SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(1), 11(4), 11B AND 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992.

IN RESPECT OF MR. SAMEER S. JOSHI (TRADE NAME – SHREESURYA INVESTMENTS) (PAN ABSPJ5397C)

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1. Mr. Sameer S. Joshi (hereinafter referred to as '*Sameer*') was registered as sub-broker with trade name Shreesurya Investments (referred to as 'SI') with BSE (registration number INS013981613) from June 19, 2007 to December 27, 2013 and with NSE (registration number INS235376014) from May 06, 2008 to November 01, 2013, and affiliated to the stock broker M/s Kisan Ratilal Choksey Shares and Securities Pvt. Ltd. *Sameer* was the sole proprietor of SI during the relevant period.

2. SEBI received several complaints stating, *inter alia*, that:
   (a) *Sameer* is promising investors in Nagpur to double their money within 15-28 months or pay 50% interest rate per annum on quarterly basis and also providing free foreign trips.
   (b) Money is being collected by the group through its agents, chartered accountants and lawyers.
   (c) These amounts are deposited in the bank accounts held in the name of Sameer Joshi (HUF) or SI with the Axis Bank.
   (d) SI has cornered more than ₹5,000 crores from 6,000 investors.
   (e) SI is neither paying interest nor the principal amount to its investors.

3. Vide letter dated March 21, 2014, SEBI also sought copies of the complaints received by the Economic Offences Wing, Nagpur (EoW) in this regard. EoW, Nagpur informed SEBI that they had received complaints against *Sameer* based on which a First Information Report was registered against *Sameer* and his wife Ms. Pallavi Joshi (hereinafter referred to as "*Pallavi*") on September 14, 2013 under the Maharashtra Protection of Investors Deposit Act, 1999.

4. Based on the above, SEBI undertook a preliminary examination into the matter. SEBI officials also carried out on-site visit at the office of *Sameer* located at 55, Central Excise Colony, Telecom Nagar, Nagpur - 440 025 on May 09, 2014 and found that the said office premises was in operation till a few months back and has now been shut down. The officials of EoW, Nagpur also informed that *Sameer* was in police custody. During the preliminary examination, it was, *inter alia*, observed that:

(a) Apart from SI, *Sameer* has floated the following 10 private limited companies:-

(i) Shreesurya Softdrinks Pvt. Ltd.,
(ii) Shreesurya Infra Projects Pvt. Ltd.,
(iii) Shreesurya Diary and Farm Pvt. Ltd.,
(iv) Shreesurya Cafe Retail Pvt. Ltd.,
(v) Shreesurya Oil and Extractions Pvt. Ltd.,
(vi) Shreesurya Media Network Pvt. Ltd.,
(vii) Shreesurya In-tech Pvt. Ltd.,
(viii) Shreesurya Wealth Risk Advisory Pvt. Ltd.,
(ix) Shreesurya Supermarkets Pvt. Ltd.,
(x) Shreesurya Dreams Destinations Pvt. Ltd.

(b) As per the information received and details available at the website of the Ministry of Corporate Affairs, *Sameer* and one Mr. Manoj Tatwadi together hold 100% voting rights in Shreesurya In-tech Ltd. and are also its directors since inception.

(c) *Sameer* and *Pallavi* have 100% voting rights in each of the remaining aforesaid nine companies and are the directors of the said companies since their inception.

(d) Admittedly, *Sameer* and SI have mobilised money from depositors/investors as fixed deposits, recurring deposits, etc. which were shown under the heading of unsecured loans in the balance sheet of SI. The details about such fund mobilisation by SI is mentioned below:

Sl. No.	**As on**	**No. of investors**	**Total amount collected (₹)**
1	March 31, 2010	934	21,30,27,957
2	March 31, 2011	1762	42,02,28,228
3	March 31, 2012	1930	56,73,35,157

(e) The following were some of the schemes operated by SI:

Sl. No.	**Name of the scheme**	**Investment amount (₹)**	**Options**	**Amount to be received**
1	FDR Scheme doubles in 24 months	Minimum 50,000	Quarterly (12.5%) and half yearly (25%) Interest may be obtained as option	Double of the amount invested
2	FDR Scheme doubles in 19 months	1,00,000 - 5,00,000	No quarterly interest and premature withdrawals	Double of the amount invested
3	FDR Scheme doubles in 18 months	6,00,000 - 10,00,000	No quarterly interest and premature withdrawals	Double of the amount invested
4	FDR Scheme doubles in 17 months	11,00,000 and above	No quarterly interest and premature withdrawals	Double of the amount invested
5	FDR Scheme doubles in 30 months	1,00,000 and above	Premature notice period for 6 months	Double of the amount invested

6	FDR Scheme doubles in 6 Months	1,00,000 and above		Principal +15% interest on Principal
7	FDR Scheme doubles in 3 months	1,00,000 and above		Principal +6 % interest on Principal

(f) *Sameer* used to issue post dated refund cheque(s) and/or promissory notes in the name of SI on the day of investment in lieu of the investments by its investors/clients.

(g) The promissory notes issued by *Sameer* contained details like the terms and conditions of the schemes. The text of the promissory note issued to one of its investors/clients by SI is mentioned below:

"Shreesurya Investment herewith promises to pay to (name of investor) or Nominee a sum of ₹50,000/- (Rupees Fifty Thousand Only) per quarter as interest in Deposit of ₹4,00,000/- (Rupees Four lac only) accepted in the name said as (name of investor) w.e.f. August 21, 2012 (Date of Deposit) for a period of 24 months and further promises to pay ₹4,00,000/-(Rupees Four lac only) on the date August 21, 2014 (Maturity Date) as an amount of Deposits".

(h) There are 8 bank accounts having PAN: ABSPJ5397C of *Sameer* and opened in the names of SI, Shreesurya Cargo and *Sameer*.

(i) The credits in these bank accounts for the period April 01, 2008 to September 30, 2014 amounts to ₹30 crore (approximately). Out of these, there are 135 instances of cash deposits amounting to ₹3.05 crores.

5. The facts brought out above *prima facie* indicate that *Sameer* solicited and collected money from public promising them high returns by blatantly misusing the trade name granted as sub broker. As a sub-broker, *Sameer* was also an agent of the stock broker M/s Kisan Ratilal Choksey Shares and Securities Pvt. Ltd. *Sameer* indulged in fund-based activities involving his personal financial liability. In view of the above, *prima facie*, *Sameer* has contravened the provisions of section 12(1) of the Securities and Exchange Board of India Act, 1992 (the SEBI Act), rule 8(3)(f) of the Securities Contracts (Regulation) Rules, 1957 (the SCRR) and Clauses A(1), (2) and D(4) of the Code of Conduct for Sub-brokers read with regulation 15 of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 (the Stock Brokers Regulations). The relevant provisions of the SEBI Act, the SCRR and the Stock Brokers Regulations are reproduced hereinunder:-

The SEBI Act, 1992

Registration of stock brokers, sub-brokers, share transfer agents, etc

12. (1) No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may *be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:*

The SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992

Code of Conduct for Sub-Brokers

" A. General

(1) Integrity: A sub-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all investment business.

(2) Exercise of due Skill and Care: A sub-broker, shall act with due skill, care and diligence in the conduct of all investment business.

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D. Sub-Brokers vis-a vis Regulatory Authorities

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(4) Manipulation: A sub-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to disturbing market equilibrium or making personal gains."

The Securities Contracts (Regulation) Rules, 1957

*"***Qualifications for membership of a recognised stock exchange.**

8. The rules relating to admission of members of a stock exchange seeking recognition shall inter alia provide that:

....

(3) No person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if –

....

(f) he engages either as principal or employee in any business other than that of securities or commodity derivatives except as a broker or agent not involving any personal financial liability, provided that - ...."

6. As discussed hereinabove, in the instant case, *Sameer* has solicited, enticed and induced investors and also collected funds and deposits from them through misrepresentation and allurement of high returns to such investors through various schemes when in reality *Sameer* had defaulted in making repayments/refunds to his investors. Thus, schemes floated by *Sameer*, *prima facie,* appear to be representation made in a reckless and careless manner. In my view, the *modus operandi* of *Sameer* indicates a scheme, plan, device or artifice or contrivance that is, besides being in contravention of the SCRR, is 'fraudulent' as defined in regulation 2(1)(c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (the PFUTP Regulations) which reads as under:-

The PFUTP Regulations, 2003

Definition of "fraud" – Regulation 2(1)(c).

(c)"fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

(3) an active concealment of a fact by a person having knowledge or belief of the fact;

(4) a promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false;

(6) any such act or omission as any other law specifically declares to be fraudulent;

(7) deceptive behaviour by a person depriving another of informed consent or full participation;

(8) a false statement made without reasonable ground for believing it to be true;

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And "fraudulent" shall be construed accordingly;

…………………………………………………………………………………."

7. In the light of the aforesaid observations, I, *prima facie*, find that *Sameer* not only contravened the provisions of the SEBI Act, the SCRR and the Stock Brokers Regulations, as discussed hereinabove, but has also acted in fraudulent and deceitful manner which attracts prohibitions enshrined in section 12A (a) (b) and (c) of the SEBI Act and regulation 3 (b), (c) and (d) and regulation 4(1) and 4(2) (k) of the PFUTP Regulations which read as following:-

The SEBI Act, 1992 -

"Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly -

(a) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made there under;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made there under;"

The PFUTP Regulations, 2003 –

"3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a)……………………………………………………………………………………………

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a

recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under."

"4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

……………………………………………………………………………………

(k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors;

……………………………………………………………………"

8. Since the conduct of *Sameer* is not in the interest of investors in the securities market, necessary action has to be taken against him immediately, else it may lead to loss of investor's trust in the securities market. I find that *Sameer* made unrealistic claims of high returns, as discussed hereinabove, and by nature of his acts and omissions, he tried to solicit, entice and induce investors to deal in securities. As a regulator of the capital markets, SEBI has the duty to safeguard the interest of the investors and protect the integrity of the securities market. I am convinced that this is a fit case where effective and expeditious action is required to be taken not only to prevent any further harm to investors but also to send a stern message to prevent any person from indulging in acts as observed in this case.

9. Considering the above, I, in exercise of powers conferred upon me by virtue of section 19 read with sections 11(1), 11(4), 11B and 11D of the SEBI Act by way of this *ex-parte* order:
   (a). prohibit Mr. Sameer S. Joshi from mobilizing or pooling funds from its clients, other general investors or public or any other unregistered activity, in whatever form;
   (b). direct Mr. Sameer S. Joshi to immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, etc. in relation to the promising high returns or any unregistered activity in the securities market;
   (c). direct Mr. Sameer S. Joshi to refund the monies so collected from his clients and other investors in the various schemes along with income, profits or returns promised to them under such schemes or interest at the rate of 10% per annum, whichever is higher, from the date of investment till the date of refund, within a period of seven days from the date of this order (i.e., by January 27th, 2015) and submit a repayment report to SEBI in the

following format:

S. No.	Name of Client / Investor	PAN of Client / Investor	Address of Client/ Investor	Refund Details			
				From		To	Amount
				Cheque No./ Demand Draft/ NEFT details	Name of the Bank	Cheque No./ Demand Draft/ NEFT details	

(d). prohibit Mr. Sameer S. Joshi from transferring the funds/deposits mobilised from the clients or other investors or from disposing of or alienating any asset that has been created from the funds/deposits received from their clients or other investors for purposes other than refund as directed hereinabove;

(e). restrain Mr. Sameer S. Joshi (PAN: ABSPJ5397C) from buying, selling or dealing in the securities market, either directly or indirectly, in any manner whatsoever, till further directions.

10. The above directions are without prejudice to the right of SEBI to take any other action that may be initiated against Mr. Sameer S. Joshi in accordance with law including the action in accordance with section 12 of the SEBI Act, 1992 and regulations made thereunder.

11. This order shall come into force with immediate effect. The stock exchanges and the depositories are directed to ensure that the above directions are strictly enforced. A copy of the Order shall also be forwarded to the Enforcement Department, the Financial Intelligence Unit, the Economic Offences Wing and the Income Tax Department for taking further necessary action at their end, if any.

12. Mr. Sameer S. Joshi may file his objections, if any, within twenty one (21) days from the date of this Order and, if he so desire, may avail himself of an opportunity of personal hearing before the Securities and Exchange Board of India at its Head Office at SEBI Bhavan, Plot No. C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai- 400051 on a date and time to be fixed on a specific request in writing, to be received in this behalf from Mr. Sameer S. Joshi.

Sd/-

DATE: JANUARY 20th, 2015
PLACE: MUMBAI

RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA