

BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

SETTLEMENT ORDER NOS. SO/AA/HP/2022-23/6654-6658

Settlement Application bearing No. 6654-6658/2021 filed by Sobha Ltd. (Noticee 1), Ravi Puthan Naduvakkat Chentha Maraksha Menon (Noticee 2), Jagdish Chandra Sharma (Noticee 3), Ramakrishnan Prabhakaran (Noticee 4) and Subhash Mohan Bhat (Noticee 5) in the matter of M/s. Sobha Ltd.

- 1. Sobha Limited (PAN: AABCS7723E)** having address at - Sobha Sarjapur - Marathahalli Outer Ring road, Bellandur Post, Bangalore - 560103
- 2. Ravi Puthan Naduvakkat Chentha Maraksha Menon (PAN: AKIPM1316R)** having address at - Villa No 1A, Sobha Lotus, Behind Ryan International School, Kundanahalli, Bangalore - 560037
- 3. Jagdish Chandra Sharma (PAN: ACRPS1940E)** having address at - B - 291, Sobha Ivory, No. 7/1 St Jhons Road, Near Lavanya Theatre, Ulsoor Sivan Chetty Gardens, Bangalore - 560042
- 4. Ramakrishnan Prabhakaran (PAN: ALBPP2261L)** having address at - A3-011, Sobha Quartz, Green Glen Layout, Outer Ring Road, Bellandur, Bangalore - 560103
- 5. Subash Mohan Bhat (PAN: AAAPB6132G)** having address at - Sri Ram Nilaya, 1405, 11th Cross 21st Main, HSR Layout, Sector 1, Bangalore - 560102

In the matter of M/s. Sobha Ltd.

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') initiated adjudication proceedings against Sobha Ltd. ('**Noticee 1 / the Company / Sobha**'), three of its Executive Directors, namely, Ravi Puthan Naduvakkat Chentha Maraksha Menon, Chairman and Executive Director ('**Noticee 2**'), Jagdish Chandra Sharma, Managing Director and Executive Director ('**Noticee 3**'), Ramakrishnan Prabhakaran, Deputy Managing Director and Executive Director ('**Noticee 4**') and Subhash Mohan Bhat, Chief Financial Officer ('**Noticee 5**') under Section 15HA of SEBI Act for alleged violation of Regulations 3 (b), (c), (d) & 4(1) and (2) (f), (k) and (r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 ('**PFUTP Regulations**') read with Section 12A (a), (b), (c) of the SEBI Act, 1992 ('**SEBI Act**') and under Section 15HB of the SEBI Act for alleged violation of the SEBI (Listing Obligation and disclosure Requirements) Regulations, 2015 ('**LODR Regulations**').
2. SEBI appointed Ms. Maninder Cheema as Adjudicating Officer (hereinafter referred to as "AO") under Section 15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter be referred to as the '**Adjudication Rules**'), vide order dated May 18, 2021 to inquire into and adjudge under section 15HA and 15HB of SEBI Act, the aforesaid alleged violations against the Noticees. Subsequently, the undersigned was appointed as Adjudicating Officer (hereinafter referred to as '**AO**') vide an order dated June 06, 2022.
3. A Show Cause Notice No. EAD5/MC/VS/25596/1-5/2021 dated September 24, 2021 (hereinafter be referred to as, the '**SCN**') was served upon the Noticees under Rule 4(1) of the Adjudication Rules read with Section 15-I of SEBI Act, to show cause as to why an inquiry should not be held and penalty not be imposed against them under Section 15HA and 15HB of SEBI Act for the aforesaid alleged violations.
4. The allegations levelled against the Noticees in the SCN are summarized as below:

Settlement Order in the matter of Sobha Ltd.

5. SEBI conducted an investigation *inter alia* into certain transactions undertaken by Sobha with Shri D.K. Shivakumar ('**DKS**') and his family members/associates which was allegedly against the interest of the minority shareholders of Sobha. The period of examination is three financial years FY 2016-17, FY 2017-18 & FY 2018-19 (hereinafter referred to as the '**Investigation period/ IP**').
6. It was alleged in the SCN that Sobha fraudulently misrepresented the receivables w.r.t. construction of residence of DKS in FY 2016-17, FY 2017-18 and FY 2018-19 and also corresponding provisioning for the same during the said period. It was also alleged that this act by Sobha led to publication of manipulated financial results for the FY 2016-17, FY 2017-18 and FY 2018-19, which were untrue and misleading and operated as deceit not only on the shareholders of Sobha but also on the public being misled about the financial health of the company. Accordingly, Sobha was alleged to have violated Regulations 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k), 4(2)(r) of the PFUTP Regulations read with Section 12A(a),(b),(c) of SEBI Act and Regulation 33 of the LODR Regulations.
7. It was also alleged that the misrepresentations by Sobha w.r.t. Service Tax/GST dues of DKS in FY 2016-17, FY 2017-18 and FY 2018-19 and non-disclosure of change in accounting policy for the same during the said period led to publication of manipulated financial results for the FY 2016-17, FY 2017-18 and FY 2018-19, which were untrue and misleading and operated as deceit not only on the shareholders of Sobha but also on the public being misled about the financial health of the company. Accordingly, Sobha allegedly violated Regulations 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with Section 12A(a),(b),(c) of SEBI Act and Regulation 33 of LODR Regulations.
8. Further, it was alleged that Sobha had fraudulently misrepresented the advances paid to Vinay Karthik, Smt. Bhagyalakshmi, Smt. Gowramma

and Shri D. K. Suresh in FY 2016-17, FY 2017-18 and FY 2018-19. The aforesaid fraudulent misrepresentations led to publication of manipulated financial results for the FY 2016-17, FY 2017-18 and FY 2018-19, which were untrue and misleading and operated as deceit not only on the shareholders of Sobha but also on the public being misled about the financial health of the company. Accordingly, Sobha was alleged to have violated Regulations 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with Section 12A(a), (b),(c) of SEBI Act and Regulation 33 of LODR Regulations.

9. It was alleged in the SCN that Noticee 2 as Executive Director and Chairperson of Sobha and Noticee 3 as Managing Director of Sobha for FY 2016-17, FY 2017-18 and FY 2018-19 and Noticee 4 as Deputy Managing Director of Sobha during FY 2016-17 and they being members of the board of directors and also being in-charge of the operations and decision making process, were alleged to have violated regulations 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k), 4(2)(r) of the PFUTP Regulations read with Section 12A(a),(b),(c) of SEBI Act, 1992 Section 12A (a), (b), (c) of SEBI Act and Regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(6), 4(2)(f)(ii)(7), 4(2)(f)(iii)(7), 17(8) and 33 of the LODR Regulations as applicable.
10. It was also alleged in the SCN that Noticee 5 has failed to discharge his duty as CFO and is responsible for the accounting irregularities in the books of accounts of Sobha. Thus, Mr. Subhash Mohan Bhat as CFO of Sobha during FY 2016-17, FY 2017-18 and FY 2018-19 being in-charge of the financial reporting, was alleged to have violated regulations 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations read with Section 12A (a),(b),(c) of the SEBI Act and Regulation 33 of the LODR Regulations.
11. Subsequent to the issuance of the SCN, application dated November 26, 2021 was received from the Noticees for settlement under SEBI (Settlement Proceedings) Regulations, 2018.

12. The said application was placed before the Internal Committee of SEBI (hereinafter be referred to as, the "IC") in a meeting held on March 30, 2022.
13. Pursuant to IC meeting, the Applicant submitted revised settlement terms (RST).
14. The Internal Committee on consideration of the facts and circumstances of the case, material brought before it, noted that the applicants are agreeable to pay settlement amount of Rs.2,92,50,000/- (Rupees two crore ninety two lakh fifty thousand only) in respect of all the applicants on a joint and several liability basis, calculated as per the Settlement Regulations and thus recommended the matter for settlement.
15. Pursuant to this, the matter was placed before the High Powered Advisory Committee (hereinafter be referred to as, the "HPAC"). HPAC examined the same and considering the facts and circumstances of the case, in its meeting held on June 09, 2022 recommended that the matter may be settled upon payment of Rs.2,92,50,000/- (Rupees two crore ninety two lakh fifty thousand only) as settlement amount with a condition that the settlement amount shall be paid by all applicants except Sobha Ltd. on a joint and several liability basis. The recommendation of the HPAC was approved by a Panel of the Whole Time Members of the SEBI on June 29, 2022. Subsequently, the Notice of Demand was issued to the applicants vide email dated July 04, 2022.
16. I note that the Noticees complied with the condition that *'the settlement amount shall be paid by all applicants except Sobha Ltd. on a joint and several liability basis'*. Accordingly, Noticees 2, 3, 4 and 5 paid the settlement amount jointly and severally as per the settlement terms. Noticees vide email dated July 30, 2022, informed about the remittance of the settlement amount of Rs.2,92,50,000/- (Rupees two crore ninety two lakh fifty thousand only) using online payment module, as per the settlement terms approved by the Panel of Whole Time Members.

Settlement Order in the matter of Sobha Ltd.

17. In view of the aforesaid, in exercise of powers conferred under Section 15JB of the SEBI Act read with Regulation 23(1) of the SEBI (Settlement Proceedings) Regulations, 2018, it is hereby ordered that adjudication proceedings initiated against Sobha Ltd. (**Noticee 1**), Ravi Puthan Naduvakkat Chentha Maraksha Menon (**Noticee 2**), Jagdish Chandra Sharma (**Noticee 3**), Ramakrishnan Prabhakaran (**Noticee 4**) and Subhash Mohan Bhat (**Noticee 5**) under the aforesaid SCN dated September 24, 2021, are hereby disposed of.
18. This order is without prejudice to the rights of SEBI to take enforcement actions including restoring or initiating the proceedings in respect of which this settlement order is being 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.
19. This settlement order passed on this 22nd day of August 2022 shall come into force with immediate effect.
20. In terms of Regulation 25 of SEBI (Settlement Proceedings) Regulations, 2018, a copy of this order is being sent to the Applicants / Noticees and the order is also published on the website of SEBI.

Date: August 22, 2022

Place: Mumbai

Dr. ANITHA ANOOP

ADJUDICATING OFFICER