

BEFORE THE SECURITIES APPELLATE TRIBUNAL
MUMBAI

Order Reserved On: 11.05.2023
Date of Decision : 18.05.2023

Appeal No. 428 of 2023

Alankit Assignments Limited
Alankit House, 4E/2,
Jhandewalan Extension,
New Delhi- 110 055

...Appellant

Versus

Securities and Exchange Board of India,
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai- 400 051

...Respondent

Mr. Somasekhar Sundaresan, Advocate with Mr. Abishek Venkataraman, Mr.KRCV Seshachalam, Ms. Sabeena Mahadik, Mr. Pankaj Uttaradhi and Mr.Mangesh Avhale, Advocates i/b Vissha Law Services for the Appellant.

Mr. Vyom Shah, Advocate with Mr. Ravishekhar Pandey, Ms. Shefali Shankar and Ms. Rasika Ghate, Advocates i/b MDP & Partners for the Respondent.

CORAM: Justice Tarun Agarwala, Presiding Officer
Ms. Meera Swarup, Technical Member

Per: Justice Tarun Agarwala, Presiding Officer

1. The present appeal has been filed against the order dated April 13, 2023 passed by the Whole Time Member ('WTM' for

convenience) of the Securities and Exchange Board of India ('SEBI' for convenience) whereby the appellant has been restrained from taking up new assignments or contracts i.e. onboarding new clients for a period of 6 months from the date of the order.

2. The facts leading to the filing of the present appeal is, that the appellant is the Registrar to an Issue and Share Transfer Agent ("RTA" for convenient). An inspection was conducted regarding the activities of the appellant as the Registrar for the period April 2017 to February 2019. The inspection observed:-

“(i) Delay in lodging Complaints/ Requests in records/

system in 60 instances out of sample of 168 instances

taken during the inspection period.

(ii) Delay in resolving complaints/ requests in 57 instances out of sample of 60 instances taken during the inspection period beyond the stipulated time limit of 30 days.

(iii) Incorrect submission of Data.”

3. Based on the aforesaid observation of the inspection report an enquiry proceedings were initiated under the Intermediaries Regulations, 2008 and a show cause notice dated September 07,

2020 was issued under Regulation 25. The appellant submitted its reply before the Designated Authority ('DA' for convenience). The DA after considering the matter came to the following conclusion:-

- "(a) Alankit accepted delay in lodgment of complaint/requests in its system in 2 cases.*
- (b) With respect to 11 cases, Alankit failed to resolve 3 cases within the prescribed time limit of 30 days, including 2 cases where delay in lodgment was observed.*
- (c) With respect to remaining 47 cases, Alankit finally submitted that complete documents were not received from investors/complainants and upon receipt of such complete documents from investors, the complaints were resolved. However, Alankit failed to provide documents to ascertain actual date of receipt of complete documents from investors/complainants which could have indicated whether there were any violations on its part. Therefore, the violations with respect to 47 cases could not be conclusively established.*
- (d) With respect to allegation of incorrect submissions by Noticee to the inspection team to conceal the delays caused while redressing/processing of complaints/requests, it observed that the alleged violations can at*

best be described as a failure in exercising its duties diligently and the allegations do not stand established conclusively.”

4. Based on the aforesaid conclusion, the DA made the following recommendation:-

“In view of the above, and in view of the overall facts and circumstances of the case and based on the documents submitted by the Noticee and the material available on record, I, in terms of the provisions of Regulation 26 (1) (vii) of the Intermediaries Regulations recommend that a “regulatory censure” may be issued to the Noticee viz. Alankit Assignments Limited, Category I Registrar and Share Transfer Agent, (SEBI Regn no: INR000002532) to be careful in future with respect to its dealings and conduct in the securities market as an RTA/STA and to adopt due diligent measures such as proper checks and balances in its operations in order to avoid any regulatory lapse.”

5. The WTM after considering the recommendation of the DA issued a show cause notice dated November 10, 2022 and a supplementary show cause notice dated January 16, 2023 to show cause why appropriate directions should not be passed under Regulation 27 of the Intermediaries Regulations, 2008.

6. The WTM after considering the matter differed with the recommendation of the DA observing that different replies has been submitted by the appellant before the inspection team and then and again before the DA with respect to the delay/ in lodging/ resolution of complaints. The WTM came to the conclusion, that the appellant had not resolved the grievances within the time frame stipulated under the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 (“RTA Regulations” for convenience) and that the appellant was required to maintain high standards of integrity and fairness in the conduct of its business and, consequently, held that since due diligence was not exercised in a professional manner the appellant had violated Regulation 9A(1)(e) of the RTA Regulations and, consequently, restrained the appellant from taking up new assignments for a period of six months.

7. We have heard Shri Somasekhar Sundaresan, the learned counsel for the appellant and Shri Mr. Vyom Shah, the learned counsel for the respondent.

8. The WTM with regard to the delay in lodging investor complaints and whether the appellant was liable for delay in the resolution of complaint, the WTM has accepted the finding of

the DA as depicted in sub-paragraph (a) & (b) of paragraph 16 of the impugned order with regard to the conclusion drawn by the DA as depicted in sub-paragraph (c) & (d) of paragraph 16. The WTM examined the matter in detail and came to the following conclusion:-

“(i) In 7 instances, the Noticee has been able to support his claim that the complaints were resolved in time.

(ii) In 21 instances, Noticee has not provided sufficient evidence of timely resolution. In fact, the available record strongly suggests that there has been a delay. Noticee’s responses are not backed by evidence and come across as suspicious, aimed at covering up the delay.

(iii) In 32 instances, the Noticee claims to have inadvertently omitted to have affixed the re-lodgment stamp. Evidently there has been delay in resolution of the complaint.”

9. Regulation 9A(1)(e) of the RTA Regulations is extracted hereunder:-

“9A. Conditions of registration-

(1) ...

(e) it shall take adequate steps for redressal of grievances of the investors within one month of the date of the receipt of the complaint and keep the Board informed about the number, nature and other particulars of the complaints received and the

manner in which such complaints have been redressed;”

10. A perusal of the aforesaid provision indicates that the complaints are required to be resolved within one month from the date of the receipt of the complaint. As per the finding of the WTM it is apparently clear that there has been a delay at behest of the appellant in resolving the complaints. The fact remains that complaints were resolved though belatedly. It is not a case where the complaints remained unresolved. On the issue of supplying incorrect submissions to the inspection team and to the DA we are of the opinion, that there is no finding as to what incorrect statements were supplied by the appellant. We are further of the opinion that the appellant is entitled to take such stand as advised to them and there can be a possible scenario that relevant information may not have been available at the time of the inspection but was made available when the show cause notice was issued by the DA. Thus, in our opinion, it is not a case of incorrect submissions made by the appellant to the inspection team. It could be a case of insufficient submissions made by the appellant to the inspection team. The finding that incorrect or unsubstantiated information was

supplied to the inspection team is not based on any cogent reasoning.

11. Considering the aforesaid, that there was only a delay either in the lodging of the complaints or in the resolving of the complaints the recommendation made by the DA advising censure and advising the appellant to be careful in future with respect to which dealings and conduct in the securities market as an RTA and adopt due diligence measures is in our opinion was an appropriate direction instead of restraining the appellant from taking up new assignments. We find from the record that the appellant is handling more than 20 million shareholders of 166 listed companies including 15 public sector undertakings. Thus, delay in a few instances in resolving the complaints cannot lead to restraining the appellant from taking up new assignments which in our opinion appears to be harsh and unjustified in the present facts and circumstances.

12. For the reasons stated aforesaid, while affirming the violation, the direction contained in the impugned order restraining the appellants from taking up any new assignments or contract for a period of six (6) months cannot be sustained and is quashed and is substituted with the recommendation of

the DA, namely, that a regulatory censure is issued to the appellant to be careful in future with respect to its dealings and conduct in the securities market as a RTA and to adopt due diligent measures such as proper checks and balances in its operations in order to avoid any regulatory lapse in future.

13. The appeal stands partly allowed.

14. This order will be digitally signed by the Private Secretary on behalf of the bench and all concerned parties are directed to act on the digitally signed copy of this order. Certified copy of this order is also available from the Registry on payment of usual charges.

Justice Tarun Agarwala
Presiding Officer

Ms. Meera Swarup
Technical Member