

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11 AND 11B OF THE SEBI ACT, 1992, AND SECTION 12A OF THE SECURITIES CONTRACTS (REGULATION) ACT, 1956 IN THE MATTER OF DEALINGS IN ZYLOG SYSTEMS LIMITED.

IN RESPECT OF

- (1) STHITHI INSURANCE SERVICES PVT. LTD.,**
- (2) MR. SUDARSHAN VENKATRAMAN,**
- (3) MR. RAMANUJAM SESHARATHNAM,**
- (4) MR. PARTHASARATHY SRIKANTH,**
- (5) MS. SRIKANTH SRIPRIYA AND**
- (6) MR. S. P. SRIHARI**

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1. Zylog Systems Limited ("ZSL") is a public limited company having its shares listed on Bombay Stock Exchange Ltd. ("BSE") and National Stock Exchange of India Ltd. ("NSE"). Securities and Exchange Board of India ("SEBI") vide an *ad interim ex-parte* order dated June 13, 2013 (hereinafter referred to as 'the *interim order*') restrained Sthithi Insurance Services Pvt. Ltd. (promoter of ZSL), Mr. Sudarshan Venkatraman (Promoter, Chairman and Chief Executive Officer of ZSL) ("Mr. Sudarshan"), Mr. Ramanujam Sesharathnam (Promoter, Managing Director and Chief Operating Officer of ZSL) ("Mr. Ramanujam"), Mr. Parthasarathy Srikanth (Whole Time Director of ZSL) ("Mr. Srikanth"), Mrs. Srikanth Sripriya (wife of Mr. Parthasarathy Srikanth) ("Ms. Sripriya") and Mr. S. P. Srihari (Chief Financial Officer of ZSL) ("Mr. Srihari"), (hereinafter collectively referred to as "the noticees") from buying, selling or dealing in securities in any manner whatsoever till further directions.
 2. The aforesaid *interim directions* were issued against the noticees on the basis of *prima facie* finding that they had contravened the provisions of regulations 3(a), (b), (c), (d) and 4 (1), (2) (d), (e), (f), & (r) SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), 2003, regulations 13(4), 13(4A), and 13(5) of SEBI (Prohibition of Insider Trading) Regulations, 1992 (PIT Regulations), regulations 3(2), 31(1), 31(2) and 31(3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Takeover Regulations, 2011), section 77(2) of the Companies Act, 1956 and clauses 35, 41, 32 and 49 Listing Agreement. The *interim order* also *prima facie* found the promoters of ZSL along with

Mrs. Srikanth Sripriya, acting in concert acquired shares in ZSL beyond the threshold stipulated under regulation 3(2) of the Takeovers Regulations, 2011 without complying with the obligation of making open offer.

3. The aforesaid findings were based on several facts and circumstances more particularly described in the *interim order* under the following heads :-

A. Misleading disclosures by the ZSL and its promoters.

B. Promoter using company funds to deal in shares of ZSL.

C. Dependent (Spouse) of director using funds of ZSL to deal in its shares.

D. Non-compliance of Takeover Regulations, 2011.

E. Non disclosures of by the ZSL and its promoters.

F. Non disclosures by director of ZSL.

4. It was, *inter alia prima facie* observed, in the *interim order*, that pursuant to a steep price fall in the scrip of ZSL on October 18, 2012, ZSL had provided misleading information to the stock exchanges on October 19, 2012, wherein it had stated that its promoters have been buying and increasing their stake, whereas the promoters were actually net sellers and their shareholding had declined due to invocation of pledge by financiers. Similar misleading information was also given by the promoter, Chairman and Chief Executive Officer of ZSL, Mr. Sudarshan Venkatraman ("Mr. Sudarshan"), to the media. ZSL was also *prima facie* observed to have provided funds on several occasions to its promoter entity Sthithi Insurance Services Pvt. Ltd and Mrs. Srikanth Sripriya (wife of Mr. Parthasarathy Srikanth, director in ZSL) for dealing in shares of ZSL and the same is *prima facie* illegal. Such fund transactions to related parties was not disclosed in the annual report of ZSL. In this context, it was seen that the Chief Executive Officer(CEO), Chief Operating Officer(COO) and Chief Financial Officer (CFO) viz. Mr. Sudarshan Venkatraman, Mr. Ramanujam Seshrathnam and Mr. S.P Srihari, respectively, have falsely vouched for the accuracy of the financial statements. In the *interim order* it has been *prima facie* found that the promoters of ZSL along with Mrs. Srikanth Sripriya, acting in concert acquired shares in ZSL beyond the threshold stipulated under regulation 3(2) of the Takeover Regulations, 2011 without complying with the obligation of making open offer. ZSL also disclosed incorrect and false information in the quarterly shareholding pattern for the four quarters in the year 2012 to the stock exchanges by overstating the holding of the promoters and understating the quantum of shares pledged by the promoters. Various instances of non-adherences to accounting standards and listing agreement in the annual report by ZSL were also observed. Further, the examination of the demat statements of the promoters revealed that the promoters had engaged in multiple transactions of pledge creation, revocation and invocation. However no disclosures regarding these transactions was made to the stock exchanges under the Takeover Regulations, 2011. It was also observed that the promoters had concealed material

information by not making any disclosures regarding their on-market and off-market transactions in the scrip. Similarly, Mr. Parthsarthy Srikanth also did not disclose any details of the extensive transactions, entered by his wife and dependent, Mrs. Srikanth Sripriya in the scrip of ZSL. These repeated instances of concealment of information, dissemination of false and misleading information by the promoters/ZSL especially in the context of falling market prices of ZSL along with instances of funding of promoter/wife of director by ZSL and failure to make an open offer, and making false and distorted disclosure in the annual report as observed during the preliminary inquiry, apart from being in non compliance of the provisions of the Listing Agreement, Takeover Regulations, 2011 and PIT Regulations, point to a sinister intent by the promoters/directors of ZSL to act fraudulently and in a manipulative manner to the detriment of the gullible genuine investors.

5. Pursuant to the *interim order*, the noticees had sought inspection of documents relied upon by SEBI and the same was provided to their common representative on July 30, 2013. After seeking time, the noticees filed their replies on different dates. The noticees were given several opportunities of personal hearings and after seeking adjournments for different reasons they availed the opportunity of personal hearings on July 01, 2014 and October 14, 2014, when Mr. Vinay Chauhan and Mr. K .C. Jacob appeared for Mr. Sudarshan, Mr. Ramanujam and Sthithi, and Mr. Anant Upadhyay appeared for Mr. Srikanth, Ms. Sripriya and Mr. Srihari, respectively. The promoters of ZSL - Mr. Sudarshan, Mr. Ramanujam and Sthithi were also given opportunity to cross-examine the stock brokers viz; Twenty First Century Shares and Securities Ltd. ("TCSS") and IFCI Financial Services Ltd. ("IFIN") on October 14, 2014 as requested by them, when their authorised representative Mr. Vinay Chauhan, advocate submitted that there is no statement on oath of the persons present for cross-examination and that the reply to the stand taken by SEBI in view of the letters of brokers will be filed and the cross-examination will not be of any use. He withdrew the request of cross examination and sought liberty to file written submission which was granted. However, no reply / written submission in this regard has been filed till date.
6. The noticees have raised preliminary contention that the *interim order* is vitiated by gross violation of natural justice, as no opportunity was provided to them to explain their version and also the circumstances in the said order do not justify dispensation of pre decisional hearing. There was no emergent situation or circumstances warranting such an *ad interim ex-parte* order. After a lapse of more than 6 months from the date of execution of the impugned transactions there was no necessity for issuance of *ad interim ex parte* directions dispensing with pre decisional hearing. In addition, Sthithi, Mr. Sudarshan and Mr. Ramanujam have further contended that the direction issued against them, at this juncture is neither preventive, remedial nor curative, but out and out penal. In the circumstances the exercise of emergency powers under sec 11(1), 11B and 11(4) by SEBI in the guise of emergent situation is nothing but misuse of the powers by SEBI and the abuse of process of law. Another

preliminary contention of the noticees is that the copies of documents relied upon by SEBI including the Investigation Report have not been provided to them. The replies/submissions of the noticees on merits are mentioned in the following paragraphs:

Replies/ submissions of Sthithi, Mr. Sudarshan and Mr. Ramanujam

7. Vide their respective letters dated October 7, 2013, March 1, 2014 and June 27, 2014, Sthithi, Mr. Sudarshan and Mr. Ramanujam have *inter-alia* made the following common submissions—
 - a) They have absolutely clean track record. Till date, no adverse order has been passed against them by SEBI except the present order.
 - b) The sale of 61,712 shares was carried out by respective brokers –TCSS and "IFIN – consequent to debit balance in Sthithi's trading amount maintained with them, without recourse to them in terms of the broker's rights under Member Client Agreement.
 - c) In the circumstances, the said distress sales cannot be given the flavor of "direct sales" by Sthithi.
 - d) Invocation of shares by the Non Banking Finance Companies (NBFC) – Karvy Financial Services ("Karvy") and IFCI Ltd. was due to inadequate margin. In terms of the agreement with NBFCs, adequate margins were to be maintained, failing which the securities pledged by them were to be invoked. Since the margins kept by them with the said NBFCs dipped, it resulted in invocation of 6,40,000 shares by Karvy and 90,362 shares by IFCI Ltd.
 - e) The decrease in Sthithi's shareholding during October 18, 2012 to November 2, 2012 was due to invocation of pledges by various NBFCs and distress sales carried out by stock brokers.
 - f) Regarding the observation that Sthithi was using ZSL's funds to deal in the shares of ZSL, they have stated that over the years Sthithi has been raising/lending funds from/to ZSL. Flow of funds is duly captured in the books of both the companies. The bank entries under reference are part of various other bank entries which have taken place between the two companies.
 - g) Prior to January 2012, Sthithi had already given an amount of ₹ 57.15 crores to ZSL as loan and ZSL was repaying the same to Sthithi from January 1, 2012 to December 31, 2012. Further as on date ZSL still owes ₹ 53.40 crores to Sthithi. Thus, the fact is that they have to recover monies from ZSL and not the other way round.
 - h) In so far as utilization of the amounts, post receipt of repayments from ZSL is concerned, it was submitted that they had raised finances from various NBFCs, in the ordinary course of business, by pledging the shares of ZSL held by them and as and when their liabilities qua NBFCs (viz. interest payments/loan repayments etc.) were arising, they were seeking repayments of our own funds from ZSL in order to meet the same.

- i) In support of their contentions they had enclosed certificate from their Statutory Auditor M/s. K. R. Sudarsan & Company.
- j) There is no embargo on a promoter not to deal in the shares of a company of which he is a promoter. In view of the same, Sthithi had bought the shares out of their own funds only.
- k) Repayment of loans to NBFCs cannot be equated with utilization of funds for trading. Further the brokers are separate and independent from NBFCs.
- l) There is no legal embargo on availing loans for the purpose of trading in the market in a particular scrip.
- m) During the period from April 1, 2011 to March 31, 2012, Sthithi lent a sum of ₹ 5,39,66,894 to ZSL and received Nil amount from ZSL.
- n) Regarding the related party transactions, Sthithi has stated that they are one of the promoter entities of ZSL and over the years they have been raising/ lending funds from/to ZSL. Flow of funds between ZSL and them is duly captured in the books of both the companies and also in their Annual Reports. The actual quantified fund amounts were inadvertently omitted to be included in the Annual Report. The amounts are captured in the consolidated figures of debtors and creditors in the annual report.
- o) They have not acquired more than 5% of voting rights in ZSL during the financial year 2012-13 as alleged. Merely because Ms. Sripriya happens to be the wife of Mr. Srikanth who is a whole time director of ZSL, same cannot be a ground for holding her as person acting in concert with them. Even in the past also they have never made a disclosure that Ms. Sripriya is a person acting in concert with Sthithi, Mr. Sudarshan and Mr. Ramanujam – the promoters of the company. Therefore the violation of regulation 3(2) of the Takeover Regulations, 2011 cannot and does not arise.
- p) Regarding the discrepancy in disclosure of the share holding/pledge, it is submitted that the said violations are not deliberate and intentional and in contumacious disregard of provisions of law. The violations at highest are technical, procedural and venial breach and have not caused any loss to any investor. They have taken steps to rectify the errors and remedied the same. They have not made any gain or gained any unfair advantage, or cause any loss to investors as a result of belated filing of the disclosure.
- q) Regarding non-disclosure of creation, invocation and revocation of pledge, it is submitted that the said violations are not deliberate and intentional and in contumacious disregard of law. The violations at highest are technical, procedural and venial breach and have not caused any loss to any investor. They have taken steps to rectify the errors and remedied the same.
- r) Regarding the alleged non disclosures under regulation 13(4) and 13(4A) read with 13(5) of PIT Regulations. The said violations are not deliberate and intentional and in contumacious disregard of law. The violations at highest are technical, procedural and

venial breach and have not caused any loss to any investor. They have taken steps to rectify the errors and remedied the same.

8. In addition to above , Mr. Sudarshan and Mr. Ramanujam have further submitted that :

a) There was a steep price fall since October 17, 2012. In order to allay the fears in the minds of investors, ZSL had in right earnest and *bona fide* stated that -

(i) *There have been no reportable significant developments in the day to day operations of the Company and it is 'business as usual'.* Admittedly, it is nobody's case that there were any reportable significant developments in the day to day operations. Therefore, the statement is factually correct.

(ii) *"The Promoters of the company have been buying and increasing their stake in the Company."* This is also factually correct since promoter (Sthithi) was purchasing. In so far as sales are concerned it may be noted that sales were in violation of distress sales (due to invocation of pledge or as a result of margin shortfall/debit balance with brokers and NBFCs).

b) The adverse inference are based on the time frame (i.e. October 01, 2012 to October 19, 2012) arbitrarily selected by SEBI.

c) The statement made by Mr. Sudarshan has been published out of Sthithi context in the Economic Times.

d) Over the years, Ms. Sripriya has entered the sale agreement to sell certain land to ZSL and the fund flow between her and ZSL is related to Asset purchase. Therefore the question of Ms. Sripriya using funds from ZSL to deal in ZSL shares cannot and does not arise.

e) Based on purchases by Ms. Sripriya out of her own funds, no adverse inference can be drawn.

f) Out of 36 alleged transactions regarding creation, invocation and revocation of pledge, Mr. Sudarshan and Mr. Ramanujam have done only two such transactions each. They have taken steps to rectify the errors and remedied the same.

9. SEBI vide letter dated July 15, 2014 to Mr. Sudarshan, Mr. Ramanujam and Sthithi, provided the copies of replies of the brokers - TCSS and IFIN wherein they had *prima facie* indicated that trades in ZSL during October 2012 were carried out at the behest of Sthithi and that the details of the trades were also intimated to Sthithi on the same day. Mr. Sudarshan, Mr. Ramanujam and Sthithi vide their letters dated July 29, 2014 submitted that the sale by brokers was in the nature of distress sales due to debit balance in Sthithi's account and wherein TCSS and IFIN had sold the shares in Sthithi's account without taking recourse to them. It has been contended that they were surprised by the stand taken by the brokers and it appeared to be a rear guard action taken by the said brokers in light of the SEBI's order in the matter and in order to avoid getting into any regulatory hassle.

Replies/ Submissions of Ms. Sripriya and Mr. Srikanth

10. Ms. Sripriya and Mr. Srikanth vide their letters dated July 30, 2014 have *inter alia* made the following common submissions –
- a) Ms. Sripriya has been trading in the securities market, in the ordinary course, based on her own commercial wisdom and analysis, through various brokers without involvement of her husband in any manner.
 - b) The entire order is focused on announcements made by ZSL and its promoters, which are alleged to be false and misleading. They were not involved in the making of the announcements by ZSL or its promoters and even the order does not attribute in any manner the alleged announcements to them.
 - c) Ms. Sripriya is financially independent and her husband has no role to play in her business affairs and vice versa.
 - d) Sweeping inferences have been made in order to draw preconceived conclusions which are totally untenable and unreasonable.
 - e) Ms. Sripriya is neither an employee nor promoter or director of the company and even the order does not in any manner attribute the alleged announcement made by the promoters of ZSL to her.
 - f) The fund transfer between Ms. Sripriya and ZSL pertain to sale of land situated at Malaipattu village by her to ZSL for a consideration of ₹ 12 crores. The copy of the Agreement to sale dated April 02, 2012 evidencing the sale of land is enclosed.
 - g) As per the said agreement, ZSL had made part payments on various dates. Since, ZSL could not make the complete payment, as agreed to in the agreement it resulted in termination of the Agreement and forfeiture of amount.
 - h) The sale of land by Ms. Sripriya and her trading in the scrip of ZSL had no connection.
 - i) Prior to 01.04.2012, (i.e. the earliest date of transfer of funds between Ms. Sripriya and ZSL) Ms. Sripriya was holding 16,44,361 (11%) shares of ZSL.
 - j) With respect to the non disclosure of the fund transfer between ZSL and Ms. Sripriya, Mr. Srikanth has learnt from ZSL that the actual quantified fund amounts were inadvertently omitted to be included in the Annual Report. The amounts are captured in the consolidated figures of debtors and creditors in the annual report. The same is at the highest a technical and venial lapse and was not actuated by any mala fides or otherwise.
 - k) Mr. Srikanth has not bought or sold a single share of ZSL. In the absence of any acquisition of shares, it is totally incomprehensible as to how he can be branded as a person acting in concert.
 - l) The entire grouping of Persons Acting in Concert (PAC) is erroneous and is without any basis.
 - m) There is no common objective/purpose with the other persons to acquire shares/voting rights in ZSL or control over it.

- n) Association between persons is one thing but their acting in concert with a common objective to acquire substantial number of shares in pursuance to an understanding or an agreement between them is altogether different.
- o) The grouping of Sthithi, Mr. Sudarshan, Mr. Ramanujam, Ms. Sripriya and himself as PACs is erroneous. No common objective/purpose has been shown. (Further SAT order dated February 2, 2010 in the matter of Triumph International Finance Ltd. and the Supreme Court Order dated July 8, 2010 in the matter of Daiichi Sankyo Company Ltd vs Jayaram Chigrupati and other has been cited).
- p) In the order dated February 2, 2010 passed in the matter of Triumph International Finance India Ltd., the Hon'ble Securities Appellate Tribunal had *inter alia* held that close business association between two or more persons does not by itself make them persons acting in concert.
- q) The Hon'ble Supreme Court of India in its order dated July 8, 2010 in the matter of Daiichi Sankyo Company Ltd vs Jayaram Chigrupati and Others has *inter alia* observed that two or more persons may join hands together with the shared common objective or purpose of any kind but so long as the common object and purpose is not of substantial acquisition of shares of a target company they would not comprise "persons acting in concert.
- r) They have always conformed to standards of transparency, good governance and ethical behavior prescribed in securities laws and have never resorted to any fraudulent activities.
- s) As they have already suffered a restraint for more than 1 year and also suffered both reputation wise and financially, any further continuance of the directions, in the circumstances would be hugely detrimental to them.

11. Further, Ms. Sripriya and Mr. Srikanth vide their letters have made the following additional submissions –

- a) Ms. Sripriya has stated that insofar as the trades carried out by Ms. Sripriya during the period January 01, 2012 to December 31, 2012 is concerned the same is a matter of record and nothing ulterior should be read into it.
- b) There is no embargo on Ms. Sripriya on not to deal in the shares of the company.
- c) Taint has been attributed to Ms. Sripriya's trading based on the misconception about the source of funds.
- d) With regards the nondisclosure regarding the trading done by his wife, Mr. Srikanth has submitted that the said violations are not deliberate and intentional and in contumacious disregard of provisions of law. The violations are at the highest a technical and venial breach and have not caused any loss to any investor and has not adversely affected the shareholders of the ZSL or the securities market in any manner.
- e) As soon as he has become aware of the alleged violations, Mr. Srikanth has taken steps to rectify the errors and remedied the same. Mr. Srikanth has enclosed the disclosures filed

by ZSL to stock exchanges in this regard. He has not made any gain or gained any unfair advantage, or caused any loss to investors as a result of belated filing of the disclosure.

f) Thus it is denied by Mr. Srikanth that provisions of regulation 13(4) read with regulation 13(5) has been violated as alleged.

12. During the course of the hearing held on October 14, 2014, copy of email dated April 10, 2013 sent by ZSL to SEBI was handed to the representative for Ms. Sripriya and Mr. Srikanth. The said email by ZSL *inter alia* stated that as per company policy, Ms. Sripriya was a dependent of Mr. Srikanth (executive director in ZSL). Ms. Sripriya vide her letter dated November 6, 2014 has *inter alia* made the following additional submissions in this regard -

- a) She is financially independent and she has been trading in the securities market based on her own commercial wisdom and analysis without the involvement of her husband in any manner.
- b) She has been regularly making investments in mutual funds and trading in both cash and futures/options segments since a long time.
- c) She has been trading independently in various scrips by placing orders through telephone with her respective brokers like Kotak Securities, India Bulls, Prabhudas Lilladher, Aditya Birla Money, Unifi Wealth Management, IFCI Financial services etc.
- d) She has enclosed a partial list of scrips she has traded since 2004 to 2012. The list contains 83 scrips in the cash segment and 103 scrips in the Futures and Options segment.
- e) She is well qualified and holds Bachelor's degree in Botany and Master's degree in Bio Chemistry. Post the meltdown of USA markets due to mortgage crisis, she wanted to reduce her portfolio. During the relevant time, ZSL was one of the niche market players having global footprint with almost eight subsidiaries across the globe. ZSL was run by credible promoters and its IPO was oversubscribed 73 times in July 2008. After analyzing the quarter to quarter performance of the company, wherein there was a steady growth on the overall performance of the company, she made certain investment in the scrip of ZSL.
- f) She is left with unsettled debit of ₹ 6 crores with few brokers.
- g) Her financial independence is also borne out of her Income Tax Returns from 2005 to 2012. She owns landed properties in and around suburbs of Chennai valuing around ₹ 14 crores.
- h) As per definition of dependent(s) of the company's policy she may be a dependent of Mr. Srikanth who was the director of ZSL at the relevant time. But the same does not lead to the conclusion that she is not financially independent person and did not have the ability to take her own investment decisions.
- i) Merely because she had traded in the ZSL and had received certain funds in context of "Agreement for Sale" pertaining to sale of land, it cannot be alleged that she was a person acting in concert with the promoters of ZSL.

Replies/ Submissions of Mr. Srihari

13. Mr. . Srihari has *inter alia* made the following submissions -

- a) He had joined ZSL in May 2006 as the Financial Controller. He was appointed Chief Financial Officer (CFO) of ZSL on May 2010 and resigned with effect from April 30, 2013.
- b) The entire order is focused on announcements made by ZSL and its promoters, which are alleged to be false and misleading. They were not involved in making of the announcements by ZSL or its promoters and even the order does not attribute in any manner the alleged announcements to them.
- c) He has not bought or sold any shares of ZSL.
- d) The fund transfers between ZSL and Sthithi under reference are part of the transfers wherein ZSL has had on various dated repaid the amounts borrowed earlier from Sthithi. All the transactions between ZSL and Sthithi are duly captured in the books of ZSL and in ZSL's annual reports. Whatever trading has been done by Sthithi in the scrip of ZSL has been done by Sthithi out of its own funds and based on that no adverse inferences can be drawn against ZSL.
- e) Relying upon a copy of an Agreement to Sale it has been submitted that the fund transfer between ZSL and Ms. Sripriya pertained to the sale of land situated at Malaipattu village by Ms. Sripriya to ZSL for a consideration of ₹ 12 crores. He as well ZSL is neither aware nor concerned with what Ms. Sripriya has done with the funds post the payment by ZSL.
- f) Since ZSL could not make the complete payment, it resulted in termination of the Agreement and forfeiture of the amount in accordance with terms of the said agreement.
- g) With respect to the non disclosure of the fund transfer between ZSL and Ms. Sripriya under the head "related party transaction" in the Annual Report, it is submitted that the actual quantified fund amounts were inadvertently omitted to be included in the Annual Report. The amounts are captured in the consolidated figures of debtors and creditors in the annual report. The same is at the highest a technical and venial lapse and was not actuated by any mala fides or otherwise. Thus, it is denied that he has falsely vouched for the accuracy of the financial statement as alleged.

14. I have carefully considered the material available on record and the submissions made by the noticees in the matter. Before dealing with submissions of the noticees on merits, I proceed to deal with the preliminary objections raised by them. The first preliminary contention of the noticees is with regard to jurisdiction of SEBI to pass *ex parte ad interim order* under facts and circumstances of a case. The noticees have also questioned the necessity of the *interim order* in the matter on the ground that the *interim order* was passed after around 6 months from the date of impugned transactions. In this regard, I note that the *interim order* clearly brings out the reasons for passing the preventive and remedial directions contained therein. It is pertinent to mention that the *interim order* has been passed in the course of preliminary

inquiry and the investigation in the matter is ongoing. During the *preliminary inquiry*, SEBI had made inquiries with ZSL. Thus, ZSL and the noticees who are in charge of its affairs were well aware about SEBI's inquiry in the matter. Further, the *interim order* has been issued in the nature of show cause notice affording the noticees a post decisional opportunity to file their replies and avail the opportunity of personal hearing. Such exercise of power is specifically permitted under section 11 and 11B of the SEBI Act and the position that it is not necessary to give pre-decisional hearings in the cases of *ad-interim ex-parte orders*, has also been settled by various judgments such as the matter of *Anand Rathbi & Others Vs. SEBI* (2002 (2) Bom CR 403, wherein the Hon'ble Bombay High Court has held as under:

" 31. It is thus clearly seen that pre decisional natural justice is not always necessary when ad-interim orders are made pending investigation or enquiry, unless so provided by the statute and rules of natural justice would be satisfied if the affected party is given post decisional hearing. It is not that natural justice is not attracted when the orders of suspension or like orders of interim nature are made. The distinction is that it is not always necessary to grant prior opportunity of hearing when ad-interim orders are made and principles of natural justice will be satisfied if post decisional hearing is given if demanded.

32. Thus, it is a settled position that while ex parte interim orders may always be made without a pre decisional opportunity or without the order itself providing for a post decisional opportunity, the principles of natural justice which are never excluded will be satisfied if a post decisional opportunity is given, if demanded."

15. The provisions of section 11 and 11B of the SEBI Act, empowers SEBI to take preventive and remedial measures in the interest of investors in securities market. Such measures can be taken either pending investigation or inquiry or on its completion. If SEBI deems it necessary to undertake preliminary inquiry and *prima facie* finds the necessity to pass the *interim order* in the interest of the investors in the securities market, it is empowered to do so during pendency of inquiry/investigation. In this regard, the Hon'ble High Court of Rajasthan in the matter *M/s. Avon Realcon Pvt. Ltd. & Ors Vs. Union of India & Ors* (D.B. Civil WP No. 5135/2010 Raj HC) has held that:

"...Perusal of the provisions of Sections 11(4) & 11(B) shows that the Board is given powers to take few measures either pending investigation or enquiry or on its completion. The Second Proviso to Section 11, however, makes it clear that either before or after passing of the orders, intermediaries or persons concerned would be given opportunity of hearing. In the light of aforesaid, it cannot be said that there is absolute elimination of the principles of natural justice. Even if, the facts of this case are looked into, after passing the impugned order, petitioners were called upon to submit their objections within a period of 21 days. This is to provide opportunity of hearing to the petitioners before final decision is taken. Hence, in this case itself absolute elimination of principles of natural justice does not

exist. The fact, however, remains as to whether post-decisional hearing can be a substitute for pre-decisional hearing. It is a settled law that unless a statutory provision either specifically or by necessary implication excludes the application of principles of natural justice, the requirement of giving reasonable opportunity exists before an order is made. The case herein is that by statutory provision, principles of natural justice are adhered to after orders are passed. This is to achieve the object of SEBI Act. Interim orders are passed by the Court, Tribunal and Quasi Judicial Authority in given facts and circumstances of the case showing urgency or emergent situation. This cannot be said to be elimination of the principles of natural justice or if ex-parte orders are passed, then to say that objections thereupon would amount to post-decisional hearing. Second Proviso to Section 11 of the SEBI Act provides adequate safeguards for adhering to the principles of natural justice, which otherwise is a case herein also..."

16. I note that the *interim order* has very clearly given justification for SEBI's intervention by way of *ad interim ex parte* directions. For the same reasons, I am of the view, the facts and circumstances of the case were sufficient to arrive at *prima facie* findings necessitating passing of the *interim order*. I, therefore, do not deem it necessary to repeat the same and reject the contentions of the noticees in this regard.
17. I further note that after the *interim order*, the noticees were provided with copies of relevant documents relied upon in the *interim order* and they had also undertaken inspection of documents on July 30, 2013. They filed their replies in the matter belatedly after seeking extension of time. They further consumed time in availing opportunity of hearing. The request of Mr. Sudarshan, Mr. Ramanujam and Sthithi to cross-examine the stock brokers i.e. TCSS and IFIN was also acceded to but they did not press the same for the reasons conceded by them as stated hereinabove. I note that in these proceedings, the basis of charges and allegations against the noticee are narrated in the *interim order* which has been passed on the basis of facts and circumstances revealed during preliminary inquiry and the investigation in the matter is ongoing. Thus, the question of relying upon an "Investigation Report" by SEBI is misplaced. Since all relevant documents relied upon by SEBI have been provided to the noticees and they have been afforded sufficient and reasonable opportunity of post decisional hearings in the matter, I do not find violation of principles of natural justice in this case as contended by the noticees.
18. Coming to the contentions of the noticees on merits, I note that it is undisputed fact that Sthithi (promoter of ZSL) is promoted and managed by Mr. Sudarshan (promoter, chairman and CEO of ZSL) and Mr. Ramanujam (promoter, MD and COO of ZSL). It is admitted fact that during the period preceding the announcement by ZSL on October 19, 2012 (i.e. between 1st October 2012 to 19th October, 2012), Sthithi bought 20,058 shares of ZSL. It is noted that during the same period total 61,712 shares of ZSL held by Sthithi were sold in the market. The noticees have contended that such sale of shares were not direct sales by them

but were 'distress sale' by the stock brokers viz; TCSS and IFIN due to debit balance in Sthithi's ledger and the sale of shares was without their knowledge. They have thus disputed the fact that Sthithi had given any sale order to the stock brokers. According to them such sales were not by Sthithi but were carried out at the behest of the stock brokers. The stock brokers have, however, stated that they received instructions from Sthithi over telephone for sale of the shares. In this regard, IFIN has given a clip of telephone call, alongwith its transcript, stated to have been made to it by representative of Sthithi indicating possibility of placing sale order by Sthithi at one instance. Be whatever it may, the admitted fact that the concerned stock brokers, had, on the dates of sale of shares itself, issued the electronic contract notes to Sthithi with regard to sale of its shares establishes that by 18th October, 2012 the promoters of ZSL were aware of sale of shares held by Sthithi.

19. Further, admittedly, on October 18, 2012, Karvy Financial Services and IFCI Limited invoked the pledge with regard to 6,40,000 shares and 90,362 shares, respectively, pledged with them by Sthithi. Due to such invocation of pledge, Sthithi's shareholding in ZSL decreased from 35.06% on October 17, 2012 to 32.84% on October 18, 2012. Thus, there was decrease in shareholding of promoters during the period between October 1st to 19th, 2012. However, the announcement as described in the *interim order* was made to the effect that the promoters were buying and increasing their stake in ZSL at relevant time. Thus, the false and misleading announcement on October 19, 2012 was apparently made knowingly and deliberately. Further, in my view, the selection of this period is not arbitrary as sought to be contended as the same is closely proximate with the date of announcement by ZSL. It is also relevant to mention that when the said announcement was made, the information about aforesaid sale of shares/ invocation of pledge was not in public domain and only perception in the mind of any person of reasonable prudence would be that the promoters were holding their disclosed shareholding in ZSL as on that date. When the announcement was made in public on October 19, 2012, any such person would be led to believe that the promoters were further increasing their stake though the price of the scrip was falling and there was business as usual in ZSL. However, the announcement was contrary to the actual position with regard to the increase / decrease in promoters' shareholding. I, therefore, at this stage, do not find any reason to differ with *interim* findings that ZSL made misleading and false disclosure of price sensitive information to the stock exchange. The fact that the promoters did not disclose the fact about such invocation of pledge under the provisions of Takeover Regulations, 2011 and PIT Regulations further substantiate the finding the announcement was fraudulent and suggest that active concealment of the said material fact was part of a fraudulent device.
20. Mr. Sudarshan has not given any plausible explanation about his statement in news article published in the Economic Times dated November 2, 2012, wherein he had stated that promoters and institutions had increased their share holding over the past two weeks,

coinciding with the fall in the share price. As described in the *interim order* during the period October 18, 2012 to November 2, 2012 the shareholding of the promoters had further decreased. It is, thus, *prima facie* found that Mr. Sudarshan had given false and misleading statement in media that indicated continued support of the promoters; while in reality the promoters' shareholding had actually decreased. This fact further reinforces the *prima facie* findings in the *interim order* that the aforesaid announcement and the statement were to mislead the market.

21. With regard to the second charge, it is noted from the *interim order* that on numerous occasions Sthithi had received funds from ZSL and had, in turn, provided the same to NBFCs on the same day for the purpose of repaying the loans or to make interest payments for loans availed by it from them. Thus, it has been *prima facie* found that ZSL had provided funds to its promoter to deal in its own shares in violation of section 77(2) of the Companies Act, 1956 and regulation 3 of the PFUTP Regulations. Relying upon copy of a certificate dated August 25, 2013 from M/s. K. R. Sudarsan & Company, a Chartered Accountant (CA) the promoters of ZSL have claimed that Sthithi had provided loans to ZSL over the years and ZSL was repaying the same to Sthithi. It is noted from the said certificate dated August 25, 2013, which has been given by the CA for the purpose of SEBI inquiry and on the basis of "*limited inspection*", that the outstanding balance due from ZSL as on Mar 31, 2013 in the books of Sthithi was ₹53.40 crores. It is further noted that the CA has not certified pre existence of a loan transaction between ZSL and Sthithi as claimed. In fact, such certification is based on the bank statements of Sthithi at Axis Bank, Federal Bank, Union Bank of India and HDFC Bank and the ledger statements of ZSL in the books of Sthithi and not on the basis of any loan agreement. The said certificate, at the most, can suggest fund transfers between ZSL and Sthithi and outstanding balance due from ZSL as on Mar 31, 2013 in the books of Sthithi but can not establish with certainty that the fund transfers between ZSL and Sthithi were pursuant to any loan as claimed by the concerned noticees. If at all there was any loan transaction pursuant to any written agreement, the documentary evidence in that regard should in all probabilities be in the possession of the noticees. In absence of any documentary evidence of such loan, I am unable to accept such claim at this stage and *prima facie* find that such informal way of financing was not pursuant to any loan between ZSL and Sthithi.
22. From the agreements between Sthithi and the respective NBFCs, it is noted that the loans were granted by NBFCs to Sthithi, *inter-alia*, for purchasing shares/investment using ZSL shares as collateral. During the period January 1, 2012 till December 31, 2012, when the funds were transferred by ZSL to Sthithi, it had dealt only in the shares of ZSL through various brokers as described in the *interim order*. These facts indicate that Sthithi had availed loan from various NBFCs for dealing in shares of ZSL and the said loans were repaid to the NBFCs using funds received from ZSL and thus, they support *prima facie* findings in the

interim order. Apart from these facts, such financial transactions between ZSL and Sthithi , though a related party transaction, were admittedly not disclosed as such under the head "*related party transactions*" in any of the Annual Reports of ZSL during relevant period. In this regard, the promoters viz. Mr. Sudarshan, Mr.Ramanujam and Sthithi have contended that the funds transferred between ZSL and Sthithi, which are *related party transactions*, inadvertently got omitted in the Annual Report for inclusion in *related party transaction* but were captured in the consolidated figures of debtors and creditors in the Annual Report. They further claimed that prior to January 2012, Sthithi had given an amount of ₹ 57.15 crores to ZSL as loan and ZSL was repaying the same to Sthithi between January 01, 2012 and December 31, 2012. As on March 31, 2012, ZSL had to pay ₹ 58.78 crores. As on December 31, 2012 the amount so payable was ₹ 53.45 crores which was reduced to ₹ 53.40 cores as on the date of their reply. In this regard, it is pertinent to note that the *related party transactions* should be presented in the Annual Report in accordance with Accounting Standard AS-18, which states that along with related party name, the nature and volume of the related party transactions ought to be disclosed. It is important to note that these disclosures about a *related party transaction* cannot be ascertained from the consolidated list of debtors and creditor even if disclosed in the Annual Report. From the Annual Report of ZSL for Financial Year 2011-12, I note that Sthithi was disclosed as *related party* of ZSL therein and that ZSL did not have any long term borrowing from any of its *related parties*. It had taken short term loans and advances from three of its *related parties* namely, Zylog Systems (India) Ltd., Zylog Systems Asia Pte. Ltd. and Zylog Systems (Canada) Ltd. but not from Sthithi at all. Thus, it is established that ZSL had not borrowed any fund from Sthithi as on March 31, 2012. This fact is further confirmed from the disclosures made in the Annual Report for the Financial Year 2012-13. I further note from the Annual Report for the Financial Year 2012-13 that apart from the short term loans and advances from the aforesaid related parties the loans from "*Other related parties*" to the tune of ₹ 55.24 crores has been disclosed as on March 31, 2013. This disclosure is not specific with respect to any loan from Sthithi even after March 31, 2012. Thus, the claim of the noticees that prior to January 2012 Sthithi had given an amount of ₹57.15 crores to ZSL as loan which it was repaying during January 01, 2012 and December 31, 2012 is not correct. These facts indicate that omissions in this regard were active concealment of material information relating to *related party transaction* and were part of fraudulent device in this regard. I, therefore, find no reason at this stage to differ with *prima facie* findings in the *interim order* in this respect.

23. With regard to third charge, it is noted in the *interim order* that during the period April 11, 2012 to August 30, 2012 , ZSL had paid ₹ 5.8 crores to Ms. Sripriya wife of Mr. Srikanth, whole time director of ZSL; who in turn used those funds for dealing in shares of ZSL. In this regard, the promoters, viz; Mr. Sudarshan and Mr. Ramanujam have submitted that Ms. Sripriya had entered into a sale agreement to sell certain land to ZSL and the fund flow

between her and ZSL is related to such land purchase. Relying upon a copy of a purported agreement dated 02nd April 2012, it has been submitted by Ms. Sripriya, Mr. Srikanth and Mr. Srihari that the fund transfer between ZSL and Ms. Sripriya pertained to a sale of land situated at Malaipattu village by her to ZSL for a consideration of ₹12 crores. They have claimed that since the said land deal did not fructify Ms. Sripriya had forfeited the earnest money of ₹5.8 crores received from ZSL. However, they have not submitted a copy of resolution of the board of directors of ZSL authorizing such land purchase from a related party so as to show that any such land deal was authorised by board of directors or ZSL. The purpose for which ZSL, a provider of technology solutions and services, was buying the land from Ms. Sripriya as claimed is unclear.

24. From the copy of the agreement submitted by these noticees it is noted that the same is not a registered agreement. Assuming that the said fund of ₹5.8 crores was on account of forfeiture of earnest money paid by ZSL, such claim by these noticees is belied on the basis of the said loan agreement itself as it does not permit forfeiture of entire earnest money, if any, paid by ZSL. It is noted that in terms of clause 8 read with clause 11 of the said loan agreement that Ms. Sripriya was entitled to forfeit only a sum of ₹3 crores from the earnest money paid to it by ZSL and not the entire earnest money as claimed to have been done in this case. Further, such forfeiture of maximum ₹3 crores as per said loan agreement is permissible only if the ZSL willfully failed, refused or neglected to pay the purchase consideration or failed to complete the transaction within time stipulated in the said agreement. The noticees have failed to explain as to why ZSL did not make the required payments in terms of the agreement and despite paying a significant portion viz. 49% of the value of ₹12 crores allowed forfeiture of ₹5.8 crores as claimed. It also appears intriguing as to why ZSL allowed forfeiture of entire earnest money as claimed and did not claim refund of balance amount. Hence, at this stage, these submissions of the noticees are not acceptable and I find the explanations given by the noticees appear to be an afterthought.
25. In this regard, Ms. Sripriya and Mr. Srikanth have also claimed that Ms. Sripriya is financially independent and she has been traded in the securities market based on her own commercial wisdom and analysis without the involvement of her husband in any manner. In this context, I note that ZSL has confirmed that Ms. Sripriya is a dependent of Mr. Srikanth. It is pertinent to note that in 2012, her trading in ZSL shares contributed 99.72% in terms of value to her total trading during the entire year. It is undisputed fact that Mr. Srikanth has not made any disclosure to the stock exchanges regarding Ms. Sripriya's transactions.
26. Admittedly, during the relevant period no disclosures were made by ZSL in the Annual Report/s for the relevant Financial Year/s with regard to such transaction with related party under the head "*related party transaction*". According to the noticees viz; Mr. Sudarshan, Mr. Ramanujam, Mr. Srikanth and Mr. Srihari the *related party transactions* between ZSL and

Sripriya are captured in the consolidated figures of debtors and creditors in the Annual Report. However, from the Annual Reports of ZSL for Financial Years 2011-12 and 2012-13, I note that such material information viz. payments for purchase of land and forfeiture of the same is nowhere specifically disclosed in the said Annual Reports including the Notes to Accounts section of the said Annual Reports. Such disclosures ought to have been made under the head *related party transactions*. These facts indicate that omissions in this regard were also active concealment of material information relating to *related party transaction* and were part of fraudulent device in this regard. I, therefore, find no reason at this stage to differ with *prima facie* findings in the *interim order* in this respect also.

27. For the aforesaid reasons, I also do not differ with *prima facie* finding that Chief Executive Officer, Chief Operating Officer and Chief Financial Officer viz. Mr. Sudarshan, Mr. Ramanujam and Mr. Srihari, respectively, have falsely vouched for the accuracy of the financial statements.

28. With regard to alleged violation of regulation 3(2) of the Takeover Regulations, 2011, It is noted that as on April 1, 2012, the promoters alongwith *persons acting in concert* with them were holding 49.86% equity shares in ZSL. It is admitted position that, during the period July 05, 2012 to December 31, 2012, Ms. Sripriya had acquired 27, 71,280 shares (8.43%) of ZSL on a gross basis. During the same period, Sthithi also acquired 2,08,116 shares (0.63%) of ZSL. It has been *prima facie* found that the promoters of ZSL along with person acting in concert (Ms. Sripriya) with them have acquired more than 5% of voting rights in ZSL during the financial year 2012-2013 without making public announcement as required under regulation 3(2) of the Takeovers Regulations, 2011 and contravened the same. These noticees have, however, contended that merely on the basis of their relationships/positions in the company, they cannot be stated to be PACs with each other. It has also been contended as there was no common objective/purpose with the other persons to acquire shares of ZSL beyond prescribed threshold, any association however close cannot be a determining factor for alleging that the two persons are acting in concert.

29. In this regard, it is necessary to refer to the definition of the expressions "*acquirer*" and "*persons acting in concert*" as defined under regulation 2(1) of the Takeover Regulations, 2011. As per regulation 2(1) (a) :

"(a) "acquirer" means any person who, directly or indirectly, acquires or agrees to acquire whether by himself, or through, or with persons acting in concert with him, shares or voting rights in, or control over a target company;

Further, as per regulation 2(1) (q)

"(q) "persons acting in concert" means,—

(1) persons who, with a common objective or purpose of acquisition of shares or voting rights in, or

exercising control over a target company, pursuant to an agreement or understanding, formal or informal, directly or indirectly co-operate for acquisition of shares or voting rights in, or exercise of control over the target company.

(2) Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be persons acting in concert with other persons within the same category, unless the contrary is established,—

(i) a company, its holding company, subsidiary company and any company under the same management or control;

(ii) a company, its directors, and any person entrusted with the management of the company;

(iii) directors of companies referred to in item (i) and (ii) of this sub-clause and associates of such directors;

(iv) promoters and members of the promoter group;

(v) immediate relatives;

(vi)

Explanation.— For the purposes of this clause “associate” of a person means,—

(a) any immediate relative of such person;

(b) trusts of which such person or his immediate relative is a trustee;

(c) partnership firm in which such person or his immediate relative is a partner; and

(d) members of Hindu undivided families of which such person is a coparcener;"

30. In this case, it is admitted position that Mr. Ramanujam and Mr. Sudarshan are promoters-directors of ZSL and Mr. Srikanth is a whole time director of ZSL. Ms. Sripriya is wife and dependent of Srikanth and Sthithi, wherein Mr. Ramanujam and Mr. Sudarshan are shareholders and directors, is one of the promoters of ZSL. Accordingly, in terms of regulation 2(1) (q) (2) (ii) (iii) (iv) and (v) all these five persons viz; Mr. Ramanujam, Mr. Sudarshan, Mr. Srikanth, Ms. Sripriya, and Sthithi are deemed to be persons acting in concert with each other with regard to the aforesaid acquisition of Ms. Sripriya and Sthithi in the ZSL. It is noted that regulation 2(1)(q) provides a rebuttable presumption with regard to status of a person acting in concert with other persons within the same category specified in said regulation. The contrary has to be established by the persons deemed as persons acting in concert. In this case, Mr. Ramanujam, Mr. Sudarshan, Mr. Srikanth, Ms. Sripriya, and Sthithi have not been able to establish the contrary to the deemed presumption on the basis of any evidence. This apart, as observed in the *interim order* and discussed hereinabove, the loans obtained by Ms. Sripriya from NBFCs to acquire shares of ZSL was repaid by her out of the funds received from ZSL and Sthithi. Similarly, the loans obtained by Sthithi from NBFCs to acquire shares of ZSL were repaid out of funds received from ZSL. Such funding by ZSL and Sthithi to Ms. Sripriya and by ZSL to Sthithi, has to be with the decision of board of directors of ZSL/ Sthithi. Thus, Mr. Ramanujam, Mr. Sudarshan and Mr. Srikanth, being part of board of directors of concerned companies had active role in such funding for acquisition of shares. It is also observed from the documents provided by the stock brokers TCSS and IFIN, the electronic contract notes for the trading by Sthithi during

the examination period were sent to email id of Mr. Srikanth. The phone number provided to the stock broker IFIN in the account of Sthithi belongs to Mr. Srikanth. Such facts further indicate that Mr. Srikanth was not only a person acting in concert with his wife Ms. Sripriya but also with regard to acquisition of Sthithi. It is further noted that during the period May 9, 2012 to September 27, 2012, there were repeated off market transfers of ZSL shares between Sthithi and Ms. Sripriya. These facts and circumstances, strongly suggest that these five noticees were interested or involved in the common objective or purpose of acquisition of shares of ZSL and they co-operated for the common objective of acquisition of shares of ZSL. I, therefore, reiterate the findings in the *interim order* in this regard and *prima facie* hold that these five noticees acted in concert with regard to acquisitions of shares of ZSL by Ms. Sripriya and Sthithi.

31. As mentioned in the *interim order*, during the period from January 1, 2012 till December 31, 2012, there were 36 instances of promoters not making disclosures regarding their pledge related transactions and 58 instances of the promoters not making disclosures regarding their transactions under regulation 13(4) and (4A) read with 13(5) of the PIT Regulations. The promoters, while admitting to the violations, have submitted that the non disclosures of creation, invocation and revocation of pledge as well as other transactions are not deliberate or intentional or in contumacious disregard of law. They have also claimed to have made the disclosures to the stock exchanges subsequently after the *interim order* was passed. Considering the active concealment of material information with regard to large number of transactions repeatedly in violation of the provisions of Takeover Regulations, 2011 and PIT Regulations and false and incorrect disclosures as part of fraudulent device as *prima facie* found in the *interim order*, I am of the view that subsequent disclosures, if any, in this regard cannot be accepted as defence or to mitigate the violations *prima facie* found in this case.
32. With regard to the sixth charge, Mr. Srikanth has, relying upon letters of ZSL dated September 25, 2013, claimed that he has taken steps to rectify the errors and remedied the same. From the copies of the said letters, I note that by those letters, ZSL had submitted its revised quarterly shareholding pattern to BSE and NSE. Those letters do not contain disclosure of transactions of Ms. Sripriya which Mr. Srikanth was obligated to disclose in accordance with regulation 13(4) and 13(5) of the PIT Regulations. No such disclosure is available even on the websites of either of these stock exchanges. I, therefore, find that the claim of Mr. Srikanth is incorrect.
33. Considering the above, I find that the noticees have not been able to make out a *prima facie* case for revocation or modification of the *interim order* and the material available on record justifies the continuation of the directions passed against them under the *interim order*.
34. I, therefore, 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(1), 11(4) and 11B thereof, hereby confirm the directions issued vide *ad-interim ex-parte* order dated June 13, 2013 in respect of Sthithi Insurance Services Pvt. Ltd. (promoter of ZSL) (PAN AAKCS6316E), Mr. Sudarshan Venkatraman (Promoter, Chairman and Chief Executive Officer of ZSL) (PAN AWJPS4793B), Mr. Ramanujam Sesharathnam (Promoter, Managing Director and Chief Operating Officer of ZSL) (PAN AERPR6301N), Mr. Parthasarathy Srikanth (Whole Time Director of ZSL) (PAN AAQPS9253H), Ms. Srikanth Sripriya (wife of Mr. Parthasarathy Srikanth) (PAN AZAPS0630H) and Mr. S. P. Srihari (ex-Chief Financial Officer of ZSL) (PAN AFJPS1694C). Accordingly, the directions issued vide the *interim order* shall continue to be in force till further directions.

35. With regard to the alleged violation of regulation 3(2) of the Takeovers Regulations, 2011 as mentioned hereinabove, Mr. Ramanujam, Mr. Sudarshan, Mr. Srikanth, Ms. Sripriya, and Sthithi are called upon to show cause as to why appropriate action under the provisions of Regulation 32 of the Takeovers Regulations, 2011 read with provisions of sections 11 and 11B of the SEBI Act, 1992 including the direction to make public announcement to acquire shares in accordance with Takeover Regulations, 2011 should not be taken against them. In this regard, this order read with the *interim order* shall be treated as a Show Cause Notice which shall be disposed in accordance with law including the principles of natural justice. Copies of any additional material relied upon in this regard by SEBI shall be given to them within seven days from the date of this order. Thereafter, within 15 days, they may file their replies, if any with regard to this charge.
36. A copy of this order shall be served on all recognized stock exchanges and depositories to ensure compliance with above directions.

Sd/-

Date: July 30th, 2015

PLACE: MUMBAI

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