WTM/AB/IVD/ID2/15/2021-22

SECURITIES AND EXCHANGE BOARD OF INDIA

MISCELLANEOUS ORDER

Order on the Representation dated May 27, 2021 made by Mr. Mehul Johnson (PAN: ABBPJ3414H) pursuant to order dated February 24, 2020 passed by Hon'ble SAT in Misc. Application No. 61 of 2020 in Appeal No. 59 of 2020 – In the matter of Indiabulls Ventures Limited.

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1. Mr. Mehul Johnson (hereinafter referred to as "**the Representor**") has filed a representation dated May 27, 2021 (hereinafter referred to as "**the Representation**") received on May 27, 2021, requesting therein to permit him to sell the shares, as mentioned in the representation.

2. Previously, the Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") passed a final order dated February 05, 2020 (hereinafter referred to as "**Final Order**") against the Representors, *inter alia*, directing as under:

> "……
> *50. In view of the aforesaid findings, I, in exercise of the powers conferred upon me under Section 11(1), 11(4) and 11B of the SEBI Act, 1992 read with Section 19 of the SEBI Act, 1992, hereby, directs, -*
>
> *a. That Noticees shall remain restrained from accessing the securities market and from buying, selling or dealing in securities including the units of mutual funds, directly or indirectly, in any manner whatsoever, for a period of 1 year;*
>
> *b. That Noticees shall remain restrained from buying, selling or dealing in the securities of the Indiabulls Ventures Limited, directly or indirectly, in any manner whatsoever, for a period of 3 years; and*

> *c. That the amount of Rs. 87,21,918.55/- which was impounded from the Noticees vide interim impounding order cum show cause notice dated May 09, 2019 stands disgorged and shall be remitted to Investor Protection and Education Fund (IPEF) referred to in Section 11(5) of the SEBI Act, 1992.*
>
> ……"

3. Aggrieved with the Final Order, the Representor had preferred Appeal No. 59 of 2020 before Hon'ble SAT impugning the Final Order. The Representor also filed a miscellaneous application in the said appeal pending before Hon'ble SAT praying therein the stay on the directions contained in the Final Order. The aforesaid appeal along with the miscellaneous application was listed before Hon'ble SAT on February 24, 2020 when the Hon'ble SAT, *inter alia,* directed as under:

> *"……...2. In the meanwhile, the impounding of Rs. 87,21,918.55/- by way of disgorgement shall be kept by the respondent in an escrow account and would be subject to the result of the appeal. In so far as the restraint order is concerned, we permit the appellant to sell its stocks and shares as and when required during the pendency of the appeal by making an appropriate application before SEBI. If such an application is filed, an appropriate order shall be passed by SEBI within a week thereof……."*

4. Pursuant to the aforesaid directions of the Hon'ble SAT, the Representor along with Ms. Pia Johnson, filed a representation dated February 26, 2020, requesting therein to permit them to sell the shares, as mentioned in the representation. In view of the representation, a Miscellaneous Order dated March 04, 2020 read along with Corrigendum dated March 06, 2020, was passed, *inter alia*, directing as under:

> "*9. In view of the aforesaid, the Representors may sell the shares mentioned in para 4 above by availing the services of intermediaries mentioned in para 5 above, subject to the compliance with following:*
>
> *(a) That the sale shall be completed within a period of three months;*

(b) Shares of Indiabulls Real Estate Limited and Indiabulls Ventures Limited shall be sold as per the Code of Conduct of these companies made under Regulations 9 of SEBI (Prohibition of Insider Trading) Regulations, 2015 to regulate, monitor and report trading by its designated persons and immediate relatives of designated persons, if applicable to the Representors;

(c) The sale of shares shall be conducted in accordance with all requirements under law including prohibition on trading while in possession of unpublished price sensitive information, pre-clearance of trades and trading window restrictions, whichever is applicable.

(d) Within 7 days of payment of Advance Tax, the Representors shall file copy of bank account statement highlighting credit of amounts received as sale consideration and debit entries corresponding to the payment of Advance Tax or any other tax paid out of the amount so realised, with SEBI; and

(e) *The Representors shall also file copy of Advance Tax Challan or any other tax, as the case may be, with Enforcement Department of SEBI*."

5. The Representor and Ms. Pia Johnson then filed Representation dated September 16, 2020 submitting that due to the prevailing Covid-19 and market conditions, they were unable to complete the sale of the shares made in the representation dated February 26, 2020 within the time given in the Miscellaneous Order dated March 06, 2020. In view of the representation, a Miscellaneous Order dated October 15, 2020 was passed, *inter alia*, directing as under:

"9. I have considered their representation that due to the prevailing Covid-19 and market conditions, they were unable to complete the sale within the time period given in the Miscellaneous Order dated March 04, 2020. Having regard to the extraordinary circumstances which had emerged due to COVID-19 pandemic, the Representors are allowed to complete the sale of the shares that were permitted vide Miscellaneous Order dated March 04, 2020 and also to sell the additional 1,50,000 shares of Indiabulls Ventures Limited, within a period of three months from the date of this order.

10. The Representors shall comply with all other conditions/directions given in para 9 of the Miscellaneous Order dated March 04, 2020 as reproduced in para 4 above, in respect of the sale of shares allowed."

6. The Representor has now filed another Representation, requesting therein permission to sell the following shares:

S. No.	Name of Representor	Name of the Company	Equity Type	ISIN	Number of Shares
1.	Mr. Mehul Johnson	Indiabulls Ventures Limited	EQ NEW FV Rs. 2/-	INE274G01010	9,18,970

7. Details of intermediaries whose services are sought to be availed by the Representor for the sale of shares mentioned in para 6 above, as mentioned in the Representation, are as under:

S. No.	Name of the Representor	Account No.	Name of the intermediary	Type of intermediary
1.	Mr. Mehul Johnson	(DP ID: IN12029900) DP Account No. 05386524	Dhani Stocks Ltd.	Depository Participant
		Client Code: 441515	Dhani Stocks Ltd.	Trading Member/Stock-Broker

8. I note that order dated February 24, 2020 passed by the Hon'ble SAT permits the Representor to sell his stocks and shares as when required during the pendency of the appeal by making an appropriate application to SEBI. As a consequence of the said order, the Representor has made the Representation to SEBI to permit him to undertake the sale of shares mentioned in para 6 above and to issue appropriate directions to the market intermediaries mentioned in para 7 above for the said sale. In view of the order dated February 24, 2020 passed by Hon'ble SAT, the Representor has submitted the following reasons in his Representation for selling his shares:

"*6. I respectfully submit that I am in need of funds and would like to liquidate the DSL shares for honouring pending obligations/dues, some of which are stated hereunder:*

(i) I have taken a salary advance loan(s) of Rs. 2,75,00,000 from Indiabulls Infraestate Ltd, out of which Rs. 99,57,573 is outstanding. The salary advance loan needs to be serviced.

Copy of reminder letter received from Indiabulls Infraestate Ltd. is enclosed as ***Annexure-"4"****.*

(ii) I have entered into agreement with Indiabulls Properties Private Limited for purchase of flat/property being Flat no. 2804 in "Indiabulls Sky". I have to make payment of due amount of Rs. 2,92,45,216. Copy of intimation leter received from Indiabulls Properties Private Limited is enclosed as ***Annexure – "5".***

(iii) My son is going to Queen Mary University of London for further studies. I have to remit his education/hostel fees/expenses. Copy of payment schedule is enclosed as ***Annexure – "6".***

(iv) An adjudication order has been passed by SEBI against me and my wife imposing a monetary penalty of Rs. 25 lacs each. Though I am in the process of challenging the Order before Hon'ble SAT, I might have to deposit some amount to SEBI, if at all directed by Hon'ble SAT."

9. I note that SEBI vide email dated June 02, 2021, had *inter alia* drawn reference to the SEBI Miscellaneous Orders dated March 04, 2020 and October 15, 2020 passed on similar representations made by the Representor and Ms. Pia Johnson. In this regard, the Representor was advised to submit details of compliance of the directions given in the Miscellaneous Orders dated March 04, 2020 and October 15, 2020, which have been mentioned in paras 4 and 5 above, respectively.

10. The Representor vide email dated June 08, 2021, has *inter alia* submitted that the sale of shares was conducted in accordance with all requirements under law, including the SEBI (Prohibition of Insider Trading) Regulations, 2015. Further, that after computation, he was informed that advance tax/statutory dues need not be paid and hence tax challan was not required to be filed. The Representor has also provided the details of realisation of funds and its utilisation as under:

Sl. No	**Date**	**Particular**	**Amount in INR**	**Underlying Evidence**
Sale Details				
1	March 30, 2020	1,000 shares of IVL	1,04,084.43	Contract Note enclosed as Annexure 1 to the email.
2	March 31, 2020	2,49,000 shares of IVL	2,60,51,910.99	
Total			**2,61,55,995.42**	
Utilisation of Funds				

3	April 09, 2020	Repayment of Loan to ICFL	13,20,906	Confirmation Receipt/ Payment Receipt/ Bank Statement enclosed as Annexure 2 to the email.
4	April 09, 2020	Payment of salary advance to Indiabulls Infraestate Limited	2,25,00,000	
5	June 01, 2020	School Fee of Son	6,54,500	
6	April 24, 2020	Netherland Education fee of Son	18,00,000	
Total			**2,62,75,406.00**	

11. The Representor has submitted that the sale proceeds were utilized for the afore-stated purposes only and the sale was executed as permitted by SEBI. That while there was no immediate requirement for payment of tax, the sale proceed was utilized towards payment of Salary Advance.

12. The Representor has also submitted that one of the reasons a request for liquidation of shares is made is for the payment of monetary penalty of Rs. 50 lakhs as imposed by the Adjudicating Officer. That since he would be appealing the matter before the Hon'ble SAT, he would be depositing 50% of the penalty amount or as directed by the Hon'ble SAT with SEBI. As there was a pending adjudication proceedings, SEBI could have had concerns over the utilization of the sale proceeds, which cannot arise at this stage because the penalty is already crystalized and imposed on him which will be deposited in full or half depending on the direction of the Hon'ble SAT. I note that the Representor has also submitted that SEBI cannot have any concerns over the utilisation of the sale proceeds in any manner when the Hon'ble SAT itself had not imposed any condition.

13. With regard to the submissions made by the Representor, I note that the Representor has provided details of realisation of funds pursuant to permission to sell shares granted vide SEBI order dated March 04, 2020 and October 15, 2020 and its utilisation including receipt and bank statements showing the same. I note that the Representor has also submitted that the sale of shares was conducted in accordance with all requirements under law. I note that the Representor has also submitted that after computation, he was informed that advance tax/statutory dues

need not be paid and hence tax challan was not required to be filed. Further, that the sale proceed was also utilized towards payment of Salary Advance. In view of the above submissions and the documents available before me, I find that the Representor has complied with the directions of the SEBI Miscellaneous Orders dated March 04, 2020 and October 15, 2020. However, with regard to the submission of the Representor that SEBI cannot have any concerns over the utilisation of the sale proceeds in any manner when the Hon'ble SAT itself had not imposed any condition, I note that Representor has been debarred by SEBI order dated February 05, 2020, and by virtue of the said order can not trade in the securities market. Representor has challenged the said order passed by SEBI by filing an appeal before Hon'ble SAT and by its order dated February 24, 2020, Hon'ble SAT has permitted the Representor to sell his stocks and shares as and when required during the pendency of the appeal by making an appropriate application before SEBI. Thus, Hon'ble SAT has allowed Representor to sell his stocks and shares by making an application to SEBI which has to dispose of said application by passing an order. While disposing of any such application of the Representor, SEBI can impose conditions as it deems fit to ensure that sell of stock and shares does not result into violation of the kind of which Representor has been found in violation of, in SEBI order. If the interpretation of the order of Hon'ble SAT, sought to be canvassed by Representor, is accepted as correct, then there is no meaning of making any application to SEBI and the order passed by Hon'ble SAT would have directly allowed the Representor to sell his shares without making any application to SEBI. Thus, the understanding of the order passed by the Hon'ble SAT, as sought to be canvassed by the Representor is flawed. Be that as it may be. As mentioned above, Hon'ble SAT by an order dated February 24, 2020 has permitted the Representor to sell his stocks and shares as and when required during the pendency of the appeal by making an appropriate application before SEBI.

14. In view of the aforesaid, the Representor may sell the shares mentioned in para 6 above by availing the services of intermediaries mentioned in para 7 above, subject to the compliance with following:

(a) That the sale shall be completed within a period of three months;

(b) Shares of Indiabulls Ventures Limited shall be sold as per the Code of Conduct of these companies made under Regulations 9 of SEBI (Prohibition of Insider Trading) Regulations, 2015 to regulate, monitor and report trading by its designated persons and immediate relatives of designated persons, if applicable to the Representors;

(c) The sale of shares shall be conducted in accordance with all requirements under law including prohibition on trading while in possession of unpublished price sensitive information, pre-clearance of trades and trading window restrictions, whichever is applicable.

(d) Representor shall also file a copy of this order with appropriate pleadings/application in Appeal No. 59 of 2020 pending before Hon'ble SAT.

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

16. A copy of this order shall be forwarded to the Representor, Stock Exchanges, Depositories, the intermediary mentioned in para 7 above, Registrar and Share Transfer Agents and Banks to ensure necessary compliance.

Sd/-

Place: Mumbai **ANANTA BARUA**

Date: June 15, 2021 **WHOLE TIME MEMBER**

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