

IN THE SECURITIES APPELLATE TRIBUNAL
AT MUMBAI

DATED THIS THE 27TH DAY OF JUNE, 2025

**CORAM: Justice P.S. Dinesh Kumar, Presiding Officer
Dr. Dheeraj Bhatnagar, Technical Member**

Appeal No.496 of 2023

Rajesh Mokashi,
Flat No. 107, B Wing,
Everard Towers, Everard Nagar,
Priyadarshini, Wadala Road,
Mumbai – 400 022.Appellant

(BY Mr. Pesi Modi, Senior Advocate with Mr. Kunal Katariya, Mr.Pulkit Sukhramani, Mr.Anshuman Sugla, Ms. Samreen Fatima and Mr. Juan D' Souza, Advocates i/b. JSA, Advocates & Solicitors for the Appellant.)

Securities and Exchange Board of India
SEBI Bhavan, C-4AG Block,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051. ...Respondent

(BY Rafique Dada, Senior Advocate with Mr. Mihir Mody, Mr.Yash Sutaria, Mr. Tushar Bansode and Mr. Akshay Gupte, Advocates i/b. K Ashar & Co. for the Respondent.)

THIS APPEAL IS FILED UNDER SECTION 15T OF SEBI ACT, 1992 TO SET ASIDE ORDER DATED APRIL 20, 2023 (EX-A) PASSED BY SEBI.

THIS APPEAL HAVING BEEN HEARD AND RESERVED FOR ORDERS ON APRIL 29, 2025, COMING ON FOR PRONOUNCEMENT OF ORDER THIS 27TH DAY OF JUNE 2025, THE TRIBUNAL MADE THE FOLLOWING:

ORDER

Per: Justice P.S. Dinesh Kumar, Presiding Officer

This appeal is directed against order dated April 20, 2023 passed by the WTM¹, SEBI² restraining the appellant from associating with any SEBI registered intermediary, directly or indirectly, for a period of two years.

2. We have heard Shri Pesi Modi, learned Senior Advocate for the appellant and Shri Rafique Dada, learned Senior Advocate for the respondent.

3. Brief facts of the case are, CARE Ratings Ltd. ('CARE' for short) is a SEBI and RBI³ registered

¹ Whole Time Member

² Securities and Exchange Board of India.

³ Reserve Bank of India

‘credit rating agency’. It is listed on BSE⁴ and NSE⁵. SEBI received complaints from December, 2018 onwards alleging that the two noticees, namely, Shri S.B. Mainak, Non-Executive Chairman and the appellant herein (Shri Rajesh Mokashi, Managing Director) were interfering with the rating process and granting AAA ratings to the clients who were paying higher fee. SEBI forwarded a complaint to the CARE with an advice to appoint an independent auditor to enquire into the allegations. CARE appointed Borkar & Muzumdar, Chartered Accountants to conduct the enquiry. The report submitted by Borkar & Muzumdar was not accepted by SEBI and SEBI instructed CARE to appoint an independent law/audit firm to examine the allegations in the complaints. Accordingly, Ernst & Young LLP (‘E&Y’ for short) was appointed as the forensic auditor. After considering E&Y’s report, SEBI directed CARE to institute a full- fledged inquiry.

⁴ BSE Ltd.

⁵ National Stock Exchange of India Ltd.

Accordingly, Hon'ble Justice Shri B.N. Srikrishna, former Judge of Supreme Court of India was appointed to conduct an inquiry. Justice B.N.Srikrishna submitted his report holding that charges against the noticees were not established.

4. SEBI issued a Show Cause Notice ('SCN' for short) and a supplementary SCN to both the appellant and Shri S. B. Mainak. The WTM has held that the charges against Shri S.B. Mainak were not established and no directions have been issued against him. Appellant submitted his reply to the SCN. After conclusion of the proceedings, the WTM has passed the impugned order.

5. Assailing the impugned order Shri Pesi Modi, learned Senior Advocate for the appellant submitted that:

- SEBI has failed to consider Justice B.N. Srikrishna report, which had exonerated the appellant of all

charges of interference. Justice Shri B.N. Srikrishna was a Judge of the Bombay High Court, Chief Justice of Kerala High Court and thereafter Judge of the Supreme Court of India. He is an expert in securities laws. SEBI has taken legal opinions from him in various matters. He was also a Director of the NSE for several years.

- Justice B. N. Srikrishna report was also based on the very same documents, namely, the E&Y report and the statements recorded by E&Y, which are the basis of the impugned order.
- SEBI has concurred with Justice Shri B. N. Srikrishna report on all issues except the allegations of interfering in the rating of DHFL. The impugned order purports to reject the said report with regard to DHFL on an incorrect premise that Justice B. N. Srikrishna report had examined whether appellant's interference had an impact on the rating decisions, whereas in the

impugned order the issue is whether interference in the rating process itself was contrary to regulatory mandate.

- Justice B. N. Srikrishna report has considered the allegation of interference in the rating process by the appellant and concluded that there was no evidence of any interference. Therefore, nothing further had remained for consideration by the SEBI.
- The impugned order holds that Justice B.N. Srikrishna report has not considered the WhatsApp conversations. It is held in the impugned order that WhatsApp conversations are more reliable. The said finding is contrary to the law laid down in *Ambalal Sarabhai Enterprises Limited v. KS Infraspace LLP*⁶.
- SEBI has ignored the fact that in the cross examination of several employees, whose WhatsApp messages have been considered by the

⁶ (2020) 5 SCC 410

SEBI have stated that there was no pressure from the appellant in the rating decision.

6. In substance, appellant's case is that Justice B. N. Srikrishna report was based on the very same E&Y report and the statements recorded by E&Y. SEBI has concurred with the said report except with regard to the allegation of interference in the rating of DHFL. The impugned order is based on misinterpretation of Justice B. N. Srikrishna report and incorrect appreciation of evidence on record.

7. In reply, Shri Rafique Dada, Senior Advocate supporting the impugned order strongly urged that CARE's ratings seriously affected the securities market because the investors would be guided by its ratings. The WTM has recorded cogent reasons in support of the impugned order.

8. It is pleaded in the reply and it was argued during the hearing that Justice B. N. Srikrishna report

was found to be reliable in all respects except the findings in the case of DHFL for reasons stated in para No.107 of the impugned order.

9. It is urged in the written submissions that the statements of Shri Mithul Budhbhatti and Shri Ravi Dasari disclose that appellant was not happy with the proposed downgrade action of DHFL by the Rating Committee. It would further reveal that appellant was not permitting the rating team to take a contrary view and insisting that in case they wished to downgrade they should take the issuer into confidence. In substance, SEBI's case is that the material on record discloses that appellant had interfered with the rating.

10. We have carefully considered the rival contentions and perused the records.

11. Undisputed facts of the case are, appellant was working as the Managing Director of CARE.

The specific allegation against him is that he had interfered in the rating decisions. Justice B. N. Srikrishna report has exonerated him. The WTM, SEBI has concurred with Justice B. N. Srikrishna report in all other aspects except the allegation with regard to interference in the case of DHFL. Hence, in the light of the pleadings and submissions of learned Advocates on both sides the point that arises for consideration is *whether the appellant interfered with the DHFL's rating?*

12. The Rating Committee consisting of different members has met on following dates.

Dates of Rating Committee Meeting	Members of Rating Committee
October 29, 2018	Ms. Revati Kasture (Chairperson of the Rating Committee) Mr. Mitul Budhbhatti. Mr. Anuj Jain. Ms. Smita Rajpurkar.
November 1, 2018	Mr. Arun Kumar (Chairman of the Rating Committee).

	Mr. Yogesh Shah. Mr. Mitul Budhbhatti.
December 31, 2018	Ms. Revati Kasture (Chairperson of the Rating Committee) Mr. Ranjan Sharma.
January 18, 2019	Mr. Milind Gadkari (Chairman of the Rating Committee). Ms. Jyotsna Gadgil Mr. Ranjan Sharma.
January 25, 2019	Mr. Arun Kumar (Chairman of the Rating Committee). Mr. Yogesh Shah Mr. Sudhir Kumar.

13. The meeting on October 29, 2018 was deferred on the ground that the Bank sanction letter was not made available. We have perused the statements recorded by E&Y. Both Ms. Revati Kasture (Chairman of the Committee) and Ms. Smita Rajpurkar, Member of the Committee have affirmed that the meeting was deferred for want of bank sanction letter.

14. The next meeting was conducted on November 1, 2018 and it was chaired by Mr. Arun Kumar. On that day, the rating of 'AAA' was reaffirmed.

15. The next meeting was held on December 31, 2018 and it was deferred.

16. The next meeting was on January 18, 2019 and it was headed by Mr. Milind Gadkari. The Committee decided to keep the rating under 'Credit watch'.

17. The last meeting was held on January 25, 2019 and it was headed by Mr. Arun Kumar.

18. During the course of investigation the statements of employees of CARE have been recorded. The statements of following are relevant.

- a. Ms. Revati Kasture – Chairman of Rating Committee.
- b. Mr. Arun Kumar - Chairman of Rating Committee.
- c. Mr. Mithul Budhbhatti – Member of Rating Committee
- d. Mr. Ranjan Sharma - Member of Rating Committee
- e. Mr. Ravi Dasari – General Head of Rating Team

19. Before analyzing the evidence, we may record that ‘Rating Team’ of a rating agency comprising of analysts prepares a rating note and it is placed before the rating committee. The composition of the rating committee is decided by the Chief Rating Officer (CRO). It is the rating committee which independently assesses the information received from the client and decides the rating to be assigned to the client. In case, the rating committee requires any further information, it may call for such information from the client. Once the rating committee decides the rating, a rating letter is issued. In case, the client company does not accept the rating, it can request for a review and its

representation is placed before the rating committee, which decides if any review is necessary.

20. On November 1, 2018, the DHFL MD and other officials had met the appellant and others. Subsequently, the Credit Rating Committee meeting was conducted and it was headed by Mr. Arun Kumar. After the meeting, 'AAA' rating was revalidated. In their statements, Mr. Arun Kumar and Mr. Mitul Budhbhatti have stated that appellant had met the DHFL officials as the 'Head of the organization' to fulfill his protocol obligation. There is nothing in their statements to even remotely suggest that the appellant had influenced the rating committee in any manner.

21. The next meeting headed by Ms. Revati Rajpurkar was conducted on December 31, 2018 and it was deferred.

22. In the meeting headed by Mr. Milind Gadkari held on January 18, 2019 the Company's ratings were kept under credit watch. Later after the meeting on January 25, 2019 headed by Mr. Arun Kumar, 'AAA' status was reaffirmed.

23. In its reply affidavit⁷, SEBI has pleaded thus:

'The Justice Srikrishna report was found to be reliable in all respects by the Impugned Order barring the findings against Appellant for interfering in the rating process of DHFL for reasons more specifically stated at para 107 of the Impugned Order.'

24. We are constrained to note with pain that in para No.107(a) of the impugned order, the WTM has recorded distorted version of the report. The actual findings in Justice B.N. Srikrishna report read thus:

"11.15.On an overall consideration, I am of the opinion that whatever might have been the urgency of the situation that might have induced Mr.Rajesh Mokashi to ask the team to do the rating exercise expeditiously, there is no

⁷ Dated 14.08.2023 Para no.29(iii)

evidence that he interfered with the process of rating and influenced the outcome of the rating committee's decision."

"12.8 In my opinion, there is no evidence to suggest that there was any interference with or influence on the rating decision by Mr. Rajesh Mokashi on this occasion also."

"15.4 There is no material to suggest that Mr. Rajesh Mokashi interfered with the process of rating and influenced the outcome of the rating committee's decision. It is not possible to accept this charge as proved."

(Emphasis Supplied)

25. Finally, it is held in the Justice B.N. Srikrishna report as follows:

"22. In my opinion, there is no substance in the charges levelled against Mr. Rajesh Mokashi with regard to the allegation that he had interfered with the rating process and influenced the ratings of DHFL, Yes Bank or ILFS."

(Emphasis Supplied)

26. Thus, the finding in Justice B. N. Srikrishna report is unambiguous holding that there is no evidence to suggest that there was any interference or

influence by the appellant. But unfortunately the WTM has proceeded on the incorrect premise that the Justice B. N. Srikrishna report was considering the question whether interference by the appellant had an ‘impact’ on the rating decision by recording thus:

“107. I concur with the conclusions reached in the said report on all issues barring the allegation against Noticee 2 for interfering in the rating of DHFL, for the following reasons:

a. The report considers the question of whether the interference by Noticee 2 had an impact on the rating decision whereas I am of the considered view that such interference irrespective of its ultimate impact on the rating decision would fall foul of the regulatory mandate..... .”

(Emphasis Supplied)

27. Thus, the WTM has wholly misconstrued the findings recorded in Justice B. N. Srikrishna report and passed the impugned order. Further, in its attempt to justify the impugned order, SEBI has pleaded thus in its written submission.

“29.d. Justice B.N. Srikrishna did not have the benefit of cross-examination, which was available to the Ld. WTM. Ranjan Sharma, Ravi Dasari and Mitul Budhbhatti, whose statements SEBI seeks to rely on, have stood the cross-examination.”

(Emphasis Supplied)

28. We have carefully perused the cross examination of all three employees referred in the above extracted written submission. Shri Ranjan Sharma was asked the following two questions and both are answered in the negative:

“Q.32. Go to question nos.26 and 27 of your statement dated 15 November 2019. Did Mr. Mokashi ever personally pressure you to change a rating decision?”

Ans: No.

Q.33. Did anybody in CARE ratings ever put indirect pressure on you to change a rating decision?”

Ans: No.”

29. Mr. Ravi Dasari has also answered in the negative and his cross examination reads as follows:

“Q.5. Did Mr. Rajesh Mokashi ever pressurize you to give a specific rating to any particular company?”

Ans: No. Primarily the rating decisions are taken by the Rating Committee and no way in person did Mr. Mokashi tell me about any specific rating to be given.”

30. In its written note, SEBI has placed reliance on the following portion of cross examination of Mr. Mitul Budhbhatti.

“Q.16. Did you ever change the rating of any company on the basis of instructions from Mr. Rajesh Mokashi?”

Ans: Our recommendations did get influenced by our discussions with Mr. Mokashi.

Q.17. Kindly explain what do you mean by ‘influence’?

Ans: By ‘influence’ I mean finding difficulty in firming up a rating view.

Q.18. Kindly elaborate what do you mean by “difficulty in firming up a rating view”?

Ans: By “firming up” I mean to clearly decide what rating action to recommend.”

31. We may record that the further portion of the cross examination has been conveniently left out and it reads as follows:

“Q.19. Is it possible for a single person in the Rating Committee to decide the rating outcome in a case?”

Ans: Rating Committee works on a consensus basis, so while members can have different views they have to deliberate and arrive at a consensus.

Q.20. Have you ever recorded a dissent in a Rating Committee Meeting?

Ans: In my capacity as a Rating Committee Member, No.

Q.21. Has anybody in any rating committee meeting that you have attended recorded dissent?

Ans: No.”

32. Although, Mr. Budhbhatti has stated that the recommendations were influenced by discussions with Mr. Mokashi, he has admitted in his cross examination that neither he nor any other member of rating committee had recorded 'dissent'. A careful evaluation of the evidence on record does not support SEBI's case that the appellant had influenced the rating process.

33. A conjoint reading of pleadings on record, the oral evidence and the written submissions leads to an irresistible inference that the WTM has grossly erred in recording a distorted finding from Justice B.N. Srikrishna report, which has resulted in the impugned order. When the appellant has challenged the same in this appeal, SEBI has sought to justify the impugned order contending that Justice B.N. Srikrishna did not have the benefit of the cross

examination. Respondent's stand, in the least, is reprehensible.

34. This is an unfortunate case in which the SEBI had directed⁸ CARE to send appellant on leave till completion of the forensic audit. On receipt of E&Y's report, SEBI advised to initiate a full-fledged enquiry and the appellant tendered his resignation in December, 2019⁹. Though Justice B.N. Srikrishna report had returned a categorical finding that there was no evidence to suggest that the appellant had interfered with or influenced the rating decision, SEBI embarked upon another misadventure to conduct one more proceeding through its WTM. The entire exercise has caused a colossal loss of judicial time and resources and above all a miserable trauma of irreparable damage to appellant's reputation besides financial loss and loss of further opportunity to him.

⁸ Vide SEBI's letter dated 12.07.2019 (Exhibit. B)

⁹ Exhibit G

35. In the light of above discussion, the following:-

ORDER

- a. Appeal is ***allowed*** with costs of Rs.5 Lakhs payable by SEBI to the appellant;
- b. Order dated April 20, 2023 is quashed.
- c. Pending interlocutory application(s), if any stand disposed of.

Justice P.S. Dinesh Kumar
Presiding Officer

Dr. Dheeraj Bhatnagar
Technical Member

27.06.2025

RHN