

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

SETTLEMENT ORDER

In Settlement Application No. 4096/2020 – filed by Taurus Asset Management Company Limited [PAN : AAACC02275J] in the matter of investments of various mutual fund schemes of Taurus Asset Management Company Limited in the debt instruments of Ballarpur Industries Limited.

1. Taurus Asset Management Company Limited (hereinafter referred to as the “applicant”) had filed a settlement application in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as the “Settlement Regulations”) proposing to settle, without admitting or denying the findings of fact and conclusions of law, through a settlement order, the pending enforcement proceedings initiated vide Show Cause Notice bearing No. SEBI/IMD-II/DOF3/OW/25705/2019 dated September 30, 2019 for the violations as detailed hereunder:
 - a. Clause (c), (d), (g) & (h) of Investment Valuation Norms as specified in Eight Schedule under Regulation 25(19) and Regulation 47 of the SEBI (Mutual Funds) Regulations, 1996 (hereinafter referred to as the “MF Regulations”).
 - b. Regulation 25(2) of the MF Regulations read with SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000.
 - c. Regulation 3(a), 4(1), 4(2) (f), (k), (p) and (s) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as the “PFUTP Regulations”) and SEBI Circular No. SEBI/IMD/CIR No. 11/78450/06 dated October 11, 2016.
 - d. Schedule II of SEBI Circular No. SEBI/IMD/CIR No. 11/78450/06 dated October 11, 2016 read with Regulation 50(2) of the MF Regulations.

- e. Regulations 25, 47, 50, 68 and Schedule V and Schedule VIII of the MF Regulations read with SEBI Circular No. SEBI/IMD/CIR No. 11/78450/06 dated October 11, 2016.
2. Four schemes of the applicant had exposure in debt securities issued by Ballarpur Industries Limited (hereinafter referred to as “BILT”), which defaulted in their payment obligation in February 2017. It is alleged that the applicant was aware of the financial distress in BILT and that the payments made to and received from BILT were synchronized in such a way that the applicant was making the payment for subscribing to Commercial Papers (hereinafter referred to as the “CPs”) of BILT just few hours before the maturity of the previous CPs. It is further alleged that the applicant was aware of the possibility of default by BILT and the Date and Time Stamping Machine (hereinafter referred to as the “DTSM”) was tampered to give benefit to select investors which included one of their own employees and further that despite the downgrade of BILT by the rating agencies, incorrect information was put up by the applicant in its scheme documents as well as on its own website. The applicant had made a redemption request for their own investment in one of their funds before BILT defaulted on payments, which was cancelled later on by the applicant. By cancelling the redemption request, it is alleged that the applicant had given themselves a special treatment which would not have been available to other investors. It is thus alleged that the applicant had resorted to fraudulent and unfair trade practice violating principles of fair valuation and investment valuation norms as specified in the above referred Regulations and Circulars and thus failed to exercise proper due diligence. In view of the same, the settlement application was filed.
3. Pursuant to the receipt of application, during the meeting with the Internal Committee of SEBI on March 04, 2020, the authorized representatives of the applicant deliberated upon the settlement terms. Thereafter, the applicant vide e-mail dated March 19, 2020, proposed the revised settlement terms to settle the proceedings that were initiated for the said defaults. While forwarding the revised settlement terms, the applicant also submitted that

there are no complaints by the unit-holders with regard to the said matter in respect of the various mutual fund schemes of the applicant and that the applicant has already compensated the unit-holders of the affected mutual fund schemes for an amount of Rs.9,63,883.61paisa (Rupees Nine Lakh Sixty Three Thousand Eight Hundred Eighty Three and paisa Sixty One only). It was further proposed that, the settlement amount of Rs. 1,94,82,201/- (Rupees One Crore Ninety Four Lakhs Eighty Two Thousand Two Hundred and One only) would be paid out of the funds of the applicant and that the liability would not be passed on to the unit holders.

4. The High Powered Advisory Committee (hereinafter referred to as the “HPAC”) in its meeting held on May 29, 2020 considered the proposed settlement terms by the applicant and recommended the case for settlement upon payment of Rs. 1,94,82,201/- (Rupees One Crore Ninety Four Lakhs Eighty Two Thousand Two Hundred and One only) towards the settlement terms. Subsequently the applicant vide e-mail dated June 17, 2020 has reconfirmed that all investors have been compensated in the captioned matter.
5. The applicant vide UTR No. 000000444218 dated June 25, 2020 remitted Rs. 1,94,82,201/- (Rupees One Crore Ninety Four Lakhs Eighty Two Thousand Two Hundred and One only) towards the settlement terms as proposed by the applicant for the settlement of the proceedings initiated against the applicant and intimated the same to SEBI vide e-mail dated June 25, 2020. Upon verification, the receipt of the above payment was confirmed.
6. In view of the above, in exercise of the powers conferred under Section 15JB of the Securities and Exchange Board of India Act, 1992 and in terms of Regulations 23 read with Regulation 28 of the Settlement Regulations, it is hereby ordered that the enforcement proceedings for the alleged defaults as discussed in paragraph 1 and 2 is settled *qua* the applicant and as per the following terms:
 - i. SEBI shall not initiate enforcement action against the applicant for the said defaults;

- ii. this order disposes of the enforcement proceedings in respect of the applicant as mentioned above; and
 - iii. passing of this Order is without prejudice to the right of SEBI to take enforcement actions including commencing proceedings against the applicant, if SEBI finds that:
 - a. any representation made by the applicant in the present settlement proceedings is subsequently found to be untrue;
 - b. the applicant has breached any of the clauses/conditions of undertakings/waivers filed during the present settlement proceedings.
7. This settlement order is passed on this 23rd day of July, 2020 and shall come into force with immediate effect.
8. In terms of Regulation 25 of the Settlement Regulations, a copy of this order shall be sent to the applicants and also be published on the website of SEBI.

Sd/-

S.K. MOHANTY
WHOLE TIME MEMBER

Sd/-

ANANTA BARUA
WHOLE TIME MEMBER