

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**ORDER**

Under sections 11(1), 11(4), 11A and 11B of the Securities and Exchange Board of India Act, 1992 read with clause 17.1 of SEBI(Disclosure and Investor Protection) Guidelines, 2000, regulation 111 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

In respect of:

Sr. No	Name of the Entity	PAN	Order Number
1.	DLF Limited	AAACD3494N	117/2014
2.	Mr. K. P. Singh	ABIPS6464P	118/2014
3.	Mr. Rajiv Singh	ABIPS6665G	119/2014
4.	Mr. T. C. Goyal	AAGPG8173N	120/2014
5.	Ms. Pia Singh	AAAPS6436J	121/2014
6.	Mr. Kameshwar Swarup	ABQPS1072H	122/2014
7.	Mr. G. S. Talwar	AEYPT8609L	123/2014
8.	Mr. Ramesh Sanka	ABAPS1340L	124/2014

In the matter of complaints of Mr. Kimsuk Krishna Sinha in respect of DLF Limited and Sudipti Estates Private Limited.

Appearances**For Noticees:**

For DLF Ltd., Mr. T. C. Goyal and Mr. Ramesh Sanka

1. Mr. Janak Dwarkadas, Senior Advocate,
2. Mr. Shardul Shroff, Advocate,

For Mr. K.P. Singh, Mr. Rajiv Singh and Ms. Pia Singh

1. Mr. J.J. Bhatt, Senior Advocate,
2. Mr. Shardul Shroff, Advocate,

For Mr. G.S. Talwar and Mr. Kameshwar Swarup

1. Mr. Somasekhar Sunderasan, Advocate,
2. Mr. Paras K. Parekh,

For Securities and Exchange Board of India:

- 1 Mr Pranjal Jayaswal, Deputy General Manager
2. Mr. Sahil Malik, Assistant General Manager

1. DLF Limited (hereinafter referred to as "DLF") came out with an Initial Public Offer ("IPO") in the year 2007 for issuance of 17,50,00,000 equity shares of ₹ 2 each at a price of ₹525 per equity share aggregating to ₹9187.5 crore. In respect of the said IPO, DLF had filed its draft Red Herring Prospectus (DRHP) dated January 2, 2007 with SEBI. Before the said IPO, DLF had filed a DRHP dated May 11, 2006 ("first DRHP") which was withdrawn by DLF and subsequently it filed the second DRHP dated January 2, 2007 ("second DRHP"). SEBI issued its observations on the second DRHP on May 7, 2007. Thereafter, DLF issued the RHP dated May 25, 2007. The issue opened on June 11, 2007 and closed on June 14, 2007. The Prospectus was filed with Registrar of Companies on June 18, 2007. After the completion of allotment in the IPO, the shares of DLF were listed on Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. on July 5, 2007.
2. With regard to the above IPO of DLF, one Mr. Kimsuk Krishna Sinha ("Mr. Sinha") had filed two complaints with SEBI on June 4, 2007 and July 19, 2007. Mr. Sinha in his complaint dated June 4, 2007, *inter alia*, stated that Sudipti Estates Private Limited ("*Sudipti*") and certain other persons had duped him of ₹34 crore (approx.) in relation to a transaction between them for purchase of land, and he had registered an FIR No. 249/2007 dated April 26, 2007 at Police Station, Connaught Place, New Delhi against *Sudipti*, one Mr. Praveen Kumar and others in that regard. He also stated that *Sudipti* had only two shareholders namely, DLF Home Developers Ltd. ("DHDL") and DLF Estate Developers Ltd. ("DEDL") (both companies being the wholly owned subsidiaries of DLF) holding 5000 equity shares each. He further stated that *Sudipti*, DHDL and DEDL are sister concerns and are inextricably linked and these companies are a part of the DLF group. In view of the said allegations, Mr. Sinha requested that considering the imperative of safeguarding the interests of general public, the listing of DLF pursuant to the IPO be disallowed and immediate action be taken in this regard. Thereafter, vide his complaint dated July 19, 2007, Mr. Sinha had pointed out that DLF in its reply dated July 11, 2007 to him had denied its/ subsidiaries' connection with *Sudipti* at that point of time. He further stated that DLF's claim of not having any association with *Sudipti* was false. Mr. Sinha in the said complaint requested SEBI to address his first complaint and immediately act thereupon.
3. The aforesaid complaints of Mr. Sinha were forwarded to DLF asking it to address the grievances raised therein. DLF sent its reply to Mr. Sinha denying the allegations leveled in the said complaints. Not being satisfied with the response provided by DLF, Mr. Sinha filed a Writ Petition No. 7976/2007 before the Hon'ble Delhi High Court. The said petition was disposed by the Hon'ble High Court vide order dated April 9, 2010 wherein the Hon'ble High Court ordered as following:

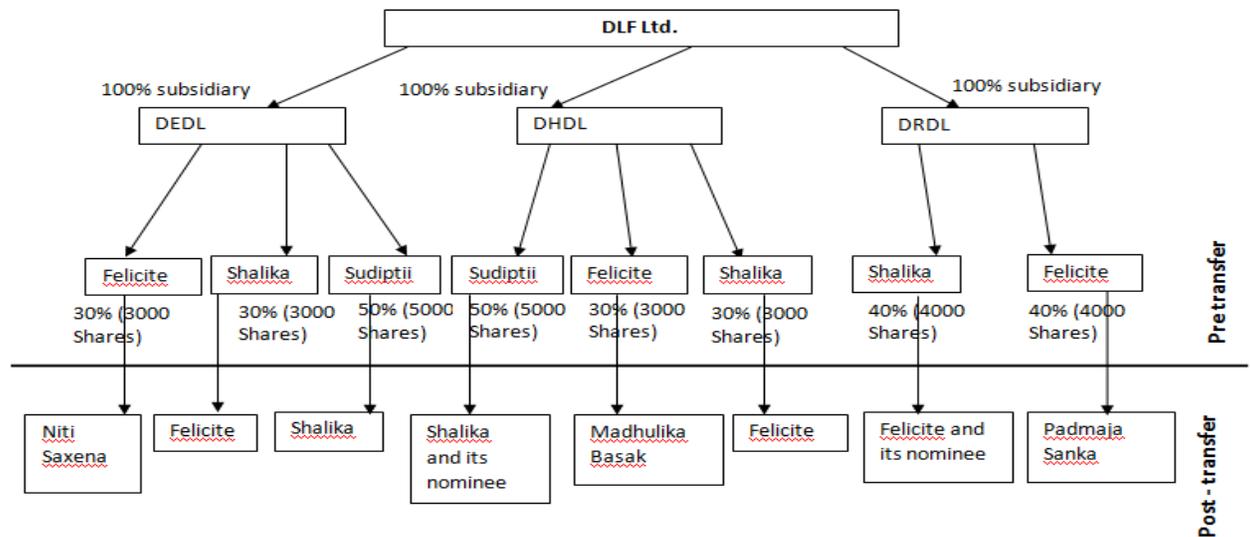
"Accordingly, a direction is issued to the SEBI to undertake an investigation into the aforementioned complaints made by the Petitioner and also the averments made in the affidavits and additional affidavits filed by the Petitioner in the instant case".

4. Against the said order dated April 9, 2010, Letters Patent Appeals were filed by *Sudipti* and DLF before the Hon'ble High Court and the operation of the said order was stayed by the Hon'ble High Court on July 6, 2010. Thereafter, the Letters Patent Appeals were disposed off by the Hon'ble High Court vide order dated July 21, 2011 directing SEBI to examine the matter. Pursuant to the directions of Hon'ble High Court, SEBI, vide an order dated October 20, 2011 ordered an investigation into the allegations levelled by Mr. Sinha in his complaints dated June 4, 2007 and July 19, 2007. The purpose of the investigation was to ascertain the violations, if any, of the provisions of SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("DIP Guidelines") read with corresponding provisions of SEBI (Issuance of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations") and the relevant provisions of the Companies Act, 1956 ("Companies Act").
5. Pursuant to the investigation, SEBI issued a Show Cause Notice dated June 25, 2013 (hereinafter referred to as the "SCN") to DLF, Mr. K. P. Singh (Executive Chairman of DLF), Mr. Rajiv Singh (Vice Chairman), Mr. T.C. Goyal (Managing Director), Ms. Pia Singh (Whole Time Director), Mr. Kameshwar Swarup (Executive Director-Legal), Mr. G. S. Talwar (Director) and Mr. Ramesh Sanka (CFO). All these persons are hereinafter collectively referred to as "the Noticees" and individually by their respective names.
6. The facts and circumstances described in the SCN and the allegations leveled against the Noticees therein are, *inter alia*, as under:
 - a) Mr. K. P. Singh, Mr. Rajiv Singh, Mr. T. C. Goyal, Ms. Pia Singh, Mr. Kameshwar Swarup, Mr. G. S. Talwar and Mr. Ramesh Sanka were part of the top management of DLF during the years 2006-07 and 2007-08.
 - b) Mr. Praveen Kumar is the nephew of Mr. K. P. Singh and at the relevant time he was the director of DLF's subsidiaries viz. DEDL, DLF Land Ltd., DLF Golf Resorts Ltd., Newgen Medworld Hospitals Ltd. and Nilayam Builders & Developers Ltd. Further, he was a director of a promoter group company of DLF viz. Nachiketa Real Estates Pvt. Ltd. He was also a key management personnel (KMP) of DLF and reported to the Board of Directors of DLF.
 - c) At the relevant time, DEDL, DHDL and another company named DLF Retail Developers Ltd. ("DRDL") were the subsidiaries of DLF.

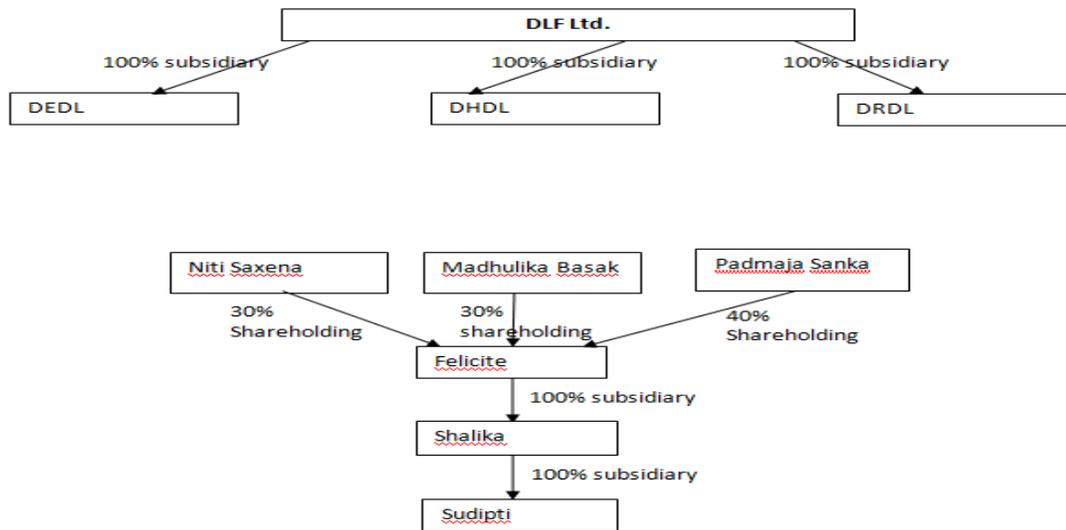
- d) *Sudipti* and two other companies namely, Shalika Estate Developers Private Limited ("*Shalika*") and Felicite Builders & Construction Pvt. Ltd. ("*Felicite*") were incorporated on March 26, 2006. DHDL and DEDL were subscribers to the Memorandum of Association of *Sudipti* and they together held entire equity shares in *Sudipti* (50% each). The entire shareholding of *Shalika*, was held by DHDL (30%), DEDL (30%) and DRDL (40%). Similarly, DHDL, DEDL and DRDL were the only shareholders of *Felicite* and held 30%, 30% and 40% shares, respectively in it.
- e) On November 29, 2006, the entire shareholding in *Felicite* held by DHDL, DEDL and DRDL was sold to three persons namely, Mrs. Madhulika Basak, Mrs. Niti Saxena and Mrs. Padmaja Sanka. These three persons were wives of Mr. Surojit Basak, Mr. Joy Saxena and Mr. Ramesh Sanka, respectively who were the KMPs of DLF.
- f) On November 30, 2006, DHDL, DEDL and DRDL sold their entire shareholding in *Shalika* to *Felicite*. On the same date, DHDL and DEDL, sold their entire shareholding in *Sudipti* to *Shalika*.

g) Pictorial Depiction of various shareholdings:

The names of shareholders and their % age shareholding in *Sudipti*, *Shalika* and *Felicite* before and after the transfer of shares in these three companies are shown in the following diagram:



Post transfer of shares, the shareholding of *Sudipti*, *Shalika* and *Felicite* is shown in the following diagram:



h) Referring to the definition of 'control' under regulation 2(1)(c) the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("SAST Regulations") and Accounting Standard-23 ("AS-23") issued by the Institute of Chartered Accountants of India; and meaning of '*holding-subsidiary*' under section 4 of the Companies Act, it has been alleged in the SCN that :-

- (i) Even after the sale of entire shareholding in *Sudipti*, *Shalika* and *Felicite* by the wholly owned subsidiaries of DLF, there was no change in the composition of the Board of directors of these three companies. The directors in *Sudipti*, *Shalika* and *Felicite*, who were employees of DLF, continued to be the directors of these companies even after the aforesaid sale of shareholding. These directors were subject to the control of DLF due to their 'employee and employer relationship'. Due to this set of arrangement, DLF was in a position to control the boards of these three companies. Therefore, it has been alleged that in terms of SAST Regulations, these three companies were under the control of DLF even after November 29-30, 2006 i.e. after the date of claimed dissociation. Therefore, *Sudipti*, *Shalika* and *Felicite* were related parties of DLF in terms of AS-18. It has been alleged that DLF has failed to disclose its *related party transactions*.
- (ii) The three shareholders who, pursuant to purchase of shares of *Felicite* from DHDL, DEDL and DRDL on November 29, 2006, became 100% shareholders of *Felicite*, which in turn became 100% shareholder in *Shalika* and which in turn became 100%

shareholder in *Sudipti*, were spouses of KMPs of DLF. These three shareholders were not regular investors / traders in the securities market though they claimed that they purchased entire shares of *Felicite* for the purpose of investment in real estate sector. All the three transferees were “*Housewives*” and they held bank accounts jointly with their respective husbands. On this basis, it was alleged that their purchases of shares in *Felicite* were funded by their respective husbands' joint accounts. Considering the fact that all these three shareholders were '*Housewives*' and that the payment towards their purchases of shares of *Felicite* were made from the joint accounts held with their respective husbands, it has been alleged that DLF never lost control of *Sudipti*, *Shalika* and *Felicite*.

- (iii) Even after the sale of entire shareholding in *Sudipti*, *Shalika* and *Felicite* by the wholly owned subsidiaries of DLF There was no change in any of the authorized signatories of the bank accounts of these three companies and Mr. Surojit Basak, husband of Mrs. Madhumita Basak and a KMP of DLF continued to be the common authorized signatory for the three companies. Further, there was no change in their registered office and Statutory Auditors.
- (iv) *Shalika* did not have any money of its own to purchase shares of *Sudipti* but the same was funded by the sellers of those shares. Similarly, payments towards sale of shares of *Shalika* claimed to have been received by DHDL, DRDL and DEDL from *Felicite* were part of the composite payments from *Felicite* thereby pointing to the lack of conclusive proof of receipt of payments by DHDL, DRDL and DEDL in respect of sale of shares of *Shalika*.
- (v) Considering such payments for purchase of shares as described above, it has been alleged that entire share transfer process in *Sudipti*, *Shalika* and *Felicite* was executed through sham transactions by DLF and its associates/subsidiaries.
- (vi) The said three “*Housewives*” continued to be the shareholders of *Felicite* as long as their respective husbands continued to be the KMPs of DLF and once they ceased to be the KMPs, shares were transferred to other KMPs' '*Housewives*' /subsidiary company.
- (vii) In view of the above, it has been alleged that *Sudipti*, *Shalika* and *Felicite* were and are subsidiaries of DLF. In terms of the provisions of DIP Guidelines and AS-23, names of these subsidiary companies should have been disclosed in the RHP/Prospectus of DLF, which it has failed to do. DIP Guidelines also required DLF to provide certain disclosures with respect to its subsidiaries, e.g. history and nature of business of subsidiaries and their financial information. DLF's Prospectus dated June 18, 2007 did not provide any such information of the aforesaid subsidiaries. Therefore, it has

been alleged that DLF has violated provisions of clause 6.10.2.3 of the DIP Guidelines.

- (viii) Both *Sudipti* and *Shalika* did not account for any expenses on account of operations, cost of establishment/personnel, rent, electricity, telephone, property tax or salary in their books of accounts during the financial year 2006-07 and 2007-08. It has been alleged that some other entity was incurring /absorbing such costs.
- (ix) *Sudipti* had entered into a development agreement during the year 2006 with DLF Commercial Projects Corporation (DCPC) a partnership firm of DLF. Pursuant to the said agreement, DCPC had provided performance deposit amounting to ₹45 crore during the year 2006-07 to *Sudipti*. During the period September-October, 2006, *Sudipti* was funded by DLF's subsidiaries / associates through a series of transactions through an entity named Vikram Electric & Equipments Pvt. Ltd. ("Vikram"). These funds were used for purchase of land and creation of development rights on the land so acquired. As per the annual accounts of *Sudipti* for the year 2011-12, this amount is appearing as liability even after 6 years of claimed dissociation.
- (x) Clause 6.11.1.2 of DIP Guidelines read with regulation 111 of the ICDR Regulations, *inter alia*, required DLF to disclose in its Prospectus the information about outstanding litigations in respect of its subsidiaries or any other litigation whose outcome could have a materially adverse effect on the financial position of DLF. However, the Prospectus of DLF did not provide any information of FIR (249/2007) registered by Mr. Sinha on April 26, 2007 against *Sudipti*, Mr. Praveen Kumar (KMP of DLF) and others. On this basis it has been alleged that DLF has violated clause 6.11.1.2 of the DIP Guidelines.
- (xi) In terms of clause 6.15.2 of the DIP Guidelines read with regulation 111 of the ICDR Regulations, disclosures in prospectus are required to be certified to be true and correct by the directors and CFO of the issuer. In this case, the directors and CFO of DLF have failed to ensure disclosures to be true and correct.
- (xii) During the year 2006-07, a total of 355 companies (including *Sudipti*) were stated to be dissociated by DLF. Further, a total of 281 companies had become subsidiaries of *Felicite*. It has been alleged that dissociation of *Sudipti* is a sham transaction.

7. In view of the above, it has been alleged in the SCN that the Noticees employed a scheme by camouflaging the association of *Sudipti* with DLF as dissociation. They have failed to ensure that the RHP/Prospectus contained all material information which is true and adequate, so as to enable the investors to make an informed investment decision in respect of the issue. The Noticees actively and knowingly suppressed several material information

and facts in the RHP/Prospectus leading to misstatements in the RHP/Prospectus so as to mislead and defraud the investors in securities market in connection with the issue of shares of DLF.

8. On the above basis, the Noticees have been charged, in the SCN, to have violated the provisions of clauses 6.2, 6.9.6.6., 6.10.2.3, 6.11.1.2, 6.15.2 and 9.1 of DIP Guidelines read with regulation 111 of ICDR Regulations and section 11 of the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and also the provisions of section 12 A(a), (b) and (c) of SEBI Act read with regulations 3 (a), (b), (c), (d), 4(1), 4 (2)(f) and (k) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("PFUTP Regulations"). The relevant portion of these provisions of the SEBI Act, PFUTP Regulations, ICDR Regulations and DIP Guidelines are reproduced as under:

"SEBI Act, 1992

Functions of Board.

11. (1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.

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 the issue, purchase or sale of any securities listed or proposed to be listed on a recognised stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(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 thereunder;

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly-

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;
- (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:-
 - (f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities
 - (k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors.

DIP Guidelines, 2000

6. About the Issuer Company

6.2 The prospectus shall contain all material information which shall be true and adequate so as to enable the investors to make informed decision on the investments in the issue.

6.9.6 Promoters/ Principal Shareholders

6.9.6.6 Related party transactions as per the Financial Statements

6.10 Financial Statements

6.10.2.3 If the issuer company has subsidiaries, the report shall:

- (a) so far as regards profits and losses, deal separately with the issuer company's profits or losses as provided by 6.10.2.2 and in addition, deal either:
 - (i) as a whole with the combined profits or losses of its subsidiaries, so far as they concern the members of the issuer company; or

(ii) individually with the profits or losses of each subsidiary, so far as they concern the members of the issuer company;

or, instead of dealing separately with the issuer company's profits or losses, deal as a whole with the profits or losses of the issuer company, and, so far as they concern the members of the issuer company, with the combined profits or losses of its subsidiaries; and

(b) so far as regards assets and liabilities, deal separately with the issuer company's assets and liabilities as provided by 6.10.2.2 and in addition, deal either:

(i) as a whole with the combined assets and liabilities of its subsidiaries, with or without the issuer company's assets and liabilities; or

(ii) individually with the assets and liabilities of each subsidiaries; and shall indicate as respects the assets and liabilities of the subsidiaries, the allowance to be made for persons other than the members of the issuer company.

6.11 Legal and Other Information

6.11.1 Outstanding Litigations and other material developments

6.11.1.2 The information about outstanding litigations as per clause 6.11.1.1 (e) shall be furnished in respect of subsidiaries of the issuer company (if applicable).

6.15 Other Information

6.15.2 Declaration

(a) The draft prospectus (in case of issues other than fast track issues), red herring prospectus and prospectus shall be approved by the Board of Directors of the issuer and shall be signed by all Directors, the Chief Executive Officer, i.e., the Managing Director or Manager within the meaning of the Companies Act, 1956 and the Chief Financial Officer, i.e., the whole-time Finance Director or any other person heading the finance function and discharging that function.

(b) The signatories shall further certify that all disclosures made in the prospectus are true and correct.

9.1 Guidelines on Advertisement

9.1.0 An issue advertisement shall be truthful, fair and clear and shall not contain any statement which is untrue or misleading. "

ICDR Regulations, 2009

Repeal and Savings.

111. (1) On and from the commencement of these regulations, the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 shall stand rescinded.

(2) Notwithstanding such rescission:

(a) anything done or any action taken or purported to have been done or taken including observation made in respect of any draft offer document, any enquiry or investigation commenced or show cause notice

issued in respect of the said Guidelines shall be deemed to have been done or taken under the corresponding provisions of these regulations;

(b) any offer document, whether draft or otherwise, filed or application made to the Board under the said Guidelines and pending before it shall be deemed to have been filed or made under the corresponding provisions of these regulations."

9. By the SCN, the Noticees have been called upon to show cause as to why suitable directions under sections 11(1), 11(4), 11A and 11B of the SEBI Act read with clause 17.1 of DIP Guidelines and regulation 111 of ICDR Regulations including a direction to debar them from accessing the securities market and prohibit them from buying, selling or dealing in securities for a particular duration should not be issued against them.
10. Vide letter dated November 1, 2013, DLF submitted its reply to the SCN and the other Noticees also filed their separate replies on different dates. Opportunities of personal hearing were granted to the Noticees on December 4, 2013 and January 15, 2014. On the said dates, the representatives of the Noticees appeared and made their submissions. Pursuant to the hearing, vide letter dated January 29, 2014, DLF filed additional written submissions. The other Noticees also filed their additional written submissions pursuant to the hearing vide separate letters. The replies / written submissions of the Noticees are summarized as under:

I. Reply/submissions of DLF

- 1) It is a matter of record that the Hon'ble Delhi High Court in its Order dated 21.07.2011 had set aside in entirety the Order of the Ld. Single Judge dated 09.04.2010 which had directed SEBI to "*undertake an investigation into the aforesaid complaints made by the (Respondent No. 2) and also the averments made in the affidavits and additional affidavits filed by the (Respondent No. 2)...*" and instead directed that "*SEBI shall examine the complaints and take a decision and communicate it to the parties*" The expression "complaints" used in the Order dated July 21, 2011 refers to the complaints of Mr. Sinha where the allegation was of purported fraud committed by *Sudipti*, on which basis request for cancellation of listing of DLF was made. These complaints did not allege any violation of the DIP Guidelines or any other guidelines, regulations, circulars or law or allegations of funding, etc. Thus, in terms of the Order dated July 21, .2011, SEBI had to examine and render its decision on the basis of the original complaints of Mr. Sinha alone without being influenced by the allegations made and documents submitted by Mr. Sinha subsequently by way of additional affidavits before the Hon'ble Delhi High Court in course of WP (C) No. 7976 of 2007 or any other materials /documents which were not contemporaneous with the original complaints. The

present proceedings are therefore far in excess of the jurisdictional limits transcribed for SEBI in the Order dated July 21, 2011 passed by the Hon'ble Delhi High Court.

- 2) SEBI cannot invoke the provisions of the PFUTP Regulations since the Order dated October 20, 2011 passed by the Hon'ble Whole Time Member of SEBI had confined the investigation to be done pursuant to the said Order to violations of the SEBI Act and DIP guidelines read with relevant provisions of the Companies Act, 1956. It is submitted that SEBI cannot transgress the jurisdictional mandate set for the investigation under the aforesaid Order dated October 20, 2011. It is, therefore, submitted that the invocation of PFUTP Regulations in the present matter is without jurisdiction.
- 3) SEBI provided DLF an inspection of only those documents which were appended to the SCN, whereas the request of DLF for inspection of other documents including the correspondence exchanged between the Merchant Banker of DLF and SEBI at the time of processing of DLF's IPO was denied. Non-furnishing of such documents impairs the ability of DLF to fully respond to the charges leveled in the SCN and consequently the same is in violation of the principles of natural justice.
- 4) While processing the second DRHP of DLF, SEBI reviewed all the documents filed along with the second DRHP including the delta view document and in exercise of its power as a market regulator, SEBI also issued comments on the disclosures in the DRHP on several occasions. DLF, thus, had the legitimate expectation that SEBI, while acting in its regulatory capacity and issuing comments, has reviewed all the documents placed before it, and having already applied its mind to the disclosures and the sufficiency thereof for the IPO, it is not open for SEBI to contend otherwise.
- 5) No prejudice has been caused to any investor of DLF as a consequence of any purported non-disclosure in the RHP/Prospectus nor has any investor lodged any complaint with SEBI with regard to the veracity of the disclosures in the RHP/Prospectus or the same adversely affecting his/her interest. The SCN also does not contain any allegations in relation to any loss suffered or any illegal advantage attributed to DLF on account of the alleged non-disclosures. In fact, disclosures as alleged would amount to misstatement as it would suggest untrue facts.
- 6) SEBI has erred in invoking its statutory powers under the SEBI Act on the strength of complaints made by a person (i.e. Mr. Sinha) who, at the relevant point of time, was neither an investor nor a subscriber to the shares of DLF or in any other manner related to the securities market and therefore had no legitimate cause to take recourse to the jurisdiction vested in SEBI under the SEBI Act, 1992.
- 7) It would be entirely misplaced for SEBI to exercise its regulatory powers at such a distant point of time from when the alleged infractions were alleged to have been committed. Any

adverse measure against DLF would only be counterproductive to the interests of the securities market and millions of investors who are invested in or have been trading continuously over 6 years in shares of DLF in an ordinary manner consistent with the securities market. In this entire period, not a single complaint has been received by DLF relating to misstatement or non-disclosure in the RHP/Prospectus. The balance of convenience is entirely in favor of DLF and the interest of investors and the securities market do not warrant any adverse action to be taken against DLF in the matter.

- 8) DLF has not suppressed any material information or fact leading to misstatement in the RHP/Prospectus so as to mislead or defraud the investors whether actively, knowingly or otherwise. The RHP/Prospectus was minutely and rigorously scrutinized by experts to ensure compliance with all applicable norms, and these experts also certified the accuracy of the disclosures made therein. DLF acted on the basis of *bona fide* advice received by it from eminent experts.
- 9) DLF has not employed any scheme by camouflaging the association of *Sudipti* with DLF as dissociation. The RHP/Prospectus did not contain any misstatement or non-disclosures regarding *Felicite*, *Shalika* or *Sudipti*. There was no requirement for disclosing the said three companies as subsidiaries or related parties. In fact, to disclose these companies as subsidiaries would have been a misstatement in itself.
- 10) The financial, business or commercial aspects of the RHP/Prospectus which lead to the investor judgment (whether they should invest in the IPO) would not have been affected in any manner even if names of *Sudipti*, *Shalika* and *Felicite* were disclosed as subsidiaries / related parties in the RHP/Prospectus. The relevance of *Sudipti* to DLF, from a commercial view-point, was merely the developmental rights in the land owned by *Sudipti* that DLF procured through DLF Commercial Projects Corporation ("DCPC"). The RHP/Prospectus also fairly disclosed the risk relating to the said development rights constituting 37.9% of the total land reserves of DLF. This percentage of 37.9% included the sole development rights procured from *Sudipti* by DCPC. These commercials pertaining to risk factors, land reserve disclosure, etc. would not have changed even if the names of *Sudipti*, *Shalika* and *Felicite* were disclosed as subsidiaries or related parties. Such development rights gave DLF substantially the right to all revenues from development and the authority to transfer title to the land. Therefore, the transfer was done because these companies were no longer commercially relevant to DLF and not because by such transfer DLF would have continued to exercise control over these companies.
- 11) At page 72 of the RHP/Prospectus, it was disclosed that "... *the commercial effect of sole development rights is to entitle us to substantially all the revenues from the relevant development*". Further, at page 73 of the RHP/Prospectus, it was disclosed that "*We acquire sole development rights*

pursuant to sole development agreements, under which the land owner grants us the right to develop the land for a fixed consideration. In addition, these agreements give us the right to substantially all the revenues from the development, and we would also have the authority to transfer the title to the land. Ordinarily, the cost of development of the land is borne by us. Out of 4,575 acres for which we have sole development rights, we have entered into arrangements pursuant to which counterparties have agreed to make available to us for sole development 4,304 acres of land. In respect of these 4,304 acres, the counterparties have indicated that, as of April 30, 2007, they have, directly or indirectly, acquired 1,485 acres of land, for which sole development rights have been already granted to us, and have entered into agreements to acquire a further 313 acres of land. In addition to 4,304 acres as mentioned above, we have arrangements under which we have been granted sole development rights for 271 acres of land, out of which 124 acres have been acquired and arrangements have been entered into to acquire a further 140 acres." Furthermore, at page 393 of the RHP/Prospectus, it was also disclosed that "*In stocks, we include the cost of land to which we own sole development rights. In respect of lands to which we own sole development rights, we have all the benefits and rights in respect of the developments on such land, i.e., we have the exclusive right to develop it as well as control its use and disposition and should we develop plots on the whole or part of such land, we have the absolute right to sell the land to prospective purchasers on such terms and conditions as may be deemed fit and proper by us. Further, we are entitled to all the revenue from the development, including rent, net, in the case of a large number of our sole development agreements of a payment of ₹5 lac per acre to the grantor of the rights"*. Thus, because of the fact that DLF had procured the sole development rights from *Sudipti*, the ownership and development potential were separated and the ownership of the land became irrelevant.

- 12) Pursuant to a development agreement between *Sudipti* and DCPC, *Sudipti* had received a sum of ₹45 crore from the latter. This amount was indicated as an outstanding liability in the books of account of *Sudipti*. As a consequence, as on the date of the transfer of the shares of *Sudipti*, its net asset value was less than ₹ 10 per share, as a reason of the outstanding liability towards DCPC. Accordingly, DEDL and DHDL transferred its shares at face value. SEBI has while considering the assets of *Sudipti* for the purposes of valuation, failed to take into account the outstanding liabilities of *Sudipti*, which exceeded the value of its assets.
- 13) The allegation that *Shalika* did not have the funds to purchase the shares of *Sudipti* and its own original shareholders advanced the monies to it in the garb of share subscription money is farcical. The cheques in respect of the consideration for purchase of shares of *Sudipti* were issued by *Shalika* itself and it had the requisite monies in its account to honour the said cheques. Further, *Shalika* being the beneficial interest owner had paid for all shares, including that held by it jointly with Mr. Gautam. The subscribers to the memorandum of association of *Shalika* (including DEDL and DHDL) remitted their share

subscription money between November 29, 2006 to December 01, 2006 i.e. about 8 months after the incorporation of *Shalika* and thereafter the said money was used by *Shalika* to purchase shares of *Sudipti*. There is no legal infirmity in the delayed remittance of share subscription money by the original shareholders of a company.

- 14) *Felicite* had acquired shares of number of companies from DEDL, DHDL and DRDL and as per normal commercial practice a consolidated remittance for the purchase price was made by *Felicite* to DEDL, DHDL and DRDL. The sums remitted by *Felicite* included payment towards purchase of shares of *Shalika*. Hence, the allegation that there is no conclusive evidence that payments made by *Felicite* to DEDL, DHDL and DRDL were actually received by them, is not correct.
- 15) SEBI has not impugned the validity of the transfer of shares held by the DEDL, DHDL and DRDL to the Mrs. Niti Saxena, Mrs. Madhulika Basak and Mrs. Padmaja Sanka. There is no disability in law barring a person from investing in shares merely because she is a “Housewife” by profession. Nor can there be an adverse inference regarding the veracity and validity of the share acquisition by such person because the purchase consideration has been advanced from the joint account held by her and her spouse. The fact that the spouses of certain employees of DLF were shareholders of *Felicite* does not lead to a legal inference that *Felicite* is a subsidiary of DLF. Consequently, a further inference that *Felicite*’s wholly owned subsidiary *Shalika* and in turn *Shalika*’s wholly owned subsidiary *Sudipti* are subsidiaries of DLF is entirely fallacious and incorrect.
- 16) The allegation that the shareholders of *Felicite* continued to hold shares only till their respective husbands remained in the employment of DLF is denied. According to DLF, the records of *Felicite* indicate that Mrs. Reema Hinduja continues to be shareholder of *Felicite* even though her husband Mr. Gaurav Monga ceased to be an employee of DLF on or about April 30, 2011. Further, subsequent acquisition of shares of *Felicite* by the persons whose spouses were employees of DLF cannot lead to conclusion, let alone even an inference that DLF had control over *Felicite* and consequently on *Shalika* and *Sudipti*.
- 17) During the period between *Sudipti*’s and *Shalika*’s incorporation and November 30, 2006 when they came to be held by *Felicite*, they did not have any business which would require it to incur substantial operational expenses. DLF is not privy to the operational expenses and financial position of *Sudipti* and *Shalika* post November 30, 2006, and is thus unable to comment on the same. DLF is neither incurring nor absorbing the operational expenses that are being incurred by *Sudipti* and *Shalika*. Additionally, DLF is not privy to the reason for non-shifting of the office address of *Shalika*.

- 18) The SCN does not indicate why DLF would go through the various processes set out in the SCN merely to avoid disclosure of *Sudipti* as its subsidiary. The SCN does not allege any motive behind the alleged acts of DLF and its personnel.
- 19) Annexure XXI of the auditors certificate, as included in the RHP/Prospectus, contain clear and unequivocal recordal of the related parties and *Key Management Personnel* for the purposes of AS-18 and also enterprises under the control of KMPs and their relatives. It is respectfully submitted that the certificates and compliance documentation prepared in accordance with the Companies Act, 1956 and Accounting Standards are the only permissible records for discovery of issues concerning related party disclosures and KMPs in accordance with the Accounting Standards. The Financial Statements of DLF and the contents thereof were certified by the statutory auditors and were reviewed and recommended by the Audit committee in accordance with the applicable law. Thus, it is incorrect to subject DLF to a different test for determining if *Felicite*, *Shalika* or *Sudipti* had been a “related party” or “subsidiary” and such action is unsustainable under Companies Act, 1956 and the Accounting Standards.
- 20) A significant difference in relation to the DRHP dated May 11, 2006 ("first DRHP") and the DRHP dated January 2, 2007 ("second DRHP"), *inter alia*, related to the change in DLF's subsidiaries and related parties, besides revised financial figures due to the passage of time. Whilst the first DRHP had the financials presented up to March 31, 2006, the second DRHP updated it to November 30, 2006 and the Offer Document filed pursuant to the second DRHP further updated it to March 31, 2007. A comparison between the financial statements for the year ending March, 2006 and March, 2007 made out the difference in disclosures of related parties apparent on the face of the document. When the second DRHP was filed, DLF through its Merchant Bankers filed with SEBI a document indicating all the differences (in track mode) between the first DRHP and second DRHP. Thus, the fact that *Felicite*, *Shalika* and *Sudipti*, which were related parties of DLF in May, 2006 had ceased to be so, was within the knowledge of SEBI and yet no objection was raised to such disassociation.
- 21) DLF filed a delta view document, indicating all differences between second DRHP and the first DRHP to SEBI. Therefore, it is self-evident that the deletion of the names of *Sudipti*, *Shalika* and *Felicite* was not through clandestine or surreptitious maneuvers but in an open and transparent manner.
- 22) The second DRHP/RHP, remained in public domain from January to May, 2007 on the websites of the stock exchanges, SEBI, all the Merchant Bankers when no investor complaint regarding any purported non-disclosures therein were received. In these

circumstances, there was no reason to suspect that the RHP/Prospectus contained any incorrect statements.

- 23) In May 2013, for the purposes of ensuring compliance provisions of Securities Contracts (Regulation) Act, 1956, DLF has duly conducted an Institutional Placement Program by way of issuance of shares. This offering of shares, after the initial IPO in June, 2007 amounts to a regulatory waiver and acquiescence in favor of DLF, its promoters and directors.
- 24) Whether a company constitutes a subsidiary of another has to be determined under Section 4 of the Companies Act, 1956 read with AS 21. In the present case from November 29-30, 2006, DLF was neither holding, directly or indirectly, any equity share capital in *Felicite*, *Shalika* and/or *Sudipti* nor enjoying any voting rights, directly or indirectly, *qua* these three companies. As a matter of law, from and with effect from November 29-30, 2006, *Felicite* became the ultimate holding company (parent) of both *Shalika* and *Sudipti*. It is neither SEBI's case nor can it be countenanced on the basis of facts on record that the shareholders of *Felicite*, were holding the shares of *Shalika* (or *Sudipti*) beneficially for or on behalf of DLF. Thus, *Felicite*, *Shalika* and/or *Sudipti* cannot be regarded as subsidiaries of DLF under section 4(1)(b) and 4(1)(c) of the Companies Act, 1956 or under the first limb of the definition of 'control' under AS-21. The statutory auditors also, while preparing the audited accounts of DLF for FY 2006-07 did not mention the names of *Felicite*, *Shalika* and *Sudipti* as subsidiaries of DLF.
- 25) The test of '*control over the composition of Board of directors of a company*' prescribed by Section 4(2) of the Companies Act, 1956 and AS 21 is not satisfied in the present case. There is nothing to suggest that the shareholders of *Felicite*, *Shalika* and/or *Sudipti* could not have appointed or removed a director without affirmation of DLF post November 29-30, 2006.
- 26) DLF was not in a position to control the Board of *Felicite*, *Shalika* and/or *Sudipti* as the conclusion has been arrived at *de hors* the letter and spirit of section 4(2) of the Companies Act, 1956 and AS-21 which lay down the authoritative principles to discern whether '*control over the composition of the Board of directors of a company*' exists. SEBI has adopted an incorrect yardstick to deduce control over the composition of a board of a company by relying upon the definition of '*control*' under AS-23 and the SAST Regulations. The definition of '*control*' under AS-23 is for the purposes of laying down a standard of accounting for investment in Associates in consolidated financial statements. This definition of '*control*' provided under AS-23 cannot be applied out of context and/or read into Section 4(2) of the Companies Act, 1956. Further, AS-21, which is the applicable accounting standard for preparation and presentation of financial statements for a parent and subsidiary, provides its own definition of '*subsidiary*' and '*control*'. SAST Regulations cannot be applied in the context of unlisted

companies which propose to undertake an Initial Public Offering since the purport and application of the same is restricted to the context of takeovers, public offers and acquisition of shares in a listed company. Even otherwise, the test set out in regulation 2(1)(c) is not satisfied in the present case. The fact that the shareholders of *Felicite*, *Shalika* and *Sudipti* did not change the existing directors on the Board of these Companies, cannot be implied to mean an assumption of decisive control over the Board of these companies in terms of the requirement set out in section 4(2) of the Companies Act, 1956 and AS-21. The element of ‘control’ for the purpose of Section 4(1)(a) of the Companies Act, 1956 and AS-21 is relatable to the “composition” of the Board of directors of a company and not the actual working and decision making of the Board of directors. Therefore, the purported ‘employer-employee relationship’ between the directors of *Felicite*, *Shalika* and/or *Sudipti* on the one hand and DLF/its subsidiaries on the other cannot give rise to any inference of control over the composition of Board of directors in terms of Section 4 of the Companies Act, 1956 and AS-21.

- 27) The three entities (*Felicite*, *Shalika* and *Sudipti*), pursuant to the divestment of equity stake by DEDL, DHDL and DRDL, ceased to be a ‘related party’ to DLF. Further, there is nothing to show that DLF had the power to direct the financial and/or operating policies of the three companies. In the present case, the tests of "related party", "control" or "key management personnel" provided under AS-18 are not satisfied
- 28) On a composite reading of the definitions of the expressions 'related party', 'significant influence' and 'control' under AS-18 it emerges that *Felicite*, *Shalika* and *Sudipti* were not related parties of DLF as on the date of the Second DRHP or any time thereafter since after November 29-30, 2006, DLF did not directly or indirectly hold any shareholding/voting power in *Felicite*, *Shalika* and/or *Sudipti* nor did it have any control over the composition of Board of directors of *Felicite*, *Shalika* and/or *Sudipti*, directly or indirectly. Further, there is nothing to show that DLF had the power to direct, by statute or agreement, the financial and/or operating policies of *Felicite*, *Shalika* and *Sudipti*.
- 29) The shareholders of *Felicite* are the spouses of certain employees who have been named in the prospectus as “Key Managerial Employees” in accordance with the requirements in clause 6.9.5.8 of the DIP Guidelines. Clause 6.9.5.8 of the DIP Guidelines requires the issuer to set out the details of employment of the Key Managerial Personnel. It is evident in view of Clause 6.9.5.8(b) that disclosure in terms of this provision is limited to persons who are in the permanent employment of the issuer company and none others. The test under clause 6.9.5.8 of Key Managerial Personnel is thus distinct from the test of Key Management Personnel under AS-18. AS-18 does not recognize the persons required to be disclosed under clause 6.9.5.8 as Key Management Personnel for the purposes of “related

party" relationships. As a necessary corollary, merely because the spouses of persons disclosed under clause 6.9.5.8 are holding shares in *Felicite* would not make it a related party in terms of paragraph 3(e) of the AS-18. Similarly, the directors of *Felicite*, *Shalika* and *Sudipti* are not Key Management Personnel of DLF in terms of AS-18.

- 30) The FIR lodged by Mr. Sinha did not come to the knowledge of DLF until June 25, 2007 when DLF received a letter from SEBI. SEBI's reliance on the order dated October 20, 2011 passed by the Hon'ble WTM of SEBI to impute knowledge upon DLF of the existence of the FIR is entirely erroneous insomuch as the said finding arrived by the WTM was only a *prima facie* finding. Also, the said FIR can neither be said to be litigation nor one which could affect the *operations and finances* of DLF, as required under Clause 6.11.1.1(e) of DIP Guidelines. Moreover, the FIR lodged by Mr. Sinha against *Sudipti* and certain others on the basis of the grievance made in the complaints was found unmeritorious by the police and consequently closed by the Learned Metropolitan Magistrate. Furthermore, there is no basis in law to foist deemed knowledge of the FIR on DLF without there being even a shred of evidence that DLF or any of its directors had actual knowledge of the FIR. The fact that Mr. Praveen Kumar is the nephew of Mr. K.P. Singh, the promoter/chairman of DLF and one of the "Key Managerial Employee" (as distinguished from a Key Management Personnel under AS-18) is also wholly insufficient to conclude that DLF was aware of the FIR registered against *Sudipti*.
- 31) Since, the above three entities, at the relevant time, were not the subsidiaries of DLF, no disclosures were required to be made in the RHP/Prospectus about them. Therefore, DLF has not violated provisions of Clauses 6.2, 6.10.2.3, 6.11.1.2, 6.15.2, 9.1 of the SEBI (DIP), Guidelines.
- 32) The gravamen of the allegations of SEBI is disassociation of *Sudipti* by the subsidiaries of DLF. In view of the fact that the transfer of shareholding in *Sudipti* by DLF's subsidiaries stood consummated on November 30, 2006 i.e. much prior to DLF's second DRHP, the said act bears no correlation to the securities market. Further, '*dealing in securities*' (as defined under regulation 2(b) of the FUTP Regulations) is an essential ingredient of the definition of '*fraud*' (as defined under regulation 2(c) of the FUTP Regulations) and it cannot be said in the instant factual matrix that any act, omission or concealment was caused by any of the Noticees while '*dealing in securities*', which would satisfy the definition of '*fraud*' for the purposes of the FUTP Regulations. While, the allegations of fraud, etc. require a higher standard of proof, allegations in the SCN are not substantiated and are based on mere surmises, conjectures and *ipse dixit*.

- 33) The SCN is conspicuously silent as the effect of the purported non-disclosures or wrong disclosures made by DLF in the Offer Documents on the investors who subscribed to DLF's issue.
- 34) The fact that Mr. Praveen Kumar is a director of DEDL does not in any manner affect the veracity of the transfer of shares of *Sudipti*. The fact that Mr. Kumar is the Managing Director of DEDL and a director on the board of other subsidiaries of DLF is also not relevant for the present purposes. Further, the fact that he is a nephew of the Chairman of DLF does not make him a "relative" of the Chairman of DLF within the meaning of the Companies Act, 1956. Further, the familial connections between Mr. Praveen Kumar and the Chairman of DLF are not relevant for the present proceedings. Additionally, Mr. Kumar was not a Key Management Personnel of DLF within the meaning of AS-18 and accordingly not declared as such in the financial statements enclosed in the Offer Document.
- 35) With regard to funds received by *Sudipti* from Vikram, *Sudipti* had entered into an agreement with Vikram whereby Vikram was appointed as a consolidator for lands. The sources of funds of Vikram is of no consequence to the present case. Further, it is specifically denied that Vikram was an associate company of DLF at the relevant time.
- II. Mr. K.P. Singh, vide letters dated November 25, 2013 and January 30, 2014 adopted the replies submitted by DLF. He further submitted that the SCN has been issued to him in the capacity of the Chairman of DLF and there is no allegation of any wrong doing on his part. Further, there is no concept of strict or vicarious liability under section 11 and 11B of the SEBI Act which would enable SEBI to issue directions against directors in the absence of any specific allegations against them. In addition thereto, he submitted that given the complexity and specialized nature of the process of IPO of DLF and his advanced age of 82 years, he heavily relied on the advice of various experts involved in the process such as Merchant Bankers and acted *bona fide* on such expert advice.
- III. Mr. Rajiv Singh, vide letters dated November 27, 2013 and January 30, 2014 adopted the replies submitted by DLF. He submitted that SEBI rejected his request for inspection of IPO papers including the correspondence exchanged between the Merchant Banker and SEBI, and other relevant documents and the same was in violation of the principles of natural justice. Further, the show cause notice affixes the liability on him solely on account of the fact that he was the director of DLF and there is no evidence whatsoever of his complicity with such the alleged contraventions. The SCN is silent on setting out the particulars of the purported contraventions. He also submitted that while approving the

Financial Statements contained in the Offer Document, he was largely guided by expert advice required, and the contents of the Offer Document had been certified to be true, correct and in due compliance with all disclosure requirements by relevant expert advice. Further, no cognizance of alleged violation of PFUTP Regulations can be taken in the absence of satisfaction of the fundamental jurisdictional premise for invocation of PFUTP Regulations, i.e. intent to defraud, deceive or otherwise cause an intentional manipulative or misleading practice. Furthermore, the SCN does not adduce any particulars as to the existence of any intention on his part to defraud or deceive the investors or indulge in any manipulative or misleading practice, as indeed there was none.

- IV. Mr. T.C. Goyal adopted the replies of DLF vide letters dated November 27, 2013 and January 30, 2014. He, *inter alia*, submitted that the SCN does not delineate the ingredients of the alleged violations nor does it impute any specific role to him in such purported violations. He acted in good faith on the basis of expert advice of Merchant Bankers and legal advisors. and no *mala fide* intent can be imputed on him. Further, subsequent to DEDL, DHDL and DRDL transferring their shares in *Felicite*, *Shalika* and *Sudipti*, no items were presented before the Board of Directors of DEDL, DHDL or DRDL which would suggest that these companies either exercised any voting power or otherwise retained any control over *Felicite*, *Shalika* or *Sudipti* after such transfer. Furthermore, the allegations in the SCN have been made against him solely in the capacity of a director without any complicity of his in the alleged violations.
- V. Ms. Pia Singh vide letters dated November 27, 2013 and January 30, 2014, adopted the replies of DLF and made submissions similar to other directors of DLF as summarized above. She also submitted that she has not been involved in the day to day business and financial affairs of the real estate division of DLF.
- VI. Mr. Kameshwar Swarup vide letter dated January 13, 2014 adopted the reply of DLF and made submissions similar to other directors. In addition thereto, he submitted that he has now retired from DLF and while working with DLF, he was dealing only with the corporate legal issues in relation to DLF. As regards the Prospectus, he was asked only to comment upon the litigation part of the Prospectus. Further, in any event, given his limited role in relation to the process, no proceedings ought to be continued against him.
- VII. Mr. Ramesh Sanka, vide letters dated November 27, 2013 and January 30, 2014 submitted that the statements of the DLF limited were duly reviewed and recommended by the audit committee of DLF prior to being tabled before the Board of Directors after having been

audited by its Statutory Auditors. DLF had, for the purposes of the IPO, appointed eminent Merchant Bankers, lawyers and other advisors to ensure that detailed due diligence is undertaken with regard to all aspects of the company for the purposes of ensuring due disclosure of information. He also submitted that at the relevant point of time he was also a director in DHDL, DEDL and DRDL and these companies had divested their equity interest in *Felicite*, *Shalika* and *Sudipti* in November, 2006 and thereafter no agenda items were presented before the Board of Directors of DEDL, DHDL and DRDL pertaining to *Sudipti*, *Shalika* and *Felicite* till such time he was a director in DHDL, DRDL and DEDL. Further, his wife Mrs. Padmaja Sanka was a 'Housewife' with an independent source of income. The decisions of Mrs. Padmaja Sanka were independent of his employment with DLF. He was never a KMP of DLF within the meaning of AS-18 and therefore the transaction was not disclosed in the financial statements of DLF.

VIII. Mr. G.S. Talwar, vide letter dated August 8, 2013 and January 30, 2014 submitted that he is a non-executive director of DLF. His role on the board of directors is that of overseeing high-level strategy and he had no personal knowledge or involvement in the subject matter of the proceedings. Further, all the Noticees in the SCN (apart from DLF itself) are either promoters or senior employees of DLF. No other non-executive director has been listed as a Noticee and the same treatment ought to be extended to Mr. Talwar as well. He had no personal knowledge or involvement in the subject matter of the proceedings contained in the Show Cause Notice and is unable to respond to any aspect of the facts set out therein or comment on the submissions that the other entities (to whom the SCN has been issued) may make on merits. It is not even SEBI's case that Mr. Talwar was involved with or participated in any day-to-day decision making at DLF, whether in connection with structure of corporate holdings or at all in any other aspect whatsoever.

11. I have carefully considered the SCN, oral and written replies/ submissions of the Noticees and other material available on record. I note that, in the instant case, common allegations/ charges have been leveled in the SCN against all the Noticees on the basis of same facts and circumstances. I, therefore, deem it appropriate to deal with the SCN and separate replies of all the Noticees by way of this common order.

12. The Noticees have raised certain preliminary contentions which I deem necessary to consider before dealing with the merits of the case.

13. The first preliminary contention of the Noticees is that in terms of the Order dated July 21, 2011 of Hon'ble Delhi High Court, SEBI had to examine and render its decision on the

basis of the original complaints of Mr. Sinha alone without being influenced by the allegations made and documents submitted by him subsequently, and therefore, the present proceedings are far in excess of the jurisdictional limits transcribed for SEBI in the said Order. In this regard, I note that in pursuance of the directions of Hon'ble Delhi High Court issued vide aforesaid Order dated July 21, 2011, SEBI examined the complaints of Mr. Sinha and also gave an opportunity of hearing to him, DLF and *Sudipti*. Thereafter, considering the facts and circumstances, SEBI vide order dated October 20, 2011, ordered the investigation into the allegations leveled by Mr. Sinha against DLF, *Sudipti* and others in respect of the IPO of DLF. In view of the above, I find that the said investigation ordered by SEBI was in full compliance of the order of Hon'ble Delhi High Court and was also within the ambit and powers given to SEBI under the SEBI Act in this regard. I, therefore, do not find any merit in this contention of the Noticees and reject the same.

14. The second preliminary contention of the Noticees is that SEBI cannot invoke the provisions of PFUTP Regulations since the Order dated October 20, 2011 passed by SEBI had confined the investigation to the violations of DIP Guidelines read with relevant provisions of Companies Act. In this regard, it is pertinent to mention that the investigation ordered by SEBI vide order dated October 20, 2011 had to focus on the probable violations of DIP Guidelines and Companies Act because the complaints filed by Mr. Sinha related to certain alleged non-disclosures in the Prospectus filed by DLF in respect of its IPO. I note that SEBI's investigation powers under the SEBI Act are wide enough to include any possible violation of SEBI Act and Regulations made thereunder. In my view, the observation to focus on the violations (if any) of DIP Guidelines or Companies Act cannot be construed to limit the scope of investigation. I, therefore, do not find any infirmity in the proceedings as sought to be contended by the Noticees.
15. The third preliminary contention raised by the Noticees is that SEBI provided them inspection of only those documents which were appended to the SCN, whereas their request for inspection of other documents including the correspondence exchanged between the Merchant Banker of DLF and SEBI at the time of processing of DLF's IPO was denied. In this regard, I note from the material available on record that SEBI granted the Noticees inspection of all the documents on the basis of which the charges alleged in the SCN have been leveled. In my view, the inspection of documents which were relied upon in the SCN was sufficient in order to enable the Noticees to respond to the charges that were leveled in the SCN. I, therefore, reject the contention of the Noticees in this regard.

16. The fourth preliminary contention of the Noticees is that while processing the second DRHP of DLF, SEBI reviewed all the documents filed along with the second DRHP including the delta view / track mode document and in exercise of its power as a market regulator, SEBI also issued comments on the disclosures in the DRHP on several occasions. DLF, thus, had the legitimate expectation that SEBI, while acting in its regulatory capacity and issuing comments, has reviewed all the documents placed before it, and having already applied its mind to the disclosures and the sufficiency thereof for the IPO, it is not open for SEBI to contend otherwise. In this regard, I note that while considering the DRHP filed by an issuer for issuing observations thereon, SEBI does not approve the same. SEBI Act and the ICDR Regulations enable SEBI to take appropriate action in cases of misstatements, wrong disclosures, etc. in RHP/Prospectus. For non-disclosures, misstatements/untrue statements in the RHP/Prospectus, the Companies Act also recognizes civil and criminal liability of persons authorising the issuance of the RHP/Prospectus. Thus, in my view, the legislative and regulatory scheme in this regard is clear and the consequences for wrong disclosures, misstatements/untrue statements, etc. or engaging in fraudulent activities in the IPO processes, even if noticed or revealed after the issuance of RHP/Prospectus, as provided in the SEBI Act/Regulations and the Companies Act would follow.

17. Having dealt with the preliminary contentions of the Noticees, I now proceed to deal with the allegations and charges leveled against the Noticees in the SCN. On careful perusal of the SCN, it is inferred that, in this case, the SCN raises the following allegations/issues:

- (i) Whether entire share transfer process in *Sudipti*, *Shalika* and *Felicite* was executed through sham transactions by DLF and they continued to be subsidiaries of DLF? And, if yes, whether the Noticees employed a scheme by camouflaging the association of *Sudipti* with DLF as dissociation?
- (ii) Whether the Noticees have failed to ensure that the RHP/ Prospectus contained the material information which is true and adequate, so as to enable the investors to make an informed investment decision in the IPO of DLF? and
- (iii) Whether the Noticees actively and knowingly suppressed several material information and facts in the RHP/Prospectus so as to mislead and defraud the investors in securities market in connection with the issue of shares of DLF?

18. In view of the above allegations/ issues, this order is limited for determination of these allegations/issues in the context of probable violations of the securities laws as charged in the SCN on the basis of facts and circumstances described therein. For determining the

alleged violations, in the instant case, it is important to mention the relevant dates on which the probable violations are to be determined in this case. These dates are - (i) the date of second DRHP / date of its filing with SEBI i.e. January 02, 2007, (ii) the date of RHP i.e. May 25, 2007; and (iii) the date of Prospectus i.e. June 18, 2007. I note that in this case, following facts are undisputed:-

- a) Prior to November 29-30, 2006, entire shareholding of three companies viz. *Sudipti*, *Shalika* and *Felicite*, which were incorporated on March 26, 2006 was held by DLF's two or all three wholly owned subsidiaries viz. DEDL, DHDL and DRDL.
- b) In the first DRHP filed by DLF on May 11, 2006, which was withdrawn on August 31, 2006, *Sudipti*, *Shalika* and *Felicite* were shown as subsidiaries of DLF.
- c) On November 29, 2006, the entire shareholding of DEDL, DHDL and DRDL in *Felicite* was sold to three persons who were spouses of employees of DLF.
- d) On November 30, 2006, the entire shareholding of DEDL and DHDL in *Sudipti* was sold to *Shalika* and on the same day the entire shareholding of DEDL, DHDL and DRDL in *Shalika* was sold to *Felicite*.
- e) On January 2, 2007, DLF filed the second DRHP with SEBI along with a document which indicated that as a result of the above transfers of shares, DLF's three wholly owned subsidiaries viz. DEDL, DHDL and DRDL were dissociated from *Sudipti*, *Shalika* and *Felicite* and that *Sudipti*, *Shalika* and *Felicite* were not the subsidiaries of DLF as on the date of filing of second DRHP.
- f) After receipt of observations from SEBI on the second DRHP, DLF opened its IPO for subscription by issuing the RHP. In the final RHP/Prospectus, *Sudipti*, *Shalika* and *Felicite* were not disclosed as subsidiaries of DLF.

19. With regard to the first issue, I note that the SCN alleges that DLF did not lose control over *Sudipti*, *Shalika* and *Felicite* and that the 'holding - subsidiaries' relationship between DLF on one hand and *Sudipti*, *Shalika* and *Felicite* on the other continued even after the aforesaid transfers of shareholding. The basis of this allegation is that the aforesaid transfers of shareholding of DLF's wholly owned subsidiaries viz. DEDL, DHDL and DRDL in *Sudipti*, *Shalika* and *Felicite* were sham as DLF continued to control them within the scope of definition of the word 'control' under regulation 2(1)(c) of the SAST Regulations, clause 3.3(b) of AS-23 and section 4(1)(a) of the Companies Act. These provisions relied upon in the SCN are reproduced as under:

"Companies Act, 1956-

Section 4. MEANING OF "HOLDING COMPANY" AND "SUBSIDIARY"

(1) For the purposes of this Act, a company shall, subject to the provisions of sub-section (3), be deemed to be a subsidiary of another if, but only if, -

(a) that other controls the composition of its Board of directors ; or

(b)

(2) For the purposes of sub-section (1), the composition of a company's Board of directors shall be deemed to be controlled by another company if, but only if, that other company by the exercise of some power exercisable by it at its discretion without the consent or concurrence of any other person, can appoint or remove the holders of all or a majority of the directorships ; but for the purposes of this provision that other company shall be deemed to have power to appoint to a directorship with respect to which any of the following conditions is satisfied, that is to say -

(a) that a person cannot be appointed thereto without the exercise in his favour by that other company of such a power as aforesaid ;

(b) that a person's appointment thereto follows necessarily from his appointment as director or manager of, or to any other office or employment in, that other company ; or

(c) that the directorship is held by an individual nominated by that other company or a subsidiary thereof."

"SAST Regulations, 1997.

Regulation 2 (1)(c)

"control" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner."

AS-23

Clause 3.3

Control: (a) The ownership, directly or indirectly through subsidiary(ies), of more than one-half of the voting power of an enterprise; or

(b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain economic benefits from its activities."

20. As per the provisions of section 4(1)(a) of the Companies Act, a company shall be deemed to be a subsidiary of another 'if, but only if, that other controls the composition of its Board of directors'. In terms of section 4(2), the composition of a company's Board of directors shall be deemed to be controlled by another company 'if, but only if', that other company by the exercise of some power exercisable by it at its discretion, without the consent or concurrence of any other person, can appoint or remove the holders of all or a majority of the directorships. I note that 'control' on composition of the Board of directors is the common parameter in section 4(2) of the Companies Act and clause 3.3(b) of AS-23 and the ability to control by virtue of right to appoint or remove majority of directors is the common test in section 4(2)

of the Companies Act and regulation 2(1)(c) of the SAST Regulations. Thus, these provisions are *pari materia* with respect to determining control from the ability of a company to control the composition of the Board of directors of the other by virtue of right of former to appoint or remove majority of directors from the Boards of the later without the consent or concurrence of any other person.

21. It is relevant to mention here that whether a company has ability to control the composition of Board of directors of another company by virtue of its right to appoint or remove majority of directors in the later depends upon facts and circumstances of each case. In light of above provisions, I now proceed to examine the facts on the basis of which the SCN alleges that even after the transfer of shareholding of three subsidiaries of DLF in *Sudipti*, *Shalika* and *Felicite*, DLF remained in 'control' over these three companies and thus they remained its subsidiaries.

Directors of the three companies were the employees of DLF/its subsidiaries and were subject to the control of DLF.

22. It is an undisputed fact that following employees of DLF or its subsidiaries were the directors of *Sudipti*, *Shalika* and *Felicite* before and after November 29-30, 2006 i.e. the dates of claimed transfer of shareholdings and as on the date of RHP/Prospectus :-

Particulars	Name of the Company					
	Sudipti		Shalika		Felicite	
	Before	After	Before	After	Before	After
Board of Directors	(i)Vipen Jindal (Key Managerial Employee of DLF) (ii)Arun Kumar Bhagat (Authorised signatory of bank account of <i>Sudipti</i> and <i>Shalika</i> and also a director of two other subsidiaries of DLF)	No change	(i)Lovekush Sharma (employee of DLF and director of its subsidiaries) (ii)Rajendra Gupta (employee of DLF and director of its subsidiaries)	No change	(i)Rajendra Kumar Raheja (employee of DLF and directors of its associates/subsidiaries) (ii)Prem Kumar Vadhera (A Retainer of a subsidiary of DLF) (iii)Vijay Kumar Gupta	No change

23. The directors of *Sudipti*, *Shalika* and *Felicite* as mentioned in the above table were appointed by DHDL, DEDL and DRDL who were the only shareholders in the said three companies prior November 29-30, 2006. Admittedly, DHDL, DEDL and DRDL were the wholly owned subsidiaries of DLF at the relevant times. Therefore, the control of DLF on the appointment of those directors through its wholly owned subsidiaries is apparent. I further note that under the heading 'Key Managerial Employees' at page 120 of the Prospectus, DLF had disclosed Vipen Jindal as its key managerial employee. It is further noted that the 'Key Managerial Employees', other employees of DLF and employees or directors of its subsidiaries were the directors on the Board of directors of *Sudipti*, *Shalika* and *Felicite* as on date of filing the DRHP, date of RHP and the date of the Prospectus. These facts indicate that through this *employer- employee* relationship DLF was in position to influence the management decisions of these three companies even after aforesaid transfer of shareholding in them.

No change in the registered office, statutory auditor, authorized signatory etc. and incurring/absorbing costs of Sudipti and Shalika by some other entity

24. It is alleged in the SCN that there was no change in authorised bank account signatories, registered office address and statutory auditors of *Sudipti*, *Shalika* and *Felicite* even after November 29-30, 2006, as described in the following table:-

Particulars	Name of the Company					
	Sudipti		Shalika		Felicite	
	Before	After	Before	After	Before	After
Bank Account Signatory	i) Arun Kumar Bhagat (ii) Surojit Basak (iii) Praveen Kumar (iv) SK Gupta (v) Manik Khanna, (vi) VS Khanna	No change	i) Arun Kumar Bhagat (ii) Surojit Basak (iii) Praveen Kumar (iv) SK Gupta (v) Manik Khanna, (vi) VS Khanna	No change	(i) Harshdeep Sachdeva (ii) Joydeep Dasgupta (iii) Surojit Basak (iv) Debashis Mukherjee	No change
Registered office *	P-39, Basement, NDSE part-II, New Delhi-110049	No Change	P-39, Basement, NDSE part -II, New Delhi-110049	No Change	P-39, Basement, NDSE part -II, New Delhi-110049	No Change
Statutory Auditors	M/s Chandra Gupta & Associates	No Change	M/s Chandra Gupta & Associates	No Change	M/s Ashok Jai & Co.	No Change

25. I note from the material submitted by the Noticees that Mr. Surojit Basak and Mr. V.S. Khanna had not been bank account signatory of *Sudipti* and *Shalika* before 30.11.2006 and Mr. Harshdeep Sachdeva, Mr. Joydeep Das Gupta and Mr. Debashis Mukherjee had not been the bank account signatories of *Felicite* before 30.11.2006. However, all these employees of DLF became authorised bank account signatories of the respective companies after November 30, 2006. It is further noted that Mr. Surojit Basak a permanent Key Managerial Employee of DLF as disclosed in its RHP was a common authorised bank account signatory of *Sudipti*, *Shalika* and *Felicite*. From these facts and circumstances it can reasonably be inferred that DLF through its employees was involved in day to day operations of the these three companies and was associated with these three companies even after November 29-30, 2006. It is undisputed fact that there was no change in the registered office, statutory auditors of *Sudipti*, *Shalika* and *Felicite* even after the transfer of shareholding in them by the wholly owned subsidiaries of DLF. I also note that *Sudipti* and *Shalika* did not account for any expenses on account of operations, cost of establishment/personnel, rent, electricity, etc. during the financial years 2006-07 and 2007-08 which indicates that some other entity was incurring/absorbing such costs. These facts and circumstances further corroborate the inference that DLF did not lose association with *Sudipti*, *Shalika* and *Felicite* even after such transfer of shareholdings in them.

26. In addition to the above facts, the SCN narrates another fact that during the period September-October, 2006, *Sudipti* was funded by DLF's subsidiaries / associates through a series of transactions through Vikram and these funds were used for purchase of land and creation of development rights on the land so acquired. It is noted that this transaction was prior to issuance of RHP/DRHP when *Sudipti* was admittedly a subsidiary of DLF.

Funding of the purchase of shares of Sudipti by Shalika from DEDL and DHDL who were sellers of those shares.

27. With regard to purchase of 100% shares of *Sudipti* by *Shalika* from DEDL and DHDL on November 30, 2006, it has been alleged in the SCN that for purchase of those shares, the payments were made by the said two sellers themselves. The basis of this allegation is fund transfer amongst *Sudipti* and the said two sellers. I note from the bank account details of *Shalika* that it had received ₹30,000/- from DHDL on November 29, 2006 and ₹30,000/- from DEDL on December 1, 2006. Further, *Shalika* had issued cheques for ₹ 50,000/each to DHDL and DEDL November 30, 2006 which were encashed later by them on December 20, 2006 and April 3, 2007. According to the Noticees, the payments of ₹ 30,000 each made by DHDL and DEDL on November 29, 2006 and December 01, 2006 were on account of

share subscription money due from DHDL and DEDL to *Shalika*. In this regard, it is noted that though DEDL and DHDL had subscribed to the shares (30% each) of *Shalika* when it was incorporated on March 26, 2006, the payments (₹30,000/ each) were made by each of them later on November 29, 2006 and December 01, 2006. Similarly, DRDL also made payment of ₹ 40,000 to *Shalika* on November 29, 2006 though it has subscribed to its 40% shares on March 26, 2006. I note that Noticees have not provided any plausible explanation in respect of delayed payments towards share subscription money as claimed. The proximity of making payments of exactly the same amounts from the seller (DHDL and DEDL) to the buyer (*Shalika*) and then from buyer to sellers leads to inference that the purchase of shares of *Sudipti* by *Shalika* was funded by the sellers who were the wholly owned subsidiaries of DLF.

Receipt of funds by DEDL, DHDL and DRDL from Felicite.

28. With regard to sale of 100% shares of *Shalika* by DEDL, DHDL and DRDL to *Felicite*, the SCN has alleged that *Felicite* made composite payments to DHDL (₹24,80,000), DRDL (₹10,20,000) and DEDL (₹24,80,000) on December 13, 2006, December 8, 2006 and December 7, 2006, respectively. It is alleged in the SCN that there is no conclusive evidence of the receipt of funds by DEDL, DHDL and DRDL from *Felicite* in respect of sale of shares of *Shalika*. According to the Noticees, *Felicite* had acquired shares of number of companies from DEDL, DHDL and DRDL and as per normal commercial practice consolidated payments for such purchases were made by *Felicite* to DEDL, DHDL and DRDL. The Noticees have further submitted that the said amounts received by DEDL, DHDL and DRDL from *Felicite* included payment towards purchase of shares of *Shalika*. Though the Noticees have claimed that DHDL, DEDL and DRDL had received consideration for sale of shares of *Shalika* as a part of consolidated payment from *Felicite*, but they have failed to substantiate such claim by any evidence. I, therefore, am not inclined to agree with the contentions of the Noticees in this regard.

Control of DLF through its KMPs over Felicite.

29. Admittedly, on November 29, 2006, the entire shareholding of *Felicite* was purchased by three 'Housewives' viz. Mrs. Madhulika Basak, Mrs. Padmaja Sanka and Mrs. Niti Saxena. Further, pursuant to transfer of shares on November 30, 2006 in *Shalika and Sudipti*, *Felicite* came in control of *Shalika* and *Sudipti* as it held 100% shareholding of *Shalika* which in turn held 100% shareholding of *Sudipti*. It has been alleged in the SCN that the purchases of shares of *Felicite* by these three 'Housewives' were funded by their respective husbands who

were KMPs of DLF and were under its control because of 'employee-employer' relationship. On this basis also, it has been alleged that DLF had control over *Sudipti*, *Shalika* and *Felicite* even after the aforesaid transfer of shares. The Noticees have contended that the said three persons namely, Mr. Ramesh Sanka, Mr. Surojit Basak and Mr. Joy Saxena were not KMPs of DLF. They were disclosed as '*key management employees*' in the Prospectus under clause 6.9.5.8 of the DIP Guidelines. According to them the 'KMP' is relevant for the requirements of clause 6.9.6.6 of the DIP Guidelines that requires disclosure of '*Related party transactions as per the Financial Statements*'. As per the DIP Guidelines, the Financial Statements, that are to be prepared as per the standards prescribed by the Institute of Chartered Accountants of India, are disclosed in the Prospectus. Accordingly, the KMP as defined in AS-18 is relevant and not the employees that were disclosed under clause 6.9.5.8 in this case. They have further contended that DLF did not have control over those employees with regard to payments of the consideration for purchase of shares of *Felicite* by the respective wives as alleged in this case.

30. In this regard, I note that in terms of clause 6.9.5.8 of the DIP Guidelines, the RHP/Prospectus should disclose the details of 'Key Management Personnel'. I further note that the persons disclosed under clause 6.9.5.8 of the DIP Guidelines must be permanent employees of the issuer. In this case, at page 120 of its Prospectus, DLF had disclosed Mr. Ramesh Sanka, Mr. Surojit Basak and Mr. Joy Saxena under the heading 'Key Managerial Employees'. It is undisputed fact that the said three employees were permanent employees of DLF and it had itself disclosed them as 'Key Managerial Employees' in its RHP/Prospectus for the purpose of disclosure of 'Key Management Personnel' (KMPs) under clause 6.9.5.8 of the DIP Guidelines. The change of nomenclature, in my view will not change the status as sought to be contended by the Noticees. I am also of the view that, clause 6.9 of the DIP Guidelines applies independently with regard to disclosure of '*related party transactions*'. In my view, the definition of 'Key Management Personnel' under AS-18 is not relevant for the purposes of disclosure under clause 6.9.5.8.

31. It is an undisputed fact that for the purchases of shares of *Felicite* by said three '*Housewives*' the payments were made from the bank accounts held by them jointly with their respective husbands. It is further noted that these '*Housewives*' were not regular investors/traders in the securities market and they did not have any income of their own. In order to deal with the contentions of the Noticees in this regard, it is relevant to mention the following facts found during investigation-

- a. on November 29, 2006 entire shareholding of DHDL, DRDL and DEDL in *Felicite* was sold to the following persons-

Name of the seller	Date of credit (debit)	Bank and account number of the Seller (Bank and account number of the Buyer)	Name of the Buyer	Amount credited (₹)
DHDL (3000 shares)	02/12/2006	ICICI Bank 000705001373 (Canara Bank ,1046)	Madhulika Basak	30,000
DRDL (4000 shares)	07/12/2006	ICICI Bank 000705003878 (Citibank, 5971883229)	Padmaja Sanka	40,000
DEDL (3000 shares)	13/12/2006	HDFC Bank 00442320000172 (ICICI Bank, 628401055079)	Niti Saxena	30,000

- b. In the bank account statements of the aforesaid buyers, the fund flow is noted as under:

- i. **Madhulika Basak (Canara Bank a/c no. 1046):** This bank account was in her name jointly with her husband Mr. Surojit Basak. Considering that the said purchaser is a “*Housewife*”, it is observed that the aforesaid payment of ₹ 30,000/- towards her purchase of shares of *Felicite* was made by her husband Mr. Surojit Basak to DHDL. There was one credit entry of ₹ 20 lakhs on December 16, 2006, making a balance of ₹ 21, 98,944.28 in this account and a sum of ₹ 20 lakh was transferred from this account to *Felicite* on December 19, 2006. It is further noted that on November 28, 2006 initially a cheque for ₹ 20 lakhs was deposited in this account and a cheque no. 452935 was issued to *Felicite* for ₹20 lakh. From the bank account statements of *Felicite*, it is noted that this cheque no. 452935 was returned twice by the bankers on November 30, 2006 and again on December 06, 2006 due to insufficient funds.
- ii. **Padmaja Sanka: (Citibank a/c no. 5971883229):** Ramesh Sanka (spouse of Padmaja Saka) was the first holder of this joint bank account. It was noted that during the period July 2006 to April 2007 there were credit entries in this account around month end/ first day of the month, which read as “salary/DLF Ltd.”. Besides, there were “in house” cheque deposits in the name of Mr. Ramesh Sanka. Immediately before the aforesaid payment of ₹40, 000/- to DRDL for purchase of *Felicite* shares, credit balance in this account was owing to the salary of Mr. Ramesh

Sanka from DLF. In view of these facts, it is observed that the aforesaid payment of ₹40, 000/- was made by Ramesh Sanka. It is further noted that there was one credit entry of ₹20 lakhs on November 10, 2006 making a balance of ₹21,72,800.34 in this account and a sum of ₹20 lakh was transferred from this account to *Felicite* on November 29, 2006.

- iii. **Niti Saxena: (ICICI Bank a/c no. 628401055079):** This bank account was in her name jointly with her husband Mr. Joy Saxena. During the period April 01, 2006 to December 31, 2006, there were 4 credit entries in this account i.e. a cheque deposit of ₹4 lakhs in the name of Mr. Joy Saxena, ₹2246/- towards interest, ₹ 20 lakhs and a cash deposit of ₹40,000/- on December 12, 2006 i.e. a day before the debit of ₹30,000/- towards payment to DEDL for purchase of *Felicite* shares. It is observed that the payment of ₹30,000/- to DEDL for purchase of shares of *Felicite* by Niti Saxena was made by her husband Mr. Joy Saxena. On November 28, 2006, there was a credit entry of ₹20 lakhs in this account and on November 29, 2006, an amount of ₹20 lakh was transferred from this account to *Felicite*.
- c. From the bank account of *Felicite* (ICICI Bank 000705016461, it is noted that excluding 3 cheque returns of ₹20 lakhs each, *Felicite* had received a total of ₹2.0 crores vide 10 credits of ₹20 lakhs each during the period November 29, 2006 to December 19, 2006 from 10 persons.
- d. From the communication dated 08-15/05/2013 from Kotak Mahindra Bank (Kotak Bank) it is noted that it had granted personal loans of about ₹ 20 lakhs each to the aforesaid KMPs of DLF viz. Mr. Joy Saxena, Ramesh Sanka, Surojit Basak on November 07,2006, November 10,2006 and December 15, 2006, respectively. These KMPs, in turn, transferred the said amounts of ₹ 20 lakh each to their own bank accounts jointly held with their spouses on November 28,2006, November 10, 2006 and December 16, 2006, respectively. From these bank accounts money was transferred to ICICI bank account no. 000705016461 of *Felicite*.
- e. Similar loans were granted by Kotak Bank to other KMPs of DLF/Director of DLF Group Company's viz. Adesh Gupta, Saurabh Chawla, Shiv Kumar Gupta, Manik Khanna, Vipen Jindal, Atul Goyal and Sanjay Sethi. The confirmations from Citibank dated May 09, 2013, have revealed that a sum of ₹20 lakhs each was transferred to *Felicite* from the bank accounts of Adesh Gupta (jointly held with his wife Meenakshi Gupta) and Atul Goyal (jointly held with his wife Nishi Goyal). As per the confirmation from

- Axis Bank dated May 09, 2013, a sum of ₹20 lakhs was transferred to *Felicite* from the bank account of Manik Khanna (jointly with his wife Saroj Khanna). Similarly, as per the confirmation of Delhi Nagarik Sahkari Bank Ltd. dated May 13, 2013 a sum of ₹ 20 lakhs was transferred to *Felicite* from the bank account of Sangeeta Gupta.
- f. It is noteworthy that even the sanction of loan shows a particular pattern that same amount of loan were sanctioned and granted to each of the above mentioned KMPs of DLF/ employees/directors of Group Company of DLF without any apparent collaterals at the same point of time. Further, the receipt of said amounts and transfer thereof to *Felicite* show a pattern that the said amounts were transferred from the accounts of those KMPs/employees/ directors jointly held with their respective spouses and were in turn transferred to *Felicite*.
- g. On December 14, 2006, *Felicite* allotted 2 lakh shares each to 10 persons (spouses of KMPs of DLF/ employees/directors of Group Company of DLF). Thus, the personal loans taken by aforesaid personnel of DLF were utilized to buy shares of *Felicite* in the name of their respective wives. Further, even after the second change in shareholding of *Felicite* on December 14, 2006 all shareholders were spouses of DLF personnel.
- h. It was observed that the payment towards 2 lakh shares was received by *Felicite* from Madhulika Basak on December 19, 2006 and she was allotted shares by *Felicite* on December 14, 2006. Thus, the allotment of shares preceded payment.
- i. From the bank account statement of *Felicite* it is noted that almost full amount of ₹2 crores received as above was transferred to DLF, DEDL, DRDL, and DHDL. This amount included a sum of ₹1 lakh received by them from *Felicite* for sale of *Shalika* shares.
- j. Mr. Ramesh Sanka, Group CFO of DLF was a director of DRDL, DHDL and DEDL. Mr. Surojit Basak was Sr. Vice President (Finance) of DLF and Mr. Joy Saxena was also Sr.Vice President (Finance) of DLF. These three employees of DLF were disclosed as its KMPs (under the head 'Key Management Employee') in its Prospectus. They were also subject to the control of DLF due to their 'employee and employer relationship'. The respective wives held 100% shareholding of *Felicite*, which in turn held 100% shareholding in *Shalika*, which in turn held 100% shareholding in *Sudipti*. Therefore, it has been alleged that DLF never lost control of *Felicite*, *Shalika* and *Sudipti*.

- k. Due to increase in the share capital of *Felicite* on December 14, 2006, holding of Padmaja Sanka, Madhulika Basak and Niti Saxena was reduced to about 10.10% each. The remaining shares were held by Mrs. Meenakshi Gupta, Mrs. Ritu Chawla, Mrs. Sangeeta Gupta, Mrs. Saroj Khanna, Mrs. Mukta Jindal, Mrs. Nishi Goyal and Mrs. Seema Sethi (9.95% each). Thus, the entire shareholding in *Felicite* remained with the 'Housewives' of KMPs of DLF. Further, the employees of DLF/its subsidiaries, who were subject to the control of DLF/its subsidiaries due to their 'employee and employer relationship', continued on the Board of *Felicite* as discussed above. Therefore, DLF never lost control of *Felicite*, *Shalika* and *Sudipti*.
- l. Subsequently, Niti Saxena sold her shares in *Felicite* to DHDL on June 19, 2008 and, in turn, as on June 19, 2008 DHDL was holding 10.10% shares of *Felicite*. Thus, those shares held by Niti Saxena were once again held in the name of DHDL the wholly owned subsidiary of DLF. Mr. Joy Saxena was KMP of DLF till August 2008. Thus, after Niti Saxena ceased to be the shareholder of *Felicite* her husband ceased to be the KMP of DLF
- m. Similarly, when Mr. Sanjay Sethi ceased to be the KMP of DLF in March 2007, shares held by his wife Mrs. Seema Sethi in *Felicite* were sold to Mrs. Rima Hinduja (w/o Mr. Gaurav Monga) on April 04, 2007. Mr. Gaurav Monga was the Vice-President, Finance, DLF and was disclosed as KMP of DLF in its RHP. Thus, Seema Sethi continued to be the shareholder of *Felicite* as long as her husband continued to be the KMP of DLF and once he ceased to be the KMP, shares held by her were transferred to another KMP of DLF.
- n. The personal loans taken by the spouses of shareholders of *Felicite* in Nov/Dec 2006 were repaid by all in November 2009 except by Mr. Joy Saxena and Mr. Sanjay Sethi who repaid the same in June 2008 and May 2007, respectively. Thus, even bank loans taken by them continued as long as they remained KMPs of DLF.
- o. During the year 2006-07, a total of 355 companies (including *Sudipti*) were claimed to be dissociated by DLF and out of those 281 companies (including *Sudipti*) became subsidiaries of *Felicite*.
32. From the above facts, it is clear that the payments for purchase of 100% shares of *Felicite* on November 29, 2006 were not made by the above named three 'Housewives' but by their respective husbands who were KMPs of DLF. It is also pertinent to note that the shares held by these three 'Housewives' were subsequently transferred to wives of other KMPs of

DLF and the payments even in respect of those transfers were made by the respective husbands of the purchasers. In my view, it cannot be just a coincidence that *Felicite* is incorporated on March 26, 2006 with its 100% shareholding held by the wholly owned subsidiaries of DLF, those wholly owned subsidiaries subsequently sold their entire shareholding in *Felicite* to the '*Housenives*' of three KMPs who made payments for the purchases made by their respective wives and subsequently, they transfer their entire shareholding to the DHDL (one of the three initial shareholders), wholly owned subsidiary of DLF and the '*Housenives*' of other KMPs. I, therefore, do not find submissions of the Noticees in this regard plausible and cogent.

33. In my view, determination of the 'control' for the purpose of *holding -subsidiary* relationship cannot be done merely on the basis of an isolated fact. In view of the cumulative and combined facts and circumstances as described hereinabove, I find that DLF continued to be in control of the Board of directors of *Sudipti*, *Shalika* and *Felicite* and, therefore, they continued to be its subsidiaries even after the purported transfer of shareholding in them on November 29/30, 2006. In the above facts and circumstances, I am of the view that that in the entire process of the purported transfer of shareholdings in *Sudipti*, *Shalika* and *Felicite* the shareholding/voting rights and control, directly or indirectly, remained with DLF through its subsidiaries and its/ its subsidiaries' employees. I, therefore, find that the purported transfers of shareholding in the said three companies were sham transactions devised as a plan, scheme, design and device to camouflage the association of DLF with these three companies as *holding -subsidiary*. This view is further strengthened by the fact that broadly similar pattern was employed by DLF in case of 355 subsidiary companies- out of which 281 (including *Sudipti*) became subsidiaries of *Felicite* as mentioned in para 32(o) above- to give a false impression that they no more remained DLF's subsidiaries.
34. With regard to the *second* issue, the SCN alleges that the Noticees have violated clauses 6.2, 6.9.6.6, 6.10.2.3, 6.11.1.2, 6.15.2 and 9.1 of the DIP Guidelines. I note that clause 6.2 of the DIP Guidelines, that was applicable at the relevant time, provided a generic obligation and required that the prospectus shall contain all '*material information*' which shall be true and adequate so as to enable the investors to make informed decision on the investments in the issue. Similarly, clause 6.15.2 obligated the directors, CEO i.e. the Managing Director or Manager and the CFO to sign the RHP/Prospectus and certify that all disclosures made in the Prospectus are true and correct. Other clauses of DIP Guidelines charged in this case provide for specific obligations. Since the charge with regard to alleged violation of clauses 6.2 and 6.15.2 is general and related to the specific charges, I deem it necessary to deal with specific charges/allegations first.

Non- disclosure of related party transactions

35. In this case, it has been alleged in the SCN that *Sudipti, Shalika* and *Felicite* were related parties of DLF in terms of AS-18 and that DLF had failed to disclose its '*related party transactions*' and thus the Noticees have violated clause 6.9.6.6 of the DIP Guidelines. Said clause 6.9.6.6 of the DIP Guidelines required DLF to disclose '*related party transactions*' as per the Financial Statements. As per clause 6.10 of the DIP Guidelines Financial Statements should be disclosed as per Indian Accounting Standards. As per clause 10.2 of AS-18, '*related party transaction*' means-"*a transfer of resources or obligations between related parties, regardless of whether or not a price is charged.*" Clause 10.1 defines "*related party*" as under:

"10.1 Related party - parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/ or operating decisions.

36. As already found hereinabove, DLF had the ability to control, directly or indirectly, *Sudipti, Shalika* and *Felicite* under AS-23. With regard to the other factor (i.e. '*significant influence*') under clause 10.1 of AS-18, I note that the expression "*significant influence*" has been defined in clause 10.4 of AS-18 as "*participation in the financial and/ or operating policy decisions of an enterprise, but not control of those policies*". In the present case, due to the facts and circumstances described hereinabove, DLF also had the ability to exercise '*significant influence*' over *Sudipti, Shalika* and *Felicite* in relation to their financial or operational decisions. I, therefore, find that for the purposes of above clause 10.1 of AS-18, DLF and the said three companies were '*related parties*'. Accordingly, DLF was required to disclose the '*related party transactions*' pertaining to these three companies. I, therefore, find that the charge of violation of clause 6.9.6.6 against the Noticees is established in the present case.

Non- Disclosure of financial details relating to subsidiaries.

37. I note that clause 6.10.2.3 of DIP Guidelines requires an issuer to disclose financial details relating to its subsidiaries. As already found hereinabove, *Sudipti, Shalika* and *Felicite* continued to be subsidiaries of DLF consequent to the sale of shareholding by the wholly owned subsidiaries of DLF in them and on the relevant dates there was "*holding -subsidiary*" relationship between DLF and those three companies. I, therefore, find that the DLF failed to make disclosures in its RHP/Prospectus in terms of clauses 6.10.2.3 of the DIP Guidelines as alleged in the SCN.

Non- Disclosure of outstanding litigation against subsidiaries.

38. It has been alleged that the Prospectus of DLF did not provide any information of FIR (No. 249/2007) registered by Mr. Sinha on April 26, 2007 against *Sudipti*, Mr. Praveen Kumar (KMP of DLF) and others. On this basis it has been alleged that DLF has violated clause 6.11.1.2 of the DIP Guidelines. I note that as per clause 6.11.1.2 of the DIP Guidelines information about outstanding litigations as per clause 6.11.1.1 (e) in respect of *subsidiaries* of the issuer should be disclosed in the Prospectus. In terms of clause 6.11.1.1(e) of the DIP Guidelines outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the issuer including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956) etc. shall be disclosed in the Prospectus. Thus, the outstanding litigations against *subsidiaries* pertaining to matters likely to affect the operations and finances is required to be disclosed as per clause 6.11.1.2. In the instant case, the FIR in question was filed by Mr. Sinha against *Sudipti*, Mr. Praveen Kumar and others in relation to a land deal between him and *Sudipti*. On the relevant dates i.e. the date of RHP (January 02, 2007) and Prospectus (June 18, 2007), *Sudipti* was subsidiary of DLF so as to attract the obligation under clause 6.11.1.2 of the DIP Guidelines as alleged in the SCN.
39. DLF had contended that the aforesaid FIR cannot be construed as outstanding litigation for the purposes of clause 6.11.1.2. It has further submitted that this FIR could not affect the operations and finances of DLF. From the language of clause 6.11.1.1 (e) I note that the said clause is inclusive one and is not limited to the outstanding litigations and also includes other defaults, etc. An FIR which contains material information so as to enable the investors to take an informed investment decision must be disclosed as per the said clause. In this case, the FIR in question was with regard to a land dispute between *Sudipti* and others and Mr. Sinha wherein Mr. Sinha had complained that *Sudipti* had duped him of ₹34 crores. In the instant case as found hereinabove, *Sudipti* continued to be a subsidiary of DLF after the above mentioned transfer of shareholding on November 29-30, 2006 . As disclosed in the RHP/Prospectus the object of IPO of DLF was *inter alia* acquisition of land and development rights /development and constructions for existing projects. Admittedly, DLF had acquired sole development rights in the land owned by *Sudipti*, which DLF procured through DCPC (a Partnership in which DLF held 76% interest). Such development rights gave DLF substantially the right to all revenues from development including rent and the authority to transfer title to the land. RHP/Prospectus also disclosed the risk relating to the sole development rights constituting 37.9% of the total land reserves of DLF which included the sole development rights procured from *Sudipti* by DCPC. I, therefore, am of the view

that at the relevant time the FIR in question had a direct bearing on the activities of DLF for which the subscriptions were invited in its IPO.

40. It is further noted that for the purposes of disclosures of details of KMPs, Mr. Praveen Kumar was disclosed in the RHP/Prospectus of DLF as its *Key Managerial Employee* of DLF. He was also director of Nachiketa Real Estates Pvt. Ltd. (a promoter group company of DLF) and of DLF's subsidiaries viz. DEDL, DLF Land Ltd., DLF Golf Resorts Ltd., Newgen Medworld Hospitals Ltd. and Nilayam Builders & Developers Ltd. Of these companies, Nachiketa Real Estates Pvt. Ltd, Nilayam Builders & Developers Ltd. DEDL and DLF Land Ltd. were in the business of real estate, acquisition and development of real estate, maintenance of properties and real estate development activities, respectively, which were similar to the businesses of DLF disclosed under 'Objects of the issue' in the Prospectus. In my view, the information regarding the filing of FIR against Mr. Praveen Kumar was material for the purpose of IPO of DLF since the charges alleged in the said FIR, if proved against Mr. Praveen Kumar, would have affected his position as a director of the aforesaid promoter group company and subsidiaries of DLF which would have also had a material impact on the operations of these companies and consequently on the operations of DLF. Considering these facts, I am of the view that the FIR was a material information for the purposes of disclosures in the RHP/Prospectus in terms of clause 6.11.1.2 read with clause 6.2 of the DIP Guidelines irrespective of the fact whether *Sudipti* was subsidiary of DLF or not as DLF was, in any case, holding sole development rights and other substantial rights and powers with regard to the land held by *Sudipti*
41. DLF has claimed that the aforesaid FIR did not come to its knowledge until June 25, 2007 when it received a letter from SEBI. Relying upon the judgment of Hon'ble Bombay High Court in the matter of *Killick Nixon Ltd and Ors. Vs Dhanraj Mills Pvt. Ltd. and Ors* [MANU/MH 0003/1981], it has been submitted on behalf of DLF that the knowledge of the directors of the company cannot be construed to be the knowledge of the company itself. If the knowledge of the directors is not the knowledge of the company, then the knowledge of the relative of a director cannot certainly be the knowledge of the company. In this regard, I note that SCN has sought to attribute knowledge of the aforesaid FIR on DLF and its directors not merely on the basis of relation of Mr. Praveen Kumar with Mr. K .P. Singh, Executive Chairman of DLF. Apart from this fact, other factors such as he being a '*key managerial employee*' of DLF reporting directly to its Board of directors, as disclosed in the Prospectus and his interrogation by the Police in relation to the aforesaid FIR lead to conclusion that the Board of directors of DLF cannot feign ignorance of this FIR on the

date of signing/ issuing the RHP. Therefore, the fact of filing of aforesaid FIR that was subsisting on the date of issuance of RHP/Prospectus, should have been disclosed therein.

42. I further note that in its RHP, DLF had disclosed an FIR filed by one Harish Kumar Puri against DLF and its directors. Further, in its DRHP filed on January 04, 2007 it had proposed to disclose an FIR no. 381/05 filed by one Leelu Ram, Surpanch of village Nathupur against J.L. Malik, Chief Manager (security) of DLF, despite the fact that the name of Mr. J.L. Malik, Chief Manager (security) of DLF does not appear in the list of its Key Managerial Employees. Thus, on the one hand it had proposed to disclose the FIR filed against an employee who is not a KMP, it chose to hide the one filed against its subsidiary and KMP. This fact clearly indicates a design to conceal the material fact.
43. In terms of clause 6.2 of the DIP Guidelines, the Prospectus should contain '*all material information*' which shall be true and adequate so as to enable the investors to make informed decision on the investments in the issue. The test of *materiality* of the information as envisaged in clause 6.2 of the DIP Guidelines is that the information should be true and adequate so as to enable the investors to make informed decision on the investments in the issue. In my view, this test depends upon facts and circumstances of each case. In this case, all the information which were not disclosed as found hereinabove, were material information. I, therefore, find that by not disclosing material information in the Prospectus and actively concealing them from the prospective investors, DLF misled them and violated clause 6.2 also.
44. As mentioned hereinabove, clause 6.15.2 of the DIP Guidelines required the directors/CEO/CFO to certify truthfulness and correctness of the disclosures made in the Prospectus. In view of the above non disclosures and active concealments, I find that the certification of directors/CEO/CFO in the RHP/Prospectus of DLF was not correct and thus the Noticees violated the provisions of clause 6.15.2 of the DIP Guidelines. For the same reasons, I find that the RHP/Prospectus of DLF contained misleading disclosures with regard to the material information as found hereinabove and that it did not contain fair and clear disclosures with regard to those material information. Thus, the Noticee also violated clause 9.1 of the DIP Guidelines.
45. As regards the *third* issue, I note that the charge of misleading and defrauding the investors in securities market in connection with the issue of shares of DLF has been levelled against the Noticees on the basis that they actively and knowingly suppressed several material facts and information in the RHP/Prospectus. In this regard, the Noticees have been charged to

have violated the provisions of section 12 A(a), (b) and (c) of SEBI Act read with regulations 3 (a), (b), (c), (d) 4(1), 4 (2)(f) and (k) of PFUTP Regulations.

46. I note that the definition of “*fraud*” in regulation 2(1)(c) of the PFUTP Regulations is an inclusive one. It is inclusive with respect to act, expression, omission or concealment committed by any person whether in deceitful manner or not, while dealing in securities in order to induce another person. The definition is also inclusive with respect to knowing misrepresentation, concealment of material fact, suggestion to an untrue fact, active concealment of fact with knowledge, promise without intention to perform, reckless and careless representations, deceptive behaviour, false statement, etc. as listed in points (1) to (8) of regulation 2(1)(c). Further the expression '*dealing in securities*' as defined in regulation 2(1)(b) includes an act of buying, selling or subscribing pursuant to any issue of securities or agreeing to buy, sell or subscribe any issue of any security. I, therefore, find that active and known/deliberate suppression of material information and facts in a RHP/Prospectus so as to mislead and defraud the investors in securities market in connection with the issue of shares would be covered within the scope of section 12A of the SEBI Act and regulation 3 and 4 of the PFUTP Regulations. I, therefore, do not agree with the contentions of the Noticees in this regard.
47. In this case, I have already found that the process of share transfer of three subsidiaries of DLF in *Sudipti*, *Shalika* and *Felicite* was through sham transactions as alleged in the SCN and that the Noticees employed a plan, scheme, design and device to camouflage the association of DLF with its three subsidiaries namely, *Felicite*, *Shalika* and *Sudipti*. In this case under such plan, scheme, design and device, the Noticees suppressed several material information in the RHP/Prospectus of DLF and actively concealed the fact about filing of FIR against *Sudipti* and others. In the facts and circumstances of this case, I find that the case of active and deliberate suppression of any material information so as to mislead and defraud the investors in the securities market in connection with the issue of shares of DLF in its IPO is clearly made out in this case. Therefore, the charge of violation of provisions of section 12 A(a), (b) and (c) of SEBI Act read with regulations 3 (a), (b), (c), (d) 4(1), 4(2)(f) and (k) of PFUTP Regulations against the Noticees is also established.
48. I am satisfied that the violations as found in this case are grave and have larger implications on the safety and integrity of the securities market. In my view, for the serious contraventions as found in the instant case, effective deterrent actions to safeguard the market integrity. It, therefore, becomes incumbent to deal with contraventions, digression and demeanour of the erring Noticees sternly and take appropriate actions for effective

deterrence. In this regard, the observation of the Hon'ble Supreme Court, as a word of caution, in the matter of *N. Narayanan vs. Adjudicating Officer, SEBI*, in Civil Appeal Nos. 4112-4113 of 2013, (order dated April 26, 2013) is worth mentioning:

"A word of caution:

43. SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto. People with power and money and in management of the companies, unfortunately often command more respect in our society than the subscribers and investors in their companies. Companies are thriving with investors' contributions but they are a divided lot. SEBI has, therefore, a duty to protect investors individual and collective, against opportunistic behavior of Directors and Insiders of the listed companies so as to safeguard market's integrity."

49. I note that the SCN has been issued to six directors and CFO of DLF on account of alleged violations by DLF as they were in charge of the affairs of DLF at the relevant time and were involved in the process of preparation of the RHP/Prospectus. In this case, the Noticees had authorised the RHP/Prospectus and signed the declarations certifying the compliance of DIP Guidelines, etc. and they cannot escape liability for the acts and omissions found in this case. In this regard, Mr. G.S. Talwar has submitted that while the other non-executive directors of DLF have been left out in the SCN, allegations have been leveled in the SCN only against Mr. Talwar. He also submitted that his role on the Board of directors of DLF is that of overseeing high-level strategy and he had no personal knowledge or involvement in the subject matter of the proceedings. Further, he played a similar non-executive role on the global boards of Schlumberger Limited, Fortis SV & NA, Peerson Plc. and the governing bodies of London Business School and the Indian School of Business. I note that at the time of filing of prospectus of DLF, Mr. G. S. Talwar was the non-executive director of DLF. I note that the SCN does not bring out any material to show that Mr. Talwar, while acting in his capacity as a non-executive director of DLF, participated or was involved in the day-to-day decision making of DLF. In view of these facts and circumstances, I give benefit of doubt to Mr. Talwar.

50. Considering the above, I, in order to protect the interest of investors and the integrity of the securities market, in exercise of the powers conferred upon me under section 19 of the Securities and Exchange Board of India Act, 1992 read with sections 11, 11A and 11B thereof and regulation 11 of the PFUTP Regulations, clause 17.1 of DIP Guidelines and regulation 111 of the ICDR Regulations hereby restrain the following entities from accessing the securities market and prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, in any manner, whatsoever, for the period of three years:

Sr. No	Name of the Entity	PAN
1.	DLF Limited	AAACD3494N
2.	Mr. K. P. Singh	ABIPS6464P
3.	Mr. Rajiv Singh	ABIPS6665G
4.	Mr. T. C. Goyal	AAGPG8173N
5.	Ms. Pia Singh	AAAPS6436J
6.	Mr. Kameshwar Swarup	ABQPS1072H
7.	Mr. Ramesh Sanka	ABAPS1340L

51. A copy of this order shall be served on all recognized stock exchanges and depositories to ensure that the direction given in the above para are complied with.

52. This order shall come into force with immediate effect.

Sd/-

Date: October 10th, 2014

Place: Mumbai

RAJEEV KUMAR AGARWAL

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA