



SEBI confirmed its restrain order on Registrar & Share Transfer Agent and its top management for illegal share-transfers & dividend siphoning-off

Case Details:

1. Case Name: In the matter of Sharepro Services (I) Pvt. Ltd.
2. Order passed by Ms. Madhabi Puri Buch
3. Order dated November 3, 2017.

Summary of facts and Analysis:

1. SEBI confirmed its interim order restraining Registrar & Share Transfer Agent – Sharepro Services (I) Pvt. Ltd. and Mr. Govind Raj Rao (Promoter & Managing Director), Mrs. Bhagyalaxmi Rao (Majority shareholder & Director), Mrs. Indira Karkera (Vice President & Client Manager, collectively 'Noticees');
2. SEBI observed grave lapses by Sharepro Services (I) Pvt. Ltd. and the top management in transferring dividend and shares belonging to rightful investors;
3. With respect to Tata Communications shares, SEBI observed that Sharepro misused the authority of instructing bankers by issuing dividend payment instruments to persons who were not the actual shareholders. SEBI noted that Tata Communications' dividend was paid to third party (Proprietary firm of Mr. Prashant Karkera, husband of Ms. Indira Karkera) on whose account Sharepro had no control.
4. With respect to the wrong credit of dividend of Asian Paints to Sharepro, SEBI rejected the defense of 'genuine error' and immediate

refund of money. However, SEBI opined that "At this stage readiness to refund the fraudulently siphoned off / transferred money cannot be allowed as an excuse".

5. SEBI rejected Mrs. Bhagyalaxmi Rao's submission that she was not involved in activities of Sharepro since inception and there were no specific allegations against her in interim order. SEBI held that "Being Promoter and Director of Sharepro, she is liable for the lack of due diligence, non-professional conduct, lack of integrity and prima facie fraud by Sharepro";
6. SEBI noted that Mrs. Indira Karkera was directly involved in unauthorized transfers of shares and dividends and misappropriation of funds rightfully belonging to innocent shareholders. In this regard, SEBI stated that, "Thus, from the deliberate non-submission of reply, it is inferred that Mrs. Indira Karkera does not have anything to submit in respect of the prima facie findings of the interim order against her".
7. SEBI rejected one of the Noticee's submissions that he had been 'helping out' people in dematerializing shares since the year 2008 for a "small" commission (ranging from 8% to 12%). SEBI stated that "Such 'helping out'...is only an attempt to cover up the illegal siphoning of shares/dividends/funds which he carried out in connivance with Ms. Indira";
8. SEBI stated that order is without prejudice to any enforcement action that SEBI may deem necessary against the Noticees. SEBI directed all recognized Stock Exchanges and Depositories to ensure compliance with directions.

