subsequently found to be untrue; or
 - ii. the Applicant breaches any of the clauses / conditions of undertakings / waivers filed during the present settlement proceedings.
16. This settlement order passed on this 30th day of May 2019 shall come into force with immediate effect.
17. In terms of Regulation 17 of Settlement Regulations, 2014 read with Regulation 25 of SEBI (Settlement Proceedings) Regulations, 2018, a copy of this order is being sent to the Applicant / Noticee and for publication on the website of SEBI.

Date: MAY 30, 2019

Place: Mumbai

**MANINDER CHEEMA
ADJUDICATING OFFICER**