



भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

Adjudicating Officer
Enquiries and Adjudication Department (EAD) – EAD 8

SEBI/EAD-8/OW/ATLAS /JS/SP/P/2018/512/1

February 15, 2018

By SPAD

1. M/s. Atlas Jewellery Pvt. Ltd Door no. XI/305 II, Near Federal Bank Ltd. Opp. CIAL, Vappalassery, P.O. Nedumbassery, Angamally, Kerala – 683572	2. M/s. Al Juraina Precious Metals & Bullions FZE P.O.Box 120509, SAIF Zone, Sharjah, UAE.
3. M/s. Al Layyah General Trading FZE P.O.Box – 121938, SAIF Zone, Sharjah, UAE	4. M/s. Al Mareija Precious Metal & Bullions FZE P.O.Box – 120158, SAIF Zone, Sharjah, UAE
5. M/s. Mankool General Trading FZE P.O.Box 121700, SAIF Zone, Sharjah, UAE	

Show Cause Notice under Rule 4(1) of SEBI (Procedure for Holding Inquiry and imposing Penalties by Adjudicating Officer) Rules, 1995 in the matter of M/s Atlas Jewellery India Ltd.

1. An Adjudicating Officer was appointed vide order dated June 08, 2017 read with Section 19 read with Section 15-I of the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 ('SEBI Rules') to inquiry and adjudge under Section 15HB of the SEBI Act for the alleged violation of the provisions of SEBI (Acquisition of Shares & takeovers) Regulations, 2011 ('Takeover Regulations'). The nature of findings along with the alleged contraventions of regulations and penal provisions for such contraventions, are as under:

Name of the Entity	Nature of violations	Regulations violated	Penal Provisions
Atlas Jewellery P Ltd.	Incorrect disclosures in respect of holdings of 4 PAC and the Promoter were made	Regulation 29(2), 30(1) and 30(2) of SAST Regulations, 2011	Section 15A(b) of SEBI Act, 1992
Al Juraina Precious Metals & Bullions FZE			
Al Layyah General Trading FZE			
Al Mareija Precious Metal and Bullions FZE			
Mankool General Trading FZE			

A copy of the communication order dated June 14, 2017, is enclosed herewith as Annexure-1.

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 Pages 1 of 10 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in

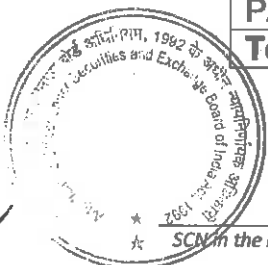


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2. **M/s. Atlas Jewellery India Ltd.**, (hereinafter referred to as “**Target Company**”) is a company having its registered office at DTJ-224, DLF Tower B, IInd Floor, Plot No.11, Jasola, New Delhi, 110025 and its securities are listed on the Bombay Stock Exchange (“**BSE**”).
3. As per the shareholding pattern of the Target Company disclosed to the BSE, as on quarter ending March 2014, Atlas Jewellery P Ltd. (“**Noticee no. 1**”), Promoter of the Target Company, was holding 16,36,044 shares i.e. 3.23% of the total shareholding of the target company.
4. A draft offer document for open offer for acquisition of 2,61,70,180 equity shares of face value Rs.10/- each representing 26% of the total equity/voting share capital of Atlas Jewellery India Ltd. was filed by Merchant Banker named D & A Financial Services (P) Limited (‘**MB**’) on behalf of Shri Mathukkara Moothedath Ramachandran (“**Acquirer**”) along with M/s. Atlas Jewellery Pvt. Ltd. (PAC) in terms of ‘**Takeover Regulations**’. Copy of draft offer document is at **Annexure 2**.
5. The Acquirer and PAC together held 3.23% of the voting share capital of the Target Company. The Board of Directors of the Target Company in the meeting held on June 9, 2014, proposed that a preferential allotment of 5,00,00,000 equity shares be made to the Acquirer at Rs. 20/- per share representing 49.67% of the post preferential share capital.
6. Pursuant to this event, which triggered the open offer obligation under regulation 3(1) of Takeover Regulations, the open offer was being made to acquire 26% of the voting share capital under the Offer. Pursuant to the proposed preferential allotment and instant open offer, the holding of the Acquirer and PAC would go up from 3.23% to 77.30% of the paid up equity share capital of the Target Company. The objective of the offer was substantial acquisition of shares in the Target Company.
7. The date of public announcement was June 09, 2014 and the proposed post offer holding of Acquirer was as below:

Entities	No. of shares	% of shares
Acquirer	Nil	Nil
Proposed preferential allotment to Acquirer	5,00,00,000	49.67
Acquirer (through open offer)	2,61,70,180	26.00
PAC holding (post open offer)	16,36,044	1.62
Total	7,61,70,180	77.30





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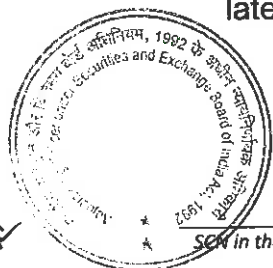
8. The Acquirer had proposed in the Offer to acquire 2,61,70,180 equity shares representing 26% of the fully paid up equity share capital at a price of Rs. 21/- per share payable in cash.

Persons Acting in Concert - Atlas Jewellery Pvt. Ltd. (noticee no.1)

9. Atlas Jewellery Pvt. Ltd. is a private limited company incorporated with the Asst. Registrar of Companies, Kerala at Kochi.
10. Atlas Jewellery Pvt. Ltd. was part of the promoter group of the Target Company and held 16,36,044 Equity Shares of the Target Company, representing 3.23% of the total paid-up share capital of the Target Company as on the date of public announcement. And the Acquirer is the promoter and in control of Atlas Jewellery Pvt. Ltd., holding 99.9% of share capital in Atlas Jewellery Pvt. Ltd.

Financial Arrangements

11. The maximum amount of funds required to make payment of consideration of the Offer Price for the shares tendered in the Offer (assuming full acceptances) would have been Rs. 54,95,73,780/- (Maximum Consideration). The Acquirer deposited a sum of Rs. 14,00,00,000/- in the Escrow Account opened with Axis Bank Ltd.
12. Preferential allotment of shares was made on January 15, 2014 to 4 Dubai based companies viz. Al Juraina Precious Metals & Bullions (19.08%), Al Layyah General Trading (24.06), Al Mareiha Precious Metal and Bullions (24.66%) & Mankool General Trading (23.90%) (collectively "four noticees") , all of them being single shareholder companies. The shares issued under the preferential allotment constituted 4,64,49,333 equity shares representing 91.70% of the total post allotment share capital.
13. Agreements (**annexure 3**) were executed between the Target Company, promoters and four noticees. The Agreement, in its clauses 7.1 and 7.2 mentioned that *"the investors are making a financial investment in the Company and that they will never interfere into the management of the company nor will they ask for any supervision over the affairs of the Company"*. It further states that the *"investors will have no right to appoint or nominate the directors of the Company and that the company shall continue to be managed by its present directorship composition as the Board of Directors of the Company thinks fit."*
14. It is on records that excess share application money which was received by the Target Company from Al Layyah General Trading to the tune of Rs. 4.32 crores at the time of preferential allotment in January 15, 2014 was paid by mistake and was later refunded on April 17, 2014 after a period of more than four months.





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15. As regards the antecedents of the four noticees, the following is on records provided by the MB vide emails dated August 5, 2014, July 30, 2014 and September 15, 2014 and letter dated July 9, 2014. Copy of letter / emails are enclosed is at **annexure 4**):

- (i) The certificates from the Government of Sharjah state that the companies have received commercial licenses for trading in gold & precious metals/general trading.

However, within a year of incorporation, these 4 companies have made significant financial investments in the Target Company.

- (ii) MB had confirmed vide email dated July 30, 2014 that it has taken an undertaking from the Acquirer that "the four foreign bodies corporate are not acting as PACs with each other as they are not holding or subsidiary of each other and also these companies are not under the same management and control."

- (iii) The MB submitted vide letter dated July 9, 2014 that the trade receivables are due from only one company - Satwa Precious Metals and Bullion Trading based in Dubai and that this entity is not a related party.

- (iv) The four noticees had cast votes through e-voting in favour of the resolutions proposed including the issue of 50,000,000 equity shares of the Company on Preferential basis to the Acquirer, Mr. M. M. Ramachandran.

16. The following common underlying factors were observed for the four noticees

- (i) Four noticees were all registered at Sharjah Airport International Free Zone as Free Zone Establishments (SAIF Zone) with 1,50,000 (AED) capital as single owner entities having one shareholder and one Director.
- (ii) Four noticees were incorporated within a span of 13 days between June 10, 2013 and June 23, 2013.
- (iii) All the Four noticees are in the similar line of business.
- (iv) The Memorandum and Articles of Association of the four noticees are identical in nature.
- (v) One Auditor has certified financial statements of the four noticees. Copy enclosed at **Annexure 5**.

- (vi) Investment in shares of the Target Company form a major chunk of the assets of the four noticees, the individual details of which are given below:
- a. Al Juraina Precious Metals & Bullions - 77.89%





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- b. Al Layyah General Trading - 81.95%
- c. Al Mareiha Precious Metal and Bullions - 81.83%
- d. Mankool General Trading - 83.75%

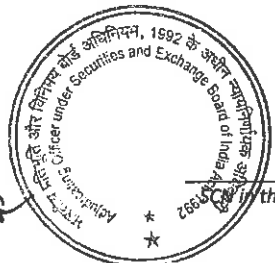
- (vii) Identical tri-partite agreements were entered into with the Target Company and the Promoter of the Target Company and the four noticees agreeing not to exercise control over the Target Company.
- (viii) The four noticees voted in the same manner for all the resolutions passed in the AGM held on July 8, 2014.
- (ix) The profit earned by each of these entities for the year ending March 31, 2014 is exceptionally high, almost equaling their net worth at the beginning of the reporting period. It is observed that even while clocking such supernormal profits, the foreign companies decided on investing in the Target Company, a company whose operations had just commenced under the new brand of Atlas and at a time when the company was incurring losses (net loss for F.Y. 2013).

17. As per the notice of postal ballot submitted by MB on July 28, 2014, the following preferential allotment was proposed to be made -

Sr. No.	Name of the proposed allottees	No of equity shares	%
1	Al Juraina Precious Metals & Bullions	1,54,00,000	18.98
2	Al Layyah General Trading	1,59,00,000	19.60
3	Al Mareiha Precious Metal and Bullions	1,51,00,000	18.61
4	Mankool General Trading	1,50,00,000	18.49
5	Satwa Precious Metals and Bullion Trading	1,55,23,000	19.13
	Total	7,69,23,000	94.81

18. As per the Board resolutions and Shareholders' resolutions, the actual allotment done on January 15, 2014 was as under -

Sr. No.	Name of the allottees	No of equity shares	%
1	Al Juraina Precious Metals & Bullions	96,55,168	19.08
2	Al Layyah General Trading	1,21,88,737	24.06
3	Al Mareiha Precious Metal and Bullions	1,24,94,680	24.66
4	Mankool General Trading	1,21,10,748	23.90
	Total	4,64,49,333	91.70





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19. It was also observed that Rs. 72.26 crores of trade receivables was due from only one company - Satwa Precious Metals and Bullion Trading, the same company which was supposed to be allotted shares on a preferential basis as per table at para 23. In Financial year 2013-14, the Target Company had conducted 99% of its business with Satwa Precious Metals and Bullion Trading (Rs.72.26 crores out of Rs.72.96 crores). Also, it is the only trade receivable in the balance sheet of the Target Company.
20. The four noticees, vide their letter dated July 25, 2017 (copy enclosed at **Annexure 6**) have stated that their company is 'an independent company and have no relations with D. Ramachandran and other investors in Target Company earlier on presently in terms of the provisions of SEBI (SAST) Regulations, 2011 and they are the sole and ultimate beneficial owner of the said investment and no other person'. However, from the following facts, it is observed that the four noticees are related to each other and also PACs with the Target Company, the details are :

Fund Transaction

- Prior and after allotment of shares of target Company, observed huge and frequent transfers of funds among the four noticees and also to one other entity Satwa Precious Metals and Bullion Trading (entity to whom preferential issue was proposed in postal ballot submitted by MB but no preference issue was made).
- The balance available in each of the accounts at the time of transfer of funds for subscribing to preferential issue showed that at the time of transfer of funds amounting to AED 2,756,250 by Al Mareiha Precious Metal and Bullions on December 28, 2013 to Target Company, the total available balance in the account of said Noticee was AED 2,777,275. Conveniently an amount equivalent to AED 2,756,000 was promptly received from Mankool General Trading.
- Similarly, at the time of transfer of funds amounting to AED 1,104,000 by Al Layyah on January 04, 2014 to Target Company the total available balance in the account of said entity was AED 1,124,825. Conveniently an amount equivalent to AED 60,000 was promptly received from Mankool.
- Any credit to the account from another entity is followed by cash withdrawal either the same day or next day and any cash deposit in the account is either transferred to any one of the remaining 4 entities or is withdrawn the same or next day. Thus, at all points of time, the available balance in each of these accounts is kept at a very minimal level.
- Same individuals Mr Jamsheer with ID no. 784198661879761, Mankool with ID no. 1014744639701 are operating the aforesaid bank accounts. This is confirmed from the fact that apart from same name, for every withdrawal





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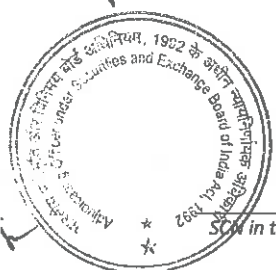
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transaction the individual has provided an ID, and these identification details are found to be the same for a particular individual across bank accounts.

- f. In two cases i.e., Mankool General Trading FZE and Al Layya General Trading, where the individuals have submitted their salary statements for showing proof of funds while opening the accounts, it is noted that the salary received of AED 2400 and AED 3800 (approx.) is from previous employer or payment from client (in one case client being Atlas Jewellery, LLC, Dubai).

Contact details etc...

- (i) The Contact details of owner's of Mankool General Trading FZE i.e. Sankara Pillai P Nair and ALJuraina Precious Metals & Building FZE i.e. Surjith M Poyil Sivadasan, as observed from the details mentioned by these entities in their Account Opening Form of Habib Bank, are similar i.e. (91) 9846302129.
- (ii) Also, the contact details of the office of Mankool General Trading FZE and AL Mareija Precious Metals and Bullions FZE, as observed from the Business Account Opening Form of Habib Bank and Emirates NBD respectively, are similar i.e. +97142254235. Further, the contact details of Al Mareija Precious Metal, Mankool General Trading i.e. +97142254235 (of UAE) are similar to that of contact details of Atlas Jewellery, UAE, details extracted from the website of Atlas Jewellery (Copy enclosed).
- (iii) The domain name of email ids of Allayyah General Trading FZE and Al Mareija Precious Metal and Bullions is @atlasera.com, matches with the email id founder/ promoter of Atlas Jewellery Ramachandran M M i.e. ram@atlasera.com. Also, @atlasera.com is the domain name of the Atlas Jewellery.
- (iv) The Investment Service Agreements entered between Jamsheer Kuniyil Narikuni of Allayyah General Trading FZE and 'SAIF Zone Authority' mentions Atlas Jewellery LLC as also the Investor, which includes contact details of Atlas Jewellery LLC i.e. 04-2356410/0553851085. The same details observed in the Investment Service Agreements of Faizal Koppath of AL Mareija Precious Metal and Bullions FZE. Further, it is observed that the contact details of Atlas Jewellery LLC mentioned in the Investment Service Agreements of Jamsheer Kuniyil and Faizal Koppath i.e. 04-2356410/0553851085 are similar to that of the contact details of Allayyah General Trading FZE.
- (v) The four individuals (Surjith Poyil – Al Juraina Precious Metals & Bullions FZE, Jamsheer Narikuni – Al Layya General Trading, Sankara Pillai – Mankool General Trading FZE and Faizal Koppath – Al Mareija Precious Metal and Bullions FZE) who are also shown as owners of the four entities are ex-employees of Atlas Jewellery.





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- (vi) In two cases of Al Juraina Precious Metals & Bullions FZE and Al Layya General Trading, in the additional remarks column of the form, reference has been drawn to the ownership details of other entity i.e. in the form of Al Juraina reference has been w.r.t to ownership of Al Layyah and vice-versa.

Copy of Account Opening Form (containing contact details of the four noticees), Bank Statements, Memorandum & Article of association of four noticees, copy of foreign inward remittance, extracts detailing the contact details and domain name of Atlas Jewellery is enclosed as **Annexure 7**.

21. Thus, it is concluded from the above facts and observations that the aforesaid 4 Dubai based entities were related to each other and to the promoter of Atlas Jewellery Private Limited. By virtue of being related to each other and the promoter, it has been alleged that you can be considered as PACs in terms of Regulation 2(1)(q)(1) while investing in target company.

22. In this context, your attention is drawn to the following provisions of the Regulations as existing during the aforesaid period, which is reproduced hereunder:

a) Definition of PAC in terms of Regulation 2(1)(q)(1):

(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.*

b) Regulation 29 (2) and (3) of SEBI (Substantial Acquisition and Takeovers) Regulations, 2011 relating to Disclosure of acquisition and disposal

29 (2) Any person, who together with persons acting in concert with him, holds shares or voting rights entitling them to five per cent or more of the shares or voting rights in a target company, shall disclose the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below five per cent, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds two per cent of total shareholding or voting rights in the target company, in such form as may be specified.

29 (3) The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within two working days of the receipt of intimation of allotment of shares, or the acquisition of shares or voting rights in the target company to,—

- (a) every stock exchange where the shares of the target company are listed; and
(b) the target company at its registered office.*

c) Regulation 30 (1), (2) and (3) of SEBI (Substantial Acquisition and Takeovers) Regulations, 2011 relating to Continual Disclosures

(1) Every person, who together with persons acting in concert with him, holds shares or voting rights entitling him to exercise twenty-five per cent or more of the voting rights in a





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26. Further, Soft copy of reply, if any, from noticee be sent via e-mail at ead-8@sebi.gov.in.

27. Also, you are requested to submit a photocopy of their PAN card and update their correspondence address, email ids, phone numbers, fax numbers, etc, in case of change, if any, to have a clear line of communication until the conclusion of these proceedings.


Jeevan Sonparote

Enclosure(s):

Annexure Nos.	Particulars
Annexure 1	copy of the communication order dated June 14, 2017
Annexure 2	Copy of draft offer document
Annexure 3	Agreements executed between the Target Company, promoters and four noticees
Annexure 4	Copy of emails of Merchant banker dated August 5, 2014, July 30, 2014 and September 15, 2014 and letter dated July 9, 2014
Annexure 5	Copy of certificate of financial statements of the four noticees.
Annexure 6	Copy of letter of Noticees dated July 25, 2017
Annexure 7	Copy of Account Opening Form (containing contact details of the four noticees), Bank Statements, Memorandum of Associations of the four noticees, extracts detailing the contact details and domain name of Atlas Jewellery.

