

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**SETTLEMENT ORDER NO. SO/MC/VS/2021-22/**

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**On the Application Nos. 4172/2020, 4173/2020, 4174/2020, 4175/2020, 4176/2020  
and 4177/2020**

**Submitted by**

- 1. Taurus Investment Trust Company Limited** (PAN AAACC1753B) having address at Ground Floor, AML Centre-1, 8 Mahal Industrial Estate, Mahakali Caves Road, Andheri(E), Mumbai-400 093
- 2. Mr. Waqar Naqvi** (PAN ABYPN8115G) having address at Ground Floor, AML Centre-1, 8 Mahal Industrial Estate, Mahakali Caves Road, Andheri(E), Mumbai-400 093
- 3. Ms. Anu Suri** (PAN CPYPS0173M) having address at Ground Floor, AML Centre-1, 8 Mahal Industrial Estate, Mahakali Caves Road, Andheri(E), Mumbai-400 093
- 4. Mr. Amarjeet Singh** (PAN ATMPS3562J) having address at Ground Floor, AML Centre-1, 8 Mahal Industrial Estate, Mahakali Caves Road, Andheri(E), Mumbai-400 093
- 5. Mr. Dheeraj Singh** (PAN AAMPS0196F) having address at Ground Floor, AML Centre-1, 8 Mahal Industrial Estate, Mahakali Caves Road, Andheri(E), Mumbai-400 093
- 6. Mr. Archit Shah** (PAN BLIPS6237B) Ground Floor, AML Centre-1, 8 Mahal Industrial Estate, Mahakali Caves Road, Andheri(E), Mumbai- 400 093

In the matter of Taurus Mutual Fund

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1. Securities and Exchange Board of India (hereinafter be referred to as, the “**SEBI**”), initiated adjudication proceedings under Sections 15D (b), 15HA and 15HB of the SEBI Act, 1992 (hereinafter referred to as the “SEBI Act”) against Taurus Investment Trust Company Ltd. (“Noticee No. 1”), Mr. Waqar Naqvi (“Noticee No. 2”), Ms. Anu Suri (“Noticee No. 3”), Mr. Amarjeet Singh (“Noticee No. 4”), Mr. Dheeraj Singh (“Noticee No. 5”) and Mr. Archit Shah (“Noticee No. 6”) hereinafter together referred to as “the Noticees/ Applicants”, for the following alleged violations:-

a Under Section 15D (b) and Section 15HB of the SEBI Act read with Regulation 75A (b) of the SEBI (Mutual Funds) Regulations, 1996 (hereinafter referred to as the “MF Regulations”) for alleged violation of the following provisions by Noticee No. 1:-

- i Clauses (c), (d), (e), (g) and (h) of the Eighth Schedule under Regulation 25 (19) and 47 read with Regulation 18 (9) of the MF Regulations
- ii Clauses 8 and 9 of the Fifth Schedule under Regulation 18 (22) of the MF Regulations and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 (hereinafter referred to as “SEBI Circular 2000”)
- iii SEBI Circular No. SEBI/IMD/CIR No. 11/78450/06 dated October 11, 2006 read with Regulations 18 (9) of the MF Regulations (hereinafter referred to as “SEBI Circular October 2006”)
- iv SEBI Circular SEBI SEBI/IMD/CIR No. 5/63714 dated March 29, 2006 (hereinafter referred to as “SEBI Circular March 2006”)
- v Regulation 75A (b) of the MF Regulations

b Under Section 15HB of the SEBI Act for violation of the following provisions by Noticee No. 2:-

- i Clauses (c), (d), (e), (g) and (h) of the Eighth Schedule of the under Regulation 25 (19) and Regulation 47 read with Regulation 25 (6A) of the MF Regulations
- ii SEBI Circular dated October 11, 2006 read with Regulation 25 (6A) of the MF Regulations

- iii SEBI Circular March 2006 dated March 29, 2006
    - iv Clause (g) of the Eighth Schedule read with Regulations 25 (19) and 47 of the MF Regulations
  - c Under Section 15HB of the SEBI Act for violation of the following provisions by Noticee No. 3:-
    - i Clause (c), (d), (e), (g) and (h) of Investment Valuation norms as specified in Eighth Schedule under Regulations 25 (19) and Regulation 47 read with Clause (d) of Regulation 18 (4) of the MF Regulations
    - ii SEBI Circular dated October 11, 2006 read with Regulation 25 (6A) of the MF Regulations
    - iii SEBI Circular March 2006 dated March 29, 2006
  - d Under Section 15HB of the SEBI Act for violation of Clause (g) of the Eighth Schedule read with Regulations 25 (19) and 47 of the MF Regulations by Noticee Nos. 4, 5 and 6;
- 2. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as “**AO**”) vide order dated October 18, 2019 to inquire into and adjudge under Sections 15HB and 15D (b) of the SEBI Act the aforesaid violations alleged to have been committed by the respective Noticees. The appointment of the AO was communicated vide order dated October 31, 2019
- 3. Show Cause Notice No. EAD5/MC/VS/2020/10554/1-6 dated May 6, 2020 (hereinafter be referred to as, the “**SCN**”) was served upon the Noticees under Rule 4(1) of the SEBI (Procedure for holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to show cause as to why an inquiry should not be held and penalty be not imposed against them under Sections 15D and 15HB of the SEBI Act, as applicable, for the alleged violations of the MF Regulations and SEBI Circulars detailed below.

4. SEBI had conducted inspection of Taurus Mutual Fund (hereinafter referred to as “TMF” or “Taurus MF”) between March 29, 2017 and January 18, 2018 (hereinafter referred to as the “investigation period” or “IP”) to examine the nature of valuation, due diligence conducted by TMF in respect of its investment in debt securities issued by Ballarpur Industries Ltd (hereinafter referred to as ‘BILT’) and related entities, as well as fair treatment to investors in four of its schemes namely, Taurus Liquid Fund, Taurus Ultra Short Term Bond Fund, Taurus Short Term Income Fund and Taurus Dynamic Income Fund (“the Affected Schemes”) which held debt securities issued by BILT before their markdown in valuation on February 22, 2017.
5. TMF informed its Board of AMC and Trustees on February 22, 2017 about the inability of BILT to honour the commitment of payment of Commercial Papers (CPs) on account of their financial crisis.
6. The Board of Taurus AMC and Trustees in its meetings held on February 22, 2017 inter alia decided to undertake the following measures with respect to default of BILT:
  - i CPs of BILT to be reclassified as a NPA.
  - ii 100% provision be made by TMF of the amount in default by the BILT securities.
  - iii Till further notice, fresh sales to be suspended in schemes of TMF holding BILT papers.
  - iv Management fees not to be charged on these securities till the matter is resolved.
  - v The receivables from BILT CPs be segregated and marked payable to the investors who were invested in the Schemes as on the date of mark down and who had incurred losses on account of the same.
  - vi No restrictions to be imposed on redemptions and to ensure timely payment at the prevailing NAV in case of any redemption requests.

7. From the details of the exposures of TMF schemes in BILT CPs from February 19, 2017 (prior to default by BILT) to February 27, 2017 (last default) as provided by TMF it was observed that BILT had defaulted in its payments on February 20, 2017 (INR 45 crore) on February 22, 2017 (INR 39.75 crores) and on February 27, 2017 (INR 22.25 crore). TMF had considered these default amounts as receivables from the date of respective defaults.
8. Vide email dated April 12, 2017 TMF submitted that it was in compliance with the guidelines for fair valuation contained in SEBI (Mutual Funds) (Amendment) Regulations, 2012 and AMFI Best Practice Guidelines Circular No. 29/2012-13 dated May 26, 2012. TMF also provided a copy of Statement of Additional Information (SAI) dated June 30, 2016 containing its Valuation Policy. As on March 31, 2017, the valuation policy adopted by TMF for valuation of securities of the schemes of TMF (reviewed and revised with effect from March 01, 2016), was approved by the Boards of Taurus AMC and Trustees.
9. In respect of compliance with Clause (c) of the Eighth Schedule, it was observed that the Valuation Policy of TMF is broad and general in nature and does not detail or describe the process that will be adopted in case of an exceptional event. Also, the valuation policy did not elaborate any procedure or process to deal with instances of default of debt securities, which was to be treated as an exceptional event. In case of default by a debt security, neither the market quotations will be reliable nor will the quotations available reflect the realisable value of the security.
10. Though TMF in its reply dated April 12, 2017 claimed that the Valuation Policy adopted by them was in line with direction issued by AMFI, it was noted that Best Practices guidelines issued by AMFI were suggested guidelines and did not override the MF Regulations of SEBI. AMC was obligated to form specific policies/guidelines to deal with exceptional situations. Therefore, it was observed that the Valuation policy of TMF, approved by the Boards of Taurus AMC and Trustees, did not have any policies and procedures to deal with exceptional events where market quotations are no longer reliable for a particular security as

mandated in Clause (c) of Investment Valuation Norms as specified in Eighth Schedule under Regulation 25(19) and Regulation 47 of the MF Regulations. Consequently, Taurus Investment Trust Company Ltd./ Noticee No.1 ("Taurus Trust") allegedly failed in its duty to ensure compliance of Clause (c) of Investment Valuation Norms as specified in Eighth Schedule under Regulation 25(19) and Regulation 47 of the MF Regulations read with Regulation 18(9) of SEBI MF Regulations.

11. The CEO of Taurus AMC, Mr. Waqar Naqvi (Noticee No. 2), was responsible for ensuring that the valuation policy of TMF was in line with the regulatory mandate which requires that the policy and procedures should describe the process to deal with exceptional events (such as default) where market quotations are no longer reliable for a particular security. Hence, Noticee No. 2 was alleged to have failed in his duties to ensure compliance of Clause (c) of Investment Valuation Norms as specified in Eighth Schedule under Regulation 25(19) and Regulation 47 of the MF Regulations read with Regulation 25(6A) of MF Regulations.

12. The Compliance Officer was responsible for ensuring that the valuation policy of TMF was in lines with the Regulatory mandate which requires that the policy and procedures should describe the process to deal with exceptional events (such as default) where market quotations are no longer reliable for a particular security. Hence, the Compliance officer, Ms. Anu Suri (Noticee No.3) was alleged to have failed in her duties to monitor the compliance of Clause (c) of Investment Valuation Norms as specified in Eighth Schedule under Regulation 25(19) and Regulation 47 of the MF Regulations, 1996 read with Clause (d) of Regulation 18(4) of SEBI MF Regulations.

13. In respect of compliance of TMF with Clause (d) of the Eighth Schedule of the MF Regulations regarding regular review (at least once in a Financial Year) by an independent auditor, it was observed that the valuation policy was adopted by TMF with effect from March 01, 2016. TMF vide emails dated January 12, 2017 and March 30, 2017 communicated to the auditor to review the Valuation Policy.

14. From the email communications, it was observed that the valuation policy of TMF was not reviewed in FY 2016-17, as mandated by the Regulation. TMF vide email dated January 12, 2017 communicated to the auditors to review the valuation policy. Pursuant to commencement of inspection, a reminder mail was sent on March 30, 2017 to the auditors by the CFO to review the same. TMF did not review the valuation policy as mandated in Clause (d) of Investment Valuation Norms as specified in Eighth Schedule under Regulation 25(19) and Regulation 47 of the SEBI MF Regulations.
15. Therefore, Noticee Nos. 1, 2 and 3 failed in their duties to monitor the compliance of the Regulations which mandated that Valuation policy needs to be reviewed at least once in a Financial Year, in alleged violation of Clause (d) of Investment Valuation Norms as specified in Eighth Schedule under Regulation 25(19) and Regulation 47 of the SEBI MF Regulation, 1996 read with Regulations 18 (9), 25 (6A) and 18 (4) (d), respectively, of the SEBI MF Regulations.
16. In respect of the requirement in Clause (e) of the Eighth Schedule to the MF Regulations that the valuation policies and procedures approved by the Board of Asset Management Company should seek to address conflict of interest, it was observed that the TMF had not put in place any specific policy on how to address conflict of interest in the valuation of the security but had stated that the matter would be raised to the valuation committee should such situation arise. Further, the valuation committee had not put in place any specific procedure to address conflict of interest. Therefore, TMF did not have any policy to address conflict of interest as mandated in Clause (e) of Investment Valuation Norms specified in Eighth Schedule under Regulation 25(19) and Regulation 47 of the MF Regulations.
17. In view of the above, Noticee Nos. 1, 2 and 3 were alleged to have failed in their duties to monitor the compliance with the mandate of the MF Regulations that valuation policies and procedures approved by the Board of Asset Management

Company should seek to address conflict of interest, in alleged violation of Clause (e) of Investment Valuation Norms specified in Eighth Schedule under Regulation 25(19) and Regulation 47 of the SEBI MF Regulation, 1996 read with Regulations 18 (9), 25 (6A) and 18 (4) (d), respectively, of the MF Regulations.

18. In respect of the requirement in Clause (g) of the Eighth Schedule to the MF Regulations it was noted that the stated provisions required the AMC to deviate from the established policies and procedures in order to value the assets in case the established policies and procedures did not result in fair/ appropriate valuation such as in case of exceptional events like the default by BILT. Taurus AMC, in its valuation policy (approved by the Board of Taurus AMC and Trustees) empowered the Valuation Committee to identify exceptional events and deviate from the existing valuation policy to value securities and adopt alternative procedures in such scenarios. However, the valuation committee of TMF which was empowered to deviate from the adopted procedures to determine fair value of a security in case the existing policies fail to value securities fairly, failed in its duties. The submissions of TMF made vide e-mail dated July 11, 2017 in this regard did not explain the publication of incorrect NAV on February 20, 2017 (all Affected Schemes) and February 21, 2017 (Taurus Liquid Fund).

19. The minutes of the Valuation Committee meeting held on February 21, 2017 revealed that Noticee No.2, i.e. Mr. Waqar Naqvi (CEO of Taurus AMC), Noticee No. 4 i.e. Mr. Amarjeet Singh (CFO, Taurus AMC), Noticee No. 5 i.e. Mr. Dheeraj Singh (Head of Investments, Taurus AMC) and Noticee No. 6 i.e. Mr. Archit Shah (Fund Manager, Taurus AMC) were members of the Valuation committee.

20. Pursuant to the default by BILT, the following events took place:-

- a February 20, 2017: TMF submitted vide email dated March 02, 2017 that it became aware of the default around 7:25 PM on February 20, 2017 but went ahead and published the NAV of the schemes without appropriately valuing BILT debt securities. The NAV of the affected schemes were published at 08:44 pm on February 20, 2017.



- b February 21, 2017: As per the submissions of TMF, on the next day, February 21, 2017, the Valuation committee members met to discuss the issue in detail and recommended that the investment in BILT needs to be marked down fully and this recommendation be made to the Board of AMC and Trustees Company for them to take a final decision. However, NAV was published for Taurus Liquid Fund without appropriately valuing BILT debt securities. The NAV of Taurus Liquid Scheme was published at 08:08 pm on February 21, 2017
- c February 22, 2017: The Board of the AMC and the Board of the Trustee Company met on February 22, 2017 (afternoon) and decided to endorse the Valuation Committee recommendation to mark down all the investments / maturity proceeds of BILT CPs by 100%. This had an impact on NAV of the affected schemes. The NAV of the affected schemes were published at 08:49 pm on February 22, 2017.

21. TMF informed that they became aware of the default in the late evening (by 7:25 PM on February 20, 2017) and there was nothing in public domain to establish that there is a fall out in repayment capacity of BILT as the securities in question were still an investment grade. An analysis of the investment pattern in BILT and BGPPL revealed that TMF had been reducing their exposure in BILT by rolling over their investment in CPs. TMF was able to reduce their exposure to INR 107 crore from peak investment of about INR 360 crore in Aug 2015, by rolling over. This shows that TMF was aware about the financial distress that BILT and BGPPL were facing. TMF was also aware about the downgrade of credit rating of BILT and BGPPL which happened in July 2016 and December 2016. Further, TMF was also aware about the fact that the yield of the CPs of BILT had increased from 10.40% in year 2012 to 14.25% in February 2017, indicating a very high risk.

22. Further, BGPPL, a subsidiary of BILT, had defaulted repayment of their CPs on January 13, 2017, to another mutual fund i.e. IDBI MF for an amount of INR 26.75 crore. Incidentally, TMF was also a subscriber to the CPs of BGPPL during the same period i.e. January 2017 and also prior to that period as well.

23. The investment of TMF in BGPPL for the month of January 2017 was as follows:-

Name of Scheme	Amount receivable on maturity (INR crore)	Date of Maturity
Taurus Liquid Fund	67.00	Jan 19, 2017
Taurus Dynamic Income Fund	1.50	Jan 19, 2017
Taurus Short Term Income Fund	3.00	Jan 19, 2017
	5.00	Jan 23, 2017
	2.50	Jan 24, 2017
Taurus Short Term Bond Fund	3.50	Jan 19, 2017
<b>Total</b>	<b>82.50</b>	

24. The abovementioned investments of TMF in BGPPL were honoured by BGPPL on maturity dates i.e. January 19, January 23 and January 24, 2017. BGPPL defaulted to IDBI MF for INR 26.75 crore on January 13, 2017 but honoured the payment to TMF on January 19, January 23 and January 24, 2017 amounting to INR 82.5 crore.

25. It was seen that the payments made to and received from BILT and BGPPL were synchronized in such a way that TMF was making the payment for subscribing to CPs of BILT just few hours before the maturity of the previous CPs subscribed by the TMF in BILT or BGPPL indicating arrangement between BILT, BGPPL and TMF. Thus, it was alleged that TMF was well aware of the default done by BGPPL which was also acknowledged by TMF officials in the meetings held with them during the course of inspection.

26. TMF vide letter dated April 06, 2017 had forwarded the extracts of the correspondences exchanged with BILT/BGPPL. A perusal of the communications revealed that rollover was happening in coordination between TMF and BILT. BILT had been requesting TMF to rollover the securities in order to deal with the distress the company was going through. Further, TMF had been rolling over the CPs of BILT and BGPPL for more than one year. The process of rollover usually starts one or two days before the maturity of existing CPs. As TMF had been rolling over CPs of BILT/BGPPL over one year, it was natural for TMF to carry on the rollover

process for CPs which were maturing on February 20, 2017, of amount INR 45 crore. This indicates that TMF may be aware the default was imminent on February 20, 2017.

27. Additionally, inspection of Date and Time Stamping Machine ("DTSM") and Adherence to cut-off timings revealed the time stamp on some of the applications were as follows:

Date	Name of applicant	Time stamp	Nature of application
20/02/2017	Dwarkanath S Rajan	TAMC AML 20FEB'17 15:48 08470	Change of nominee
20/02/2017	Sukanta Dey	TAMC AML 20FEB'17 14:54 08471	Redemption of all units worth INR 9197.27 from Taurus Short Term Income Fund
20/02/2017	Punjab and Sind Bank	TAMC AML 20FEB'17 14:57 08472	Redemption of all units worth INR 50.05 crore from Taurus Liquid Fund
22/02/2017	Kohinoor Planet Constructions Pvt. Ltd.	TAMC AML 22FEB'17 13:26 08473	Purchase worth INR 25,00,000 in Taurus Liquid Scheme

28. From the above the following was observed:-

- ☐ From the time stamp it is seen that the serial number 08470 was generated on February 20, 2017, at 3:48 pm. Therefore, the next serial number should be stamped after this time.
- ☐ However, the next two serial numbers i.e. 08471 and 08472 were generated on February 20, 2017, at 2:54 pm and 2:57 pm respectively.
- ☐ This proves that Taurus AMC has tampered the time stamp machine on February 20, 2017, to give favour to two applicants i.e. Sukanta Dey and Punjab and Sind Bank.

29. The time stamp on some of the applications of previous working day i.e. February 17, 2017, were as follows:-

Date	Name of applicant	Time stamp	Nature of application
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*Settlement Order in respect of Application Nos. 4172/2020, 4173/2020, 4174/2020, 4175/2020, 4176/2020 and 4177/2020 by Taurus Investment Trust Company Limited and 5 Ors. in the matter of Taurus Mutual Fund*

17/02/2017	Samooda Khatoon	TAMCAML 17FEB'17 17:39 08450	Surrender of unit certificate
17/02/2017	Madhavi Mukund Sagade	TAMC AML 17FEB'17 14:51 08451	Redemption of all units worth INR 1.02 crore from Taurus Dynamic Income Fund
17/02/2017	Priya Jude Abraham	TAMC AML 17FEB'17 14:51 08452	Redemption of all units worth INR 2,05,343 from Ultra Short Term bond Fund
17/02/2017	Jude J Abraham	TAMC AML 17FEB'17 14:52 08453	Redemption of all units worth INR 10,96,497 from Ultra Short Term bond Fund
17/02/2017	Joseph Abraham	TAMC AML 17FEB'17 14:52 08454	Redemption of all units worth INR 4,76,522 from Ultra Short Term bond Fund
20/02/2017	Ace Co.op Bank Ltd.	TAMC AML 20FEB'17 13:11 08455	Redemption of units worth INR 8,80,00,000 from Taurus Liquid Fund

30. From the above the following was observed :-

- a From the time stamp it was seen that the serial number 08450 was generated on February 17, 2017, at 5:39 pm. Therefore, the next serial number should be stamped after this time.
- b However, the next four serial numbers i.e. 08451, 08452, 08453 and 08454 were generated on February 17, 2017, at 2:51pm, 2:51pm, 2:52 pm and 2:52 pm respectively.
- c This further proved that Taurus AMC had also tampered the time stamp machine on February 17, 2017, to give favour to four applicants i.e. Madhvi Mukund Sagade, Priya Jude Abraham, Jude J Abraham and Joseph Abraham.
- d It was also observed that Mr. Jude J Abraham, Ms. Priya Jude Abraham and Mr. Joseph Abraham are related parties as Ms. Priya Jude Abraham is the wife of Mr. Jude J Abraham and Mr. Joseph Abraham is father of Mr. Jude J Abraham.
- e Taurus vide email dated November 21 & 22, 2017 confirmed that Mr. Jude J Abraham was an employee of Taurus Mutual Fund/ Taurus AMC as

Head - Sales, Marketing & Product Development from February 9, 2015 to May 3, 2017

31. The above instance of tampering with time DTSM to give benefit to select few investors which included the investment of an employee i.e. Head - Sales, Marketing & Product Development of Taurus AMC, indicates that Taurus AMC was aware of the possibility of default by BILT well before 7:30 pm on February 20, 2017.
32. Further, as per the valuation policy adopted by TMF, the valuation committee was empowered to deviate from the approved and disclosed valuation policy, in case the established policies and procedures of valuation do not result in fair/ appropriate valuation. Such deviation would be required to be reported to the Board of Trustee and Board of AMC with appropriate disclosure to investors.
33. As per the version of TMF, they became aware of default by BILT around 7:30 pm on February 20, 2017, and they disclosed the NAV of the affected scheme on February 20, 2017 at 08:44 pm. Thus TMF/ Valuation Committee had around one and half hour to fairly value the CP of BILT. However, Valuation Committee/TMF choose to go ahead with the publication of NAV without appropriately valuing the CP of BILT on February 20, 2017. However, in terms of valuation policy adopted by TMF, the valuation committee should have valued the CP of BILT on February 20, 2017, itself before disclosing the NAV on February 20, 2017.
34. Further, in terms of SEBI Circular SEBI/IMD/CIR No. 5/63714 dated March 29, 2006, mutual funds are allowed time upto 9.00 pm for uploading the NAVs of their schemes on AMFI's website and also on their own website. If the NAVs of a mutual fund is not available before commencement of business hours on the following day due to any reason, the mutual funds would have to issue a press release giving reasons for the delay and explain when they would be able to publish the NAVs. As per this Circular, if TMF could not value the CP of BILT appropriately on February 20, 2017, then TMF should not have disclosed the NAV of affected

schemes and should have issued a press release giving reasons for delay and explained when TMF would be able to publish NAV. However, TMF did not act as per this circular and published the NAV of affected schemes on February 20, 2017 and February 21, 2017 (for Taurus Liquid Scheme). Therefore, TMF was alleged to have violated the requirement of SEBI circular SEBI/IMD/CIR No. 5/63714 dated March 29, 2006.

35. Valuation committee of TMF met on February 21, 2017 and recommended that the investment in BILT needs to be marked down fully and this decision should be made to the Board of AMC and Trustees Company for them to take a final decision. This led to the situation where assets were not valued fairly on the day of default and resulted in giving beneficial treatment to those who redeemed on February 20, 2017 and unfair treatment to the investors who remained in the scheme and to those investors who have subscribed to the scheme on February 22, 2017, especially in the Taurus Liquid Scheme because units were allotted with the previous day's NAV and mark down happened on the February 22, 2017. This action of the Valuation committee benefitted those investors who had redeemed on February 20, 2017 as they were not affected by the mark down even though they were invested in the scheme on the day of the default and the applicable NAV didn't account for the mark down.

36. Taurus AMC, in its valuation policy (approved by the Board of Taurus AMC and Trustees) empowered the Valuation Committee to deviate from the existing valuation policy to value securities in case of a situation where the securities do not reflect the realisable value. However, the valuation committee of TMF failed to discharge its duty to deviate from the adopted procedures to determine fair value of a security in case the existing policies fail to value securities fairly.

37. In view of the above, it was alleged that Noticee Nos. 1, 2 and 3 failed to comply with the regulatory mandate in Clause (g) of the Eighth Schedule to the MF Regulations under Regulation 25(19) and Regulation 47 read with Regulations 18

(9), 25(6A) and 18 (4) (d) of the MF Regulations and SEBI Circular SEBI/IMD/CIR No. 5/63714 dated March 29, 2006.

38. The Noticees No.1, 2 and 3 failed in their duties to monitor compliance with the MF Regulations and SEBI Circular dated March 29, 2006 and thereby preventing disclosure of incorrect NAV on February 20 and 21, 2017.

39. Further, the action of the Valuation committee of TMF resulted in declaration of incorrect NAV on February 20, 2017 and February 21, 2017 (for Taurus Liquid Fund) which adversely affected the interest of the investors. The valuation committee of TMF comprising Noticee Nos. 2, 4, 5 and 6 should have ensured that the securities were fairly valued prior to the declaration of NAV, and by failing to do so, allegedly violated Clause (g) of Eighth Schedule under Regulation 25(19) and 47 of the MF Regulations.

40. In respect of the requirement in Clause (h) of the Eighth Schedule to the MF Regulations which require the asset management company to have policies and procedures to detect and prevent incorrect valuation, though TMF had policies and procedure detailed in their valuation policy to detect and prevent incorrect valuation, in the case of default by BILT, TMF adopted a process which led to incorrect NAV being published on February 20, 2017 (all affected schemes) and February 21, 2017 (for Taurus Liquid Fund).

41. Therefore, Noticee Nos. 1, 2 and 3, in their respective capacities, failed to detect and prevent incorrect valuation, in alleged violation of Clause (h) of Investment Valuation Norms as specified in Eighth Schedule under Regulation 25(19) and Regulation 47 of the MF Regulation.

42. TMF AMC had an Investment Committee in place and the fund management team carries out the research. TMF had submitted that the research report format was approved by the Board of AMC and Trustees. The research report format for manufacturing companies contains 13 parameters of Balance Sheet and 7

parameters on Financial Ratios. This format prescribed by AMC under the head Balance Sheet, included parameters such as Total Sales, Operating Profit, Other Income, Finance Cost, Profit Before Tax and Profit After Tax. These parameters forms part of Profit & Loss Account and not the Balance Sheet.

43. The minutes of the Investment Committee for the meeting held on November 26, 2012, state that the Investment Committee had reviewed the research report of BILT (along with other companies) submitted by the fund managers in the month of October 2012. However, there was no specific remark by the Investment Committee on the research report of BILT.

44. Perusal of the research report of BILT and BGPPL revealed the following:-

- a The research report of BILT was undated. Therefore, it could be ascertained when the report was prepared.
- b Report was not as per the format prescribed and approved by the Board of AMC and Trustee. The research report format for manufacturing companies adopted by the Board of TMF had identified 20 financial parameters. But the research report of Ballapur Industries submitted by TMF had only 6 financial parameters.
- c The research report prepared by TMF at the time of investment in BILT and BGPPL was a one pager and did not contain any specific details of BILT and BGPPL, in which the ultimate investments were made. Also, this one pager research report did not contain analysis of various factors for the investment decision taken for the first time and cannot be considered as detailed research report.
- d Further, from the analysis of deal slips (from January 2016 to February 2017) it was observed that the rationale note is not attached for purchases made from January 2016 to July 22, 2016 and rationale note is attached with deal slip after July 22, 2016 to February 2017. These rationale notes did not contain any signature, date and are very general in nature. Also, no documentary evidence was provided by TMF to satisfy that the notes were prepared at the time of investment.



45. The Trustees submitted half yearly trustee reports to SEBI (March 2012 to March 2017). The trustees in their half yearly trustee reports had not submitted any adverse comments/observations regarding the due diligence process followed by the AMC. In view of the above, it was alleged that the Noticee No.1 failed to check compliance of due diligence process through independent auditors or internal statutory auditors or other system in alleged violation of Clauses 8 and 9 of the Fifth Schedule under Regulation 18 (22) of the MF Regulations and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000.

46. BILT had defaulted on its payment obligations on February 20, 2017 (INR 45 crores) and February 22, 2017 (INR 39.75 crores). Pursuant to the default, the Board of AMC and Trustees met on February 22, 2017, and inter alia decided to classify CPs of BILT as NPA and to suspend fresh subscriptions in the concerned schemes. However, no restrictions were imposed on redemptions. The value of the CPs of BILT were marked down to zero on February 22, 2017

47.. A perusal of the details of subscription and redemption details for the concerned schemes from January 01, 2016 to March 31, revealed the following:-

- a The total redemptions in each of the concerned schemes from February 19, 2017 to February 23, 2017 is as follows:-

REDEMPTIONS IN THE 4 SCHEMES OF TMF					
IN INR Crore					
Name of the Scheme	Feb 19, 2017	Feb 20, 2017	Feb 21, 2017*	Feb 22, 2017	Feb 23, 2017
Taurus Liquid Fund	327.93	378.98	0	72.12	0
Taurus Short Term Income Fund	0	0.35	0	0.22	10.61
Taurus Dynamic Income Fund	0	0	0	0	0.01
Taurus Ultra Short Term Bond Fund	0	0.09	0	0.03	2.20
				* Feb 21 was a holiday on account of Municipal Elections in Mumbai	

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- b TMF vide email dated March 31, 2017 forwarded the data on entities who had redeemed during the period from January 1, 2017 and March 28, 2017. It was observed that on February 20, 2017, 25 investors had redeemed the entire amount invested in the schemes. The scheme wise, number of investors who had redeemed their entire holdings on February 20, 2017 is as follows:-

Taurus Liquid Fund	Taurus Short Term Income Fund	Taurus Dynamic Income Fund	Taurus Ultra Short Term Bond Fund
20	4	0	1

- c From the documents forwarded by Karvy vide letter dated May 29, 2017 it was observed that Punjab and Sind Bank had submitted a redemption request for full redemption on February 20, 2017 at 2:57 PM (as per time stamp on the application). The redemption application amounted to INR 50.05 crores. In this regard, the original redemption request form was sought from Karvy. Karvy vide email dated July 25, 2017 (Annexure 12) informed that they are unable to get the original redemption application form submitted by Punjab and Sind Bank. The original redemption request form was also sought from TMF. TMF vide email dated July 26, 2017 (Annexure 13) informed that they are unable to get the original redemption application form submitted by Punjab and Sind Bank.
- d Further with respect to application of Punjab and Sind Bank, Karvy vide email dated November 13, 2017 (Annexure 14), also informed that:-
- The redemption application was time stamped on 20th Feb'2017 at 14.57 PM at Taurus AMC office and was sent to Karvy Mumbai for processing.
  - The next day i.e. 21st February 2017 was a non-business day hence the following day i.e. on 22nd February 2017 at around 10.45 AM, Karvy Hyderabad office sent the redemption funding file to Taurus AMC for funding the redemption to the respective bank accounts. While going through the redemption funding file, Taurus AMC noticed that one transaction was missing and alerted Karvy Hyderabad Office at about

11AM on 22nd February 2017 over phone, on the missing redemption transaction related to Punjab and Sind Bank.

iii. Upon receiving the alert from Taurus AMC, Karvy Hyderabad Office immediately called Karvy Mumbai Branch and asked to check about this transaction as the same seems to have been misplaced.

iv. Karvy Hyderabad Office, thereafter, approached Taurus AMC for the transaction copy and the same was provided to Karvy Hyderabad Office on 22nd February 2017 at around 11.15 AM.

v. After receipt of scan copy, Karvy Hyderabad Office verified the application and processed the same for funding.

vi. The funding was processed and released to Taurus AMC at around 12.16 PM.

- e The transaction pattern of Punjab and Sindh Bank from Jan 1, 2016 revealed that Punjab and Sind Bank usually parked its funds for a fortnight in Taurus Liquid fund and then fully redeemed it. However, in this instance, Punjab and Sind Bank redeemed the entire amount (INR 50.05 crore) within 4 days from the date of purchase i.e. February 16, 2017.

48. The time stamp on the applications were as follows:-

Date	Name of applicant	Time stamp	Nature of application
20/02/2017	Dwarkanath S Rajan	TAMC AML 20FEB'17 15:48 08470	Change of nominee
Date	Name of applicant	Time stamp	Nature of application
20/02/2017	Sukanta Dey	TAMC AML 20FEB'17 14:54 08471	Redemption of all units worth INR 9197.27 from Taurus Short Term Income Fund
20/02/2017	Punjab and Sind Bank	TAMC AML 20FEB'17 14:57 08472	Redemption of all units worth INR 50.05 crore from Taurus Liquid Fund
22/02/2017	Kohinoor Planet Constructions Pvt. Ltd.	TAMC AML 22FEB'17 13:26 08473	Purchase worth INR 25,00,000 in Taurus Liquid Scheme

49. From the above the table following was observed:-

- a From the time stamp it is seen that the serial number 08470 was generated on February 20, 2017, at 3:48 pm. Therefore, the next serial number should be stamped after this time.
- b However, the next two serial numbers i.e. 08471 and 08472 were generated on February 20, 2017, at 2:54 pm and 2:57 pm respectively.
- c The above anomaly in time stamping can happen either due to error / malfunctioning in the machine or Taurus AMC has tampered the time stamp machine on February 20, 2017, to give favour to two applicants i.e. Mr. Sukanta Dey and M/s. Punjab and Sind Bank

50. The details of applications (7 applications) of previous working day i.e. February 17, 2017 were as follows:-

Date	Name of applicant	Time stamp	Nature of application
17/02/2017	Revant Hemant Shah	TAMCAML 17FEB'17 15:28 08449	Empanelment with TMF as distributor
17/02/2017	Samooda Khatoon	TAMCAML 17FEB'17 17:39 08450	Surrender of unit certificate
17/02/2017	Madhavi Mukund Sagade	TAMC AML 17FEB'17 14:51 08451	Redemption of all units worth INR 1.02 crore from Taurus Dynamic Income Fund
17/02/2017	Priya Jude Abraham	TAMC AML 17FEB'17 14:51 08452	Redemption of all units worth INR 2,05,343 from Ultra Short Term bond Fund
17/02/2017	Jude J Abraham	TAMC AML 17FEB'17 14:52 08453	Redemption of all units worth INR 10,96,497 from Ultra Short Term bond Fund
17/02/2017	Joseph Abraham	TAMC AML 17FEB'17 14:52 08454	Redemption of all units worth INR 4,76,522 from Ultra Short Term bond Fund
20/02/2017	Ace Co.op Bank Ltd.	TAMC AML 20FEB'17 13:11 08455	Redemption of units worth INR 8,80,00,000 from Taurus Liquid Fund

51. From the above the following was observed:

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- a From the time stamp it is seen that the serial number 08450 was generated on February 17, 2017, at 5:39 pm. Therefore, the next serial number should be stamped after this time.
- b However, the next four serial numbers i.e. 08451, 08452, 08453 and 08454 were generated on February 17, 2017, at 2:51pm, 2:51pm, 2:52 pm and 2:52 pm respectively.
- c The above anomaly in time stamping can happen either due to error / malfunctioning in the machine or Taurus AMC has tampered the time stamp machine on February 17, 2017, to give favour to four applicants i.e. Ms. Madhvi Mukund Sagade, Ms. Priya Jude Abraham, Mr. Jude J Abraham and Mr. Joseph Abraham.
- d Taurus vide email dated November 21 & 22, 2017 confirmed that Mr. Jude J Abraham was an employee of Taurus Mutual Fund/ Taurus AMC as Head Sales, Marketing & Product Development from February 9, 2015 to May 3, 2017, with Taurus AMC.
- e It is also observed that Mr. Jude J Abraham, Ms. Priya Jude Abraham and Mr. Joseph Abraham are related parties as Ms. Priya Jude Abraham is wife of Mr. Jude J Abraham and Mr. Joseph Abraham is father of Mr. Jude J Abraham.

52. In view of the above, the anomaly observed in the DTSM on February 17, 2017 and February 20, 2017, was not because of error or malfunction, but it was because, tampering was done in DTSM by TMF as the key of the machine and the password to alter the time/date was known to Mr. Sasidhar V. This was done with an objective to give favour to select few investors i.e. Ms. Madhvi Mukund Sagade, Ms. Priya Jude Abraham, Mr. Jude J Abraham and Mr. Joseph Abraham, on February 17, 2017 and Mr. Sukanta Dey and M/s Punjab and Sind Bank on February 20, 2017.

53. From the requirements in Schedule II in respect of time stamping machines it was clear that cut-off timing had to be followed strictly by Mutual Funds/AMCs and time stamping machine should not be tampered and records have to be maintained for

8 years. In this particular instance, Mr. Sasidhar V Head-Customer Service of Taurus AMC who was in possession of the key and password of DSTM, has allegedly acted fraudulently by tampering with the DSTM. This is in violation of SEBI circular no SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006, and undue advantage was given to select few investors namely Ms. Madhavi Mukund Sagade, Ms. Priya Jude Abraham, Mr. Jude J Abraham, Mr. Joseph Abraham on February 17, 2017 and Punjab and Sind Bank and Mr. Sukanta Dey on February 20, 2017.

54. As a CEO of Taurus Mutual Fund, Mr Waqar Naqvi i.e. Noticee No. 2, and as Compliance Officer, Noticee No. 3, were responsible for ensuring that the time stamping machine was not tampered with, in compliance with Schedule II of SEBI circular no SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006 read with Regulation 25(6A) of SEBI MF Regulations. On account of failure to do so, Noticee No.2 and 3 were alleged to have violated SEBI Circular dated October 11, 2006 read with Regulation 25 (6A) of the MF Regulations.

55. Noticees 1-6 filed Settlement Application Nos. 4172/2020, 4173/2020, 4174/2020, 4175/2020, 4176/2020 and 4177/2020 respectively dated 25.02.2021 under the SEBI (Settlement Proceedings) Regulations, 2018 ("**Settlement Regulations**") for settlement of enforcement proceedings initiated against them vide the SCN, and to keep the proceedings in abeyance till disposal of the settlement application.

56. Thereafter, in a meeting of SEBI's Internal Committee dated 03.03.2021 the Noticees proposed settlement terms as per the Settlement Regulations.

57. The settlement terms as proposed by the Noticees / Applicants were considered by the IC and were placed before High Powered Advisory Committee for Settlement/Compounding ("**HPAC**") Applications on 28.05.2021 through videoconference. The HPAC considered the facts and circumstances of the case, material brought before it and noted that the Applicants are agreeable to pay the settlement amount calculated as per the Settlement Regulations. Considering the

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same, the HPAC recommended that the present adjudication proceedings may be settled on payment of Rs. 40,67,250 payable jointly and severally by Noticees 1-6 in accordance with the Settlement Regulations.

58. Upon consideration of the recommendations of the HPAC, the panel of Whole-time Members of SEBI on 11.06.2021 accepted the recommendations of the HPAC, and SEBI vide e-mail dated 15.06.2021 communicated the same to the Noticees, advising them to submit proof of payment of the settlement amount within 15 calendar days. Thereafter, Notices/Applicants 1-6 respectively submitted NEFT transactions details dated 15.06.2021, including UTR No. N172211539377627, showing transfer of Rs. 40,67,250 (Rupees Forty Lakhs Sixty Seven Thousand Two Hundred and Fifty) each, towards settlement of actions in the instant matter.

59. SEBI has confirmed credit of Rs. 40,67,250 by the Noticees to SEBI's account on 21.06.2021 in terms of the Settlement Regulations.

### **ORDER**

60. Now, in view of the acceptance of the settlement terms as proposed by the Noticees/ Applicants, and upon receipt of the aforesaid Demand Drafts by SEBI, the pending adjudication proceedings initiated against the Noticee under the aforesaid SCN dated May 6, 2020, are hereby disposed of in terms of Regulation 23(1) of the SEBI (Settlement Proceedings) Regulations, 2018.

61. 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 Applicants, if :

- i. any representations made by the Applicants in the present settlement proceedings are subsequently found to be untrue; or

- ii. the Applicants breach any of the clauses / conditions of undertakings / waivers filed during the present settlement proceedings.

62. This settlement order passed on this 30<sup>th</sup> day of July, 2021 shall come into force with immediate effect.

63. In terms of Regulation 25 of SEBI (Settlement Proceedings) Regulations, 2018, a copy of this order is being sent to the Applicants / Noticees and for publication on the website of SEBI.

**Date: JULY 30, 2021**  
**Place: Mumbai**

**MANINDER CHEEMA**  
**ADJUDICATING OFFICER**