BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER No. Order/AN/RG/2024-25/31121-31130

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of:

Noticee No.	**Noticee Name**	**PAN**
1	Mr. Rounak Lohia	AICPL9684K
2	Sree Niwas Lohia Sons HUF	AAFHS0850R
3	Vikash Lohia HUF	AAGHV8011A
4	Shreenarayan Lohia Sons HUF	AAKHS9148F
5	Amit Lohia HUF	AAMHA0348H
6	Rounak Lohia HUF	AAXHR5791N
7	Ms. Rakhi Lohia	ABTPL5399P
8	Ms. Saloni Lohia	CRWPM4569B
9	Ms. Puspa Devi Lohia	ABTPL5398N
10	Colorshine Hosiery Pvt. Ltd.	AAHCC1673R

In the matter of trading activities of certain entities in the scrip of Elegant Floriculture & Agrotech (India) Ltd.

A. BACKGROUND

1. Securities and Exchange Board of India (hereinafter also referred to as '**SEBI**') initiated Adjudication Proceedings under Section 15-I of the SEBI Act, 1992 in respect of Mr. Rounak Lohia (hereinafter also referred to as "Noticee No. 1"), Sree Niwas Lohia Sons HUF (hereinafter also referred to as "Noticee No. 2"), Vikash Lohia HUF (hereinafter also referred to as "Noticee No. 3"), Shreenarayan Lohia

Sons HUF (hereinafter also referred to as “Noticee No. 4”), Amit Lohia HUF (hereinafter also referred to as “Noticee No. 5”), Rounak Lohia HUF (hereinafter also referred to as “Noticee No. 6”), Ms. Rakhi Lohia (hereinafter also referred to as “Noticee No. 7”), Ms. Saloni Lohia (hereinafter also referred to as “Noticee No. 8”), Ms. Puspa Devi Lohia (hereinafter also referred to as “Noticee No. 9”) and Colorshine Hosiery Pvt. Ltd. (hereinafter also referred to as “Noticee No. 10”) (collectively referred to as “Noticees”/ “Lohia group”) for the alleged violation of provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter also referred to as “SEBI SAST Regulations/ SAST Regulations”), pursuant to investigation in the matter of trading activities of certain entities in the scrip of Elegant Floriculture & Agrotech (India) Ltd., (‘EFAIL’ for short).

B. APPOINTMENT OF ADJUDICATING OFFICER

2. Whereas, it prima facie appeared to the Competent Authority that the Noticees had violated the provisions of SEBI SAST Regulations and therefore, in exercise of the powers conferred under Section 19 of the SEBI Act, read with Sub-section (1) of Section 15-I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter also referred as ‘SEBI Rules’), the Competent Authority appointed the undersigned as Adjudicating Officer (“AO”) vide order dated November 11, 2024 to inquire into and adjudicate upon the alleged violations by the Noticees.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

3. A Show Cause Notice No. SEBI/EAD-5/AN/RG/37844/1-10/2024 dated December 16, 2024 (“SCN”), was served upon the Noticees through Digitally Signed Email and Speed Post with Acknowledgment Due (“SPAD”) under Rule 4 of the SEBI Adjudication Rules inter alia to show cause as to why an inquiry should not be held and penalty not be imposed against the Noticees under Section 15A(b)

of the SEBI Act, 1992, for the violations alleged to have been committed by the Noticees, as stated.

4. The following was inter alia observed and alleged in respect of the Noticees:

"…

3. BACKGROUND

3.1. SEBI had conducted an investigation in the matter of trading in the scrip of Elegant Floriculture & Agrotech (India) Ltd. ("EFAIL") for possible violation of the provisions of the SEBI Act, 1992 and various rules and regulations made thereunder, during the period from January 01, 2022 to June 01, 2022.

4. Pursuant to the investigation, the following was inter alia observed and alleged in respect of the Noticees:

4.1. During investigation, vide Summonses dated May 31, 2024, 10 Lohia group entities were called by SEBI for personal appearance before the Investigating Authority ('IA'). Accordingly, Mr. Rounak Lohia appeared before the IA virtually through Webex from SEBI-ERO on June 06, 2024 representing himself and for other 9 entities namely, Sree Niwas Lohia Sons HUF, Vikash Lohia HUF, Shreenarayan Lohia Sons HUF, Amit Lohia HUF, Rounak Lohia HUF, Ms. Rakhi Lohia, Ms. Saloni Lohia, Ms. Puspa Devi Lohia and Colorshine Hosiery Pvt. Ltd. and his statements were recorded (Annexure A).

4.2. From the submissions of Shri Rounak Lohia during recording of statement, SEBI inter alia noted that Sriniwas Lohia HUF (Mr. Sriniwas Lohia, Karta is his father), Shree Narayan Lohia & Sons HUF (Mr. Shree Narayan Lohia, Karta is the elder brother of his father), Vikas Lohia HUF (Mr. Vikash Lohia, Karta is his elder brother), Amit Lohia HUF (Mr. Amit Lohia, Karta is his elder brother), Smt. Pushpa Devi Lohia (wife of Mr. Shree Narayan Lohia), Smt. Rakhi Lohia (his mother), Smt. Saloni Lohia (his spouse) and himself are part of a joint family. Mr. Amit Lohia, Mr. Sriniwas Lohia, Mr. Vikash Lohia and Shri Rounak Lohia himself are director of Colourshine Hosiery Private Limited. Further, he has admitted that he has the decision-making power for his and his family members' funds.

4.3. In view of the above and as the Lohia group entities viz. Mr. Rounak Lohia, Sree Niwas Lohia Sons HUF, Vikash Lohia HUF, Shreenarayan Lohia Sons HUF, Amit Lohia HUF, Rounak Lohia HUF, Ms. Rakhi Lohia, Ms. Saloni Lohia, Ms. Puspa Devi Lohia and Colorshine Hosiery Pvt. Ltd. were relatives / common directors of a Colourshine / associates and had acquired/ disposed shares during the IP, they were the Persons Acting in Concerts (PACs) while trading in the shares of EFAIL. In this regard, day-wise holding statements from depositories (NSDL & CDSL) were obtained (Annexure B). CDSL submitted that no holdings were found in the Demat accounts of Lohia group entities. On analysis of the holding statement received from NSDL, the day-wise shareholding of the Lohia group in the shares of EFAIL are as under;

Date	***Shareholding of Lohia group (no. of shares)***	***Total no. of shares of the company***	***% of Shareholding***
13-Jan-2022	*1,86,321*	*2,00,00,000*	*0.93*
14-Jan-2022	*1,86,321*	*2,00,00,000*	*0.93*
15-Jan-2022	*1,86,321*	*2,00,00,000*	*0.93*
18-Jan-2022	*1,86,321*	*2,00,00,000*	*0.93*
19-Jan-2022	*1,86,321*	*2,00,00,000*	*0.93*
20-Jan-2022	*1,86,321*	*2,00,00,000*	*0.93*
21-Jan-2022	*1,86,321*	*2,00,00,000*	*0.93*
22-Jan-2022	*1,86,321*	*2,00,00,000*	*0.93*
24-Jan-2022	*1,86,321*	*2,00,00,000*	*0.93*
25-Jan-2022	*1,86,321*	*2,00,00,000*	*0.93*
26-Jan-2022	*1,86,321*	*2,00,00,000*	*0.93*
27-Jan-2022	*1,86,321*	*2,00,00,000*	*0.93*
28-Jan-2022	*11,07,885*	*2,00,00,000*	*5.54*
31-Jan-2022	*12,35,539*	*2,00,00,000*	*6.18*
01-Feb-2022	*12,35,539*	*2,00,00,000*	*6.18*
02-Feb-2022	*14,57,186*	*2,00,00,000*	*7.29*
03-Feb-2022	*15,26,912*	*2,00,00,000*	*7.63*
04-Feb-2022	*19,16,897*	*2,00,00,000*	*9.58*

Date	Shareholding of Lohia group (no. of shares)	Total no. of shares of the company	% of Shareholding
05-Feb-2022	19,16,897	2,00,00,000	9.58
07-Feb-2022	19,16,897	2,00,00,000	9.58
08-Feb-2022	19,16,897	2,00,00,000	9.58
09-Feb-2022	19,16,897	2,00,00,000	9.58
10-Feb-2022	19,16,897	2,00,00,000	9.58
11-Feb-2022	19,73,301	2,00,00,000	9.87
12-Feb-2022	19,73,301	2,00,00,000	9.87
14-Feb-2022	19,87,453	2,00,00,000	9.94
15-Feb-2022	19,87,453	2,00,00,000	9.94
16-Feb-2022	19,87,453	2,00,00,000	9.94
17-Feb-2022	19,87,453	2,00,00,000	9.94
18-Feb-2022	26,66,083	2,00,00,000	13.33
19-Feb-2022	26,66,083	2,00,00,000	13.33
21-Feb-2022	28,61,565	2,00,00,000	14.31
22-Feb-2022	29,03,579	2,00,00,000	14.52
23-Feb-2022	30,06,347	2,00,00,000	15.03
24-Feb-2022	33,05,270	2,00,00,000	16.53
25-Feb-2022	35,07,876	2,00,00,000	17.54
26-Feb-2022	35,07,876	2,00,00,000	17.54
28-Feb-2022	35,25,880	2,00,00,000	17.63
01-Mar-2022	35,25,880	2,00,00,000	17.63
02-Mar-2022	36,39,093	2,00,00,000	18.20
03-Mar-2022	36,47,440	2,00,00,000	18.24
04-Mar-2022	36,48,385	2,00,00,000	18.24
05-Mar-2022	36,48,385	2,00,00,000	18.24
07-Mar-2022	36,67,938	2,00,00,000	18.34
08-Mar-2022	36,67,938	2,00,00,000	18.34
09-Mar-2022	38,46,394	2,00,00,000	19.23
10-Mar-2022	45,05,780	2,00,00,000	22.53
11-Mar-2022	45,12,707	2,00,00,000	22.56
12-Mar-2022	45,12,707	2,00,00,000	22.56
14-Mar-2022	45,12,707	2,00,00,000	22.56
15-Mar-2022	45,23,634	2,00,00,000	22.62
16-Mar-2022	45,23,634	2,00,00,000	22.62
17-Mar-2022	43,27,703	2,00,00,000	21.64
18-Mar-2022	43,27,703	2,00,00,000	21.64
19-Mar-2022	43,27,703	2,00,00,000	21.64
21-Mar-2022	40,67,936	2,00,00,000	20.34
22-Mar-2022	36,05,080	2,00,00,000	18.03
23-Mar-2022	32,30,080	2,00,00,000	16.15
24-Mar-2022	32,30,080	2,00,00,000	16.15
25-Mar-2022	32,30,080	2,00,00,000	16.15
26-Mar-2022	32,30,080	2,00,00,000	16.15
28-Mar-2022	32,30,080	2,00,00,000	16.15
29-Mar-2022	32,30,080	2,00,00,000	16.15
30-Mar-2022	32,30,080	2,00,00,000	16.15
31-Mar-2022	32,30,080	2,00,00,000	16.15
01-Apr-2022	17,89,221	2,00,00,000	8.95
02-Apr-2022	17,89,221	2,00,00,000	8.95
04-Apr-2022	3,86,321	2,00,00,000	1.93
06-Apr-2022	6,000	2,00,00,000	0.03
13-Apr-2022	3,00,479	2,00,00,000	1.50
14-Apr-2022	3,00,479	2,00,00,000	1.50
15-Apr-2022	3,00,479	2,00,00,000	1.50
16-Apr-2022	3,00,479	2,00,00,000	1.50
18-Apr-2022	3,00,479	2,00,00,000	1.50
19-Apr-2022	3,00,479	2,00,00,000	1.50
20-Apr-2022	3,00,479	2,00,00,000	1.50
21-Apr-2022	3,00,479	2,00,00,000	1.50
22-Apr-2022	3,00,479	2,00,00,000	1.50
23-Apr-2022	3,00,479	2,00,00,000	1.50
25-Apr-2022	3,00,479	2,00,00,000	1.50
26-Apr-2022	3,00,479	2,00,00,000	1.50
27-Apr-2022	3,00,479	2,00,00,000	1.50
28-Apr-2022	3,00,479	2,00,00,000	1.50
29-Apr-2022	3,00,479	2,00,00,000	1.50
30-Apr-2022	3,00,479	2,00,00,000	1.50
02-May-2022	3,00,479	2,00,00,000	1.50
03-May-2022	3,00,479	2,00,00,000	1.50
04-May-2022	3,00,479	2,00,00,000	1.50
05-May-2022	3,00,479	2,00,00,000	1.50
06-May-2022	3,00,479	2,00,00,000	1.50
07-May-2022	3,00,479	2,00,00,000	1.50
08-May-2022	3,00,479	2,00,00,000	1.50
09-May-2022	3,00,479	2,00,00,000	1.50

Date	*Shareholding of Lohia group (no. of shares)*	*Total no. of shares of the company*	*% of Shareholding*
10-May-2022	*3,00,479*	*2,00,00,000*	*1.50*
11-May-2022	*3,00,479*	*2,00,00,000*	*1.50*
12-May-2022	*3,00,479*	*2,00,00,000*	*1.50*
13-May-2022	*3,00,479*	*2,00,00,000*	*1.50*
14-May-2022	*3,00,479*	*2,00,00,000*	*1.50*

From the above, it is observed that the Lohia group (Rounak Lohia and his PACs) has increased their holding on a incremental basis up to 22.62% of the total shares of the company.. and thereafter reduced their holding to below two percent as on April 04, 2022.

4.4. The relevant provisions of SAST Regulations applicable for Lohia group in the instant matter is as follows:

Regulations prior to April 01, 2022:

Regulation 29(1) of SAST Regulations:

"(1) Any acquirer who acquires shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, aggregating to five per cent or more of the shares of such target company, shall disclose their aggregate shareholding and voting rights in such target company in such form as may be specified:"

Regulation 29(2) of SAST Regulations:

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.]

Regulation 29(3) of SAST Regulations:

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.

Regulations after April 01, 2022:

Regulation 29(1) of SAST Regulations,

Any acquirer, together with persons acting in concert with him acquiring shares or voting rights in a target company, which taken together aggregates to five per cent or more of the shares of such target company, shall disclose their aggregate shareholding and voting rights in such target company in such form as may be specified.

Regulation 29(2) of SAST Regulations
Any person 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.
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 [or the disposal] 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) (b)the target company at its registered office.

Regulation 29(3) of SAST Regulations

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

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

4.5. If the aggregate holding of the acquirer and PAC is 5% or more in the target company, the same shall be disclosed in such form as specified. SEBI Circular dated March 07, 2022 provides that transaction undertaken in the depository system under Regulation 29 and Regulation 31 of SAST Regulations do not require manual filing for disclosure requirement except certain transactions such as triggering of disclosure requirement due to acquisition or disposal of the shares, as the case may be by the acquirer together with persons acting in concert (PACs) etc.

4.6. Shri Rounak Lohia and the persons acting in concert with him ("PACs") (collectively, the Lohia group) acquired / disposed shares of EFAIL in the manner (i.e. initial acquisition of 5% shareholding of EFAIL and every subsequent change of 2% shareholding thereafter) that required disclosures under Regulations 29(1), 29(2) and 29(3) of SAST Regulations, 2011. Thus, Shri Rounak Lohia and his PACs were required to disclose their holdings as stated in the following table:

Date	***Day-wise Shareholding***	***Total Shareholding***	***% of shareholding***	***Disclosure required under Regulations (r/w Regulations 29(3) of SAST Regulations.***
28-Jan-2022	*11,07,885*	*2,00,00,000*	*5.54*	*Regulation 29(1)*
03-Feb-2022	*15,26,912*	*2,00,00,000*	*7.63*	*Regulation 29(2)*
11-Feb-2022	*19,73,301*	*2,00,00,000*	*9.87*	*Regulation 29(2)*
18-Feb-2022	*26,66,083*	*2,00,00,000*	*13.33*	*Regulation 29(2)*
24-Feb-2022	*33,05,270*	*2,00,00,000*	*16.53*	*Regulation 29(2)*
09-Mar-2022	*38,46,394*	*2,00,00,000*	*19.23*	*Regulation 29(2)*
10-Mar-2022	*45,05,780*	*2,00,00,000*	*22.53*	*Regulation 29(2)*
21-Mar-2022	*40,67,936*	*2,00,00,000*	*20.34*	*Regulation 29(2)*
22-Mar-2022	*36,05,080*	*2,00,00,000*	*18.03*	*Regulation 29(2)*
01-Apr-2022	*17,89,221*	*2,00,00,000*	*8.95*	*Regulation 29(2)*
04-Apr-2022	*3,86,321*	*2,00,00,000*	*1.93*	*Regulation 29(2)*
Total	*-*	*-*	*-*	*11 instances*

4.7. As seen from the above, Shri Rounak Lohia and his PACs had 11,07,885 shareholdings (5.54%) of EFAIL on January 28, 2022. The shareholding of Shri Rounak Lohia and his PACs in EFAIL increased to 7.63%, 9.87%, 13.33%, 16.53%, 19.23% and 22.53% a change of more than 2% holding from last disclosures on February 03, 2022, February 11, 2022, February 18, 2022, February 24, 2022, March 09, 2022 and March 10, 2022 respectively. Further, the shareholding of Shri Rounak Lohia and his PACs in EFAIL decreased to 20.34%, 18.03%, 8.95%, and 1.93% (a change of more than 2% holding from last disclosures) on March 21, 2022, March 22, 2022, April 01, 2022 and April 04, 2022 respectively.

The aforesaid changes of first 5% and then every 2 % of shareholding were required to be disclosed in 11 instances by Shri Rounak Lohia and his PACs, viz. Mr. Rounak Lohia, Sree Niwas Lohia Sons HUF, Vikash Lohia HUF, Shreenarayan Lohia Sons HUF, Amit Lohia HUF, Rounak Lohia HUF, Ms. Rakhi Lohia, Ms. Saloni Lohia, Ms. Puspa Devi Lohia and Colorshine Hosiery Pvt. Ltd. to the Stock exchange and the target company i.e. EFAIL, in terms of Regulation 29(1) and 29(2) read with 29(3) of SEBI (SAST) Regulations, 2011. However, as per the information received from BSE (Annexure C) and EFAIL (Annexure D), Shri Rounak Lohia and his PACs did not make the said disclosures to BSE as well as the target company EFAIL and the disclosures have not yet been made. Accordingly, Shri Rounak Lohia and his PACs continuously failed to disclose the shareholding in EFAIL as per Regulations 29(1) and 29(2) of SAST Regulations read with Regulation 29(3) of SAST Regulations.

5. In view thereof, it is alleged that Shri Rounak Lohia and his PACs, failed to disclose their shareholding after acquiring more than 5% and every 2% change in shareholding thereafter and therefore, Noticee No. 1 to 10 had violated Regulations 29(1), 29(2) of SAST Regulations read with Regulation 29(3) of SAST Regulations.

…"

5. Vide common letter dated December 28, 2024, the Noticees submitted their reply to the SCN interalia stating:

"…

> *I, Rounak Lohia on behalf of Lohia group (as mentioned in your adjudication notice dated 16th December, 2024) would like bring in your kind notice that I am primarily a textile trader and then invest my savings in securities market. Buying and selling of shares are purely for investment purpose. I as an individual or we as a group was completely unaware about the law of SEBI mentioned in your notice. At the time of purchase or sell I/We were unaware of the total holding we are acquiring and its percentage in terms of total ownership. Unlike, any listed company I purchased in terms of no. of shares rather than in terms of percentage. Hence, we did not realise that we have become such big shareholder in the company.*
> *Coming from a business background and no formal educational knowledge of SEBI and related laws, I invested my family fund in good faith in expectation of normal profits. I sincerely apologise for my ignorance of the laws of SEBI and other departments. My non-compliance related to disclosure law as stated in the notice, was completely unintentional and due to lack of knowledge.*
> *This is my first time coming across such an instance and I promise you that such compliance failure will not happen again. With folded hands, I regret for my mistake committed due to lack of knowledge and experience. I request you to show kindness on my case and not charge any penalty.*

…"

6. Having regard to principles of natural justice, vide Hearing Notice dated January 03, 2025, an opportunity of hearing was afforded to the Noticees on January 09, 2025. Vide letter dated January 06, 2025, the Noticees sought extension to the date of hearing. Having regard to the request made by the Noticees, the hearing was rescheduled to January 14, 2025.

7. On the rescheduled date of hearing viz., January 14, 2025, Noticee No. 1 appeared for online hearing, for himself and on behalf of Noticee Nos. 2-10, wherein Noticee No. 1 relied upon and reiterated the submissions made by the Noticees vide letter dated December 28, 2024. Further, Noticee No. 1 inter alia submitted that there were no further/additional submissions to be made and the submissions made vide letter dated December 28, 2024 be taken as final and complete submissions in the matter.

D. CONSIDERATION OF ISSUES AND FINDINGS

9. The issues that arise for consideration in the instant case are:

Issue No. I: Whether the Noticees had violated the provisions of SEBI SAST Regulations, as alleged?

Issue No. II: If yes, whether the Noticees are liable for imposition of monetary penalty under Section 15A(b) of the SEBI Act, 1992?

Issue No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticees?

10. Before proceedings with the matter on merits, I would first deal with key technical contention made by the Noticee.

11. I note that the Noticees as part of their submissions as reply to the SCN have inter alia contended that, "*…non-compliance related to disclosure law as stated in the notice, was completely unintentional and due to lack of knowledge…"* and *"*…*Coming from a business background and no formal educational knowledge of SEBI and related laws, I invested my family fund in good faith in expectation of normal profits. I sincerely apologise for my ignorance of the laws of SEBI*…"

In this regard, I note that it is a cardinal principle of law that, '*Ignorantia juris non excusat*'. In other words, ignorance of the law cannot be an excuse.

I now proceed to deal with the matter having regard to the submissions of the Noticees on merits:

Issue No. I: Whether the Noticees had violated the provisions of SEBI SAST Regulations, as alleged?

12. In this regard, it was inter alia observed and alleged that the Noticees failed to disclose their shareholding after acquiring more than 5% and every 2% change in shareholding thereafter.

Accordingly, it was alleged that the Noticees had violated Regulations 29(1), 29(2) of SAST Regulations read with Regulation 29(3) of SAST Regulations.

13. In this regard, I note that Regulations 29(1), 29(2), 29(3) of SAST Regulations reads as under:

"…

Disclosure of acquisition and disposal.

29.(1)[98][Any acquirer, together with persons acting in concert with him acquiring shares or voting rights in a target company, which taken together aggregates to five per cent or more of the shares of such target company, shall disclose their aggregate shareholding and voting rights in such target company in such form as may be specified:]

…

[100][(2) [101][Any person 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.]

…

(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 [103][or the disposal] 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.

…"

14. In this regard, I note from the material available on record that vide summonses dated May 31, 2024, the Noticees were called by SEBI for personal appearance before the Investigating Authority ('IA'). Accordingly, Mr. Rounak Lohia appeared before the IA virtually through Webex from SEBI-ERO on June 06, 2024 representing himself and for other 9 entities namely, Sree Niwas Lohia Sons HUF, Vikash Lohia HUF, Shreenarayan Lohia Sons HUF, Amit Lohia HUF, Rounak Lohia HUF, Ms. Rakhi Lohia, Ms. Saloni Lohia, Ms. Puspa Devi Lohia and Colorshine Hosiery Pvt. Ltd. and his statements were recorded.

15. From the submissions of Mr. Rounak Lohia during recording of statement, SEBI inter alia noted that Sriniwas Lohia HUF (Mr. Sriniwas Lohia, Karta is his father), Shree Narayan Lohia & Sons HUF (Mr. Shree Narayan Lohia, Karta is the elder brother of his father), Vikas Lohia HUF (Mr. Vikash Lohia, Karta is his elder brother), Amit Lohia HUF (Mr. Amit Lohia, Karta is his elder brother), Smt. Pushpa Devi Lohia (wife of Mr. Shree Narayan Lohia), Smt. Rakhi Lohia (his mother), Smt. Saloni Lohia (his spouse) and himself are part of a joint family. Mr. Amit Lohia, Mr. Sriniwas Lohia, Mr. Vikash Lohia and Mr. Rounak Lohia himself were director of

Colourshine Hosiery Private Limited. Further, SEBI noted that Mr. Rounak Lohia had admitted that he had the decision-making power for his and his family members' funds as Mr. Rounak Lohia had submitted during the statement recording that, "…*He has the decision-making power for his and his family members' funds. …".*

16. In view of the above and as the Lohia group entities viz. Mr. Rounak Lohia, Sree Niwas Lohia Sons HUF, Vikash Lohia HUF, Shreenarayan Lohia Sons HUF, Amit Lohia HUF, Rounak Lohia HUF, Ms. Rakhi Lohia, Ms. Saloni Lohia, Ms. Puspa Devi Lohia and Colorshine Hosiery Pvt. Ltd. were relatives / common directors of a Colourshine / associates and had acquired/ disposed shares during the IP, SEBI inter alia observed that the Noticees were the Persons Acting in Concerts (PACs) while trading in the shares of EFAIL.

17. I note from the material available on record that the day-wise shareholding of the Noticees in EFAIL was as under:

Date	Shareholding of Lohia group (no. of shares)	Total no. of shares of the company	% of Shareholding
13-Jan-2022	1,86,321	2,00,00,000	0.93
14-Jan-2022	1,86,321	2,00,00,000	0.93
15-Jan-2022	1,86,321	2,00,00,000	0.93
18-Jan-2022	1,86,321	2,00,00,000	0.93
19-Jan-2022	1,86,321	2,00,00,000	0.93
20-Jan-2022	1,86,321	2,00,00,000	0.93
21-Jan-2022	1,86,321	2,00,00,000	0.93
22-Jan-2022	1,86,321	2,00,00,000	0.93
24-Jan-2022	1,86,321	2,00,00,000	0.93
25-Jan-2022	1,86,321	2,00,00,000	0.93
26-Jan-2022	1,86,321	2,00,00,000	0.93
27-Jan-2022	1,86,321	2,00,00,000	0.93
28-Jan-2022	11,07,885	2,00,00,000	5.54
31-Jan-2022	12,35,539	2,00,00,000	6.18
01-Feb-2022	12,35,539	2,00,00,000	6.18
02-Feb-2022	14,57,186	2,00,00,000	7.29
03-Feb-2022	15,26,912	2,00,00,000	7.63
04-Feb-2022	19,16,897	2,00,00,000	9.58
05-Feb-2022	19,16,897	2,00,00,000	9.58
07-Feb-2022	19,16,897	2,00,00,000	9.58
08-Feb-2022	19,16,897	2,00,00,000	9.58
09-Feb-2022	19,16,897	2,00,00,000	9.58
10-Feb-2022	19,16,897	2,00,00,000	9.58
11-Feb-2022	19,73,301	2,00,00,000	9.87
12-Feb-2022	19,73,301	2,00,00,000	9.87
14-Feb-2022	19,87,453	2,00,00,000	9.94
15-Feb-2022	19,87,453	2,00,00,000	9.94
16-Feb-2022	19,87,453	2,00,00,000	9.94
17-Feb-2022	19,87,453	2,00,00,000	9.94
18-Feb-2022	26,66,083	2,00,00,000	13.33
19-Feb-2022	26,66,083	2,00,00,000	13.33
21-Feb-2022	28,61,565	2,00,00,000	14.31
22-Feb-2022	29,03,579	2,00,00,000	14.52
23-Feb-2022	30,06,347	2,00,00,000	15.03
24-Feb-2022	33,05,270	2,00,00,000	16.53

Date	Shareholding of Lohia group (no. of shares)	Total no. of shares of the company	% of Shareholding
25-Feb-2022	35,07,876	2,00,00,000	17.54
26-Feb-2022	35,07,876	2,00,00,000	17.54
28-Feb-2022	35,25,880	2,00,00,000	17.63
01-Mar-2022	35,25,880	2,00,00,000	17.63
02-Mar-2022	36,39,093	2,00,00,000	18.20
03-Mar-2022	36,47,440	2,00,00,000	18.24
04-Mar-2022	36,48,385	2,00,00,000	18.24
05-Mar-2022	36,48,385	2,00,00,000	18.24
07-Mar-2022	36,67,938	2,00,00,000	18.34
08-Mar-2022	36,67,938	2,00,00,000	18.34
09-Mar-2022	38,46,394	2,00,00,000	19.23
10-Mar-2022	45,05,780	2,00,00,000	22.53
11-Mar-2022	45,12,707	2,00,00,000	22.56
12-Mar-2022	45,12,707	2,00,00,000	22.56
14-Mar-2022	45,12,707	2,00,00,000	22.56
15-Mar-2022	45,23,634	2,00,00,000	22.62
16-Mar-2022	45,23,634	2,00,00,000	22.62
17-Mar-2022	43,27,703	2,00,00,000	21.64
18-Mar-2022	43,27,703	2,00,00,000	21.64
19-Mar-2022	43,27,703	2,00,00,000	21.64
21-Mar-2022	40,67,936	2,00,00,000	20.34
22-Mar-2022	36,05,080	2,00,00,000	18.03
23-Mar-2022	32,30,080	2,00,00,000	16.15
24-Mar-2022	32,30,080	2,00,00,000	16.15
25-Mar-2022	32,30,080	2,00,00,000	16.15
26-Mar-2022	32,30,080	2,00,00,000	16.15
28-Mar-2022	32,30,080	2,00,00,000	16.15
29-Mar-2022	32,30,080	2,00,00,000	16.15
30-Mar-2022	32,30,080	2,00,00,000	16.15
31-Mar-2022	32,30,080	2,00,00,000	16.15
01-Apr-2022	17,89,221	2,00,00,000	8.95
02-Apr-2022	17,89,221	2,00,00,000	8.95
04-Apr-2022	3,86,321	2,00,00,000	1.93
06-Apr-2022	6,000	2,00,00,000	0.03
13-Apr-2022	3,00,479	2,00,00,000	1.50
14-Apr-2022	3,00,479	2,00,00,000	1.50
15-Apr-2022	3,00,479	2,00,00,000	1.50
16-Apr-2022	3,00,479	2,00,00,000	1.50
18-Apr-2022	3,00,479	2,00,00,000	1.50
19-Apr-2022	3,00,479	2,00,00,000	1.50
20-Apr-2022	3,00,479	2,00,00,000	1.50
21-Apr-2022	3,00,479	2,00,00,000	1.50
22-Apr-2022	3,00,479	2,00,00,000	1.50
23-Apr-2022	3,00,479	2,00,00,000	1.50
25-Apr-2022	3,00,479	2,00,00,000	1.50
26-Apr-2022	3,00,479	2,00,00,000	1.50
27-Apr-2022	3,00,479	2,00,00,000	1.50
28-Apr-2022	3,00,479	2,00,00,000	1.50
29-Apr-2022	3,00,479	2,00,00,000	1.50
30-Apr-2022	3,00,479	2,00,00,000	1.50
02-May-2022	3,00,479	2,00,00,000	1.50
03-May-2022	3,00,479	2,00,00,000	1.50
04-May-2022	3,00,479	2,00,00,000	1.50
05-May-2022	3,00,479	2,00,00,000	1.50
06-May-2022	3,00,479	2,00,00,000	1.50
07-May-2022	3,00,479	2,00,00,000	1.50
08-May-2022	3,00,479	2,00,00,000	1.50
09-May-2022	3,00,479	2,00,00,000	1.50
10-May-2022	3,00,479	2,00,00,000	1.50
11-May-2022	3,00,479	2,00,00,000	1.50
12-May-2022	3,00,479	2,00,00,000	1.50
13-May-2022	3,00,479	2,00,00,000	1.50
14-May-2022	3,00,479	2,00,00,000	1.50

From the above, SEBI observed that the Noticees had increased their holding on an incremental basis up to 22.62% of the total shares of the company and thereafter reduced their holding to below two percent as on April 04, 2022.

18. In this regard, I note from the material available on record that SEBI had inter alia observed that Shri Rounak Lohia and the persons acting in concert with him ("PACs") i.e. the Noticees acquired / disposed shares of EFAIL in the manner (i.e. initial acquisition of 5% shareholding of EFAIL and every subsequent change of 2% shareholding thereafter) that required disclosures under Regulations 29(1), 29(2) and 29(3) of SAST Regulations, 2011. Thus, the Noticees were required to disclose their holdings as stated in the following table:

Date	**Day-wise Shareholding**	**Total Shareholding**	**% of shareholding**	**Disclosure required under Regulations (r/w Regulations 29(3) of SAST Regulations.**
28-Jan-2022	11,07,885	2,00,00,000	5.54	Regulation 29(1)
03-Feb-2022	15,26,912	2,00,00,000	7.63	Regulation 29(2)
11-Feb-2022	19,73,301	2,00,00,000	9.87	Regulation 29(2)
18-Feb-2022	26,66,083	2,00,00,000	13.33	Regulation 29(2)
24-Feb-2022	33,05,270	2,00,00,000	16.53	Regulation 29(2)
09-Mar-2022	38,46,394	2,00,00,000	19.23	Regulation 29(2)
10-Mar-2022	45,05,780	2,00,00,000	22.53	Regulation 29(2)
21-Mar-2022	40,67,936	2,00,00,000	20.34	Regulation 29(2)
22-Mar-2022	36,05,080	2,00,00,000	18.03	Regulation 29(2)
01-Apr-2022	17,89,221	2,00,00,000	8.95	Regulation 29(2)
04-Apr-2022	3,86,321	2,00,00,000	1.93	Regulation 29(2)
Total	-	-	-	11 instances

19. The aforesaid changes in shareholding viz., first 5% and then every 2% change in shareholding were required to be disclosed in 11 instances by the Noticees to the Stock exchange and the target company i.e. EFAIL, in terms of Regulation 29(1) and 29(2) read with 29(3) of SEBI (SAST) Regulations, 2011. However, I note from the material available on record that the Noticees did not make the said disclosures to BSE as well as the target company EFAIL.

Accordingly, it was alleged that the Noticees had violated Regulations 29(1), 29(2) of SAST Regulations read with Regulation 29(3) of SAST Regulations.

20. In this regard, I note from the reply of the Noticees to the SCN that the Noticees have neither denied nor disputed the violations alleged, and instead the Noticees' submissions are in nature of admission in so far as the Noticees have inter alia submitted that, *"…At the time of purchase or sell I/We were unaware of the total holding we are acquiring and its percentage in terms of total ownership….non-compliance related to disclosure law as stated in the notice, was completely*

unintentional and due to lack of knowledge…I promise you that such compliance failure will not happen again…"

21. In view thereof, I find that the allegation that the Noticees failed to disclose their shareholding after acquiring more than 5% and every 2% change in shareholding thereafter, stands established. Accordingly, I hold that the Noticees had violated Regulations 29(1), 29(2) of SEBI SAST Regulations read with Regulation 29(3) of SEBI SAST Regulations.

Issue No. II: If yes, whether the Noticees are liable for imposition of monetary penalty under Section 15A(b) of the SEBI Act, 1992?

22. As it has been established in the foregoing paragraphs that Noticees had violated provisions of Regulations 29(1), 29(2) of SEBI SAST Regulations read with Regulation 29(3) of SEBI SAST Regulations, the Noticees are liable for payment of a monetary penalty in terms of Section 15A(b) of the SEBI Act, 1992.

23. In this regard, it is also noted that the Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) inter alia held that:

> *" ... In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established .... "*

24. Therefore, for the above violation, as brought out in the foregoing paragraphs, I find that the Noticees are liable for monetary penalty under Section 15A(b) of the SEBI Act which provides as following:

"…

Penalty for failure to furnish information, return, etc.

15A. If any person, who is required under this Act or any rules or regulations made thereunder,— (b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations [66][or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to [67][a penalty [68][which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]];

…"

Issue No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticees?

25. While determining the quantum of penalty under Section 15A(b) of the SEBI Act, it is important to consider the factors as stipulated in Section 15J of the SEBI Act, which reads as under: -

> **<u>SEBI Act</u>**
> *"………..*
> *Factors to be taken into account while adjudging quantum of penalty.*
> *15J. While adjudging quantum of penalty under 15- or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:—*
> *a. the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
> *b. the amount of loss caused to an investor or group of investors as a result of the default;*
> *c. the repetitive nature of the default.*
> *Explanation.—For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.*
> *…………..."*

26. In the instant matter, I note that the material on record does not indicate the amount of disproportionate gain or unfair advantage made by the Noticees, or the amount of loss caused to an investor or group of investors as a result of the aforesaid violations. I note that in the instant case Noticees had failed to disclose their shareholding in eleven instances. In my opinion in a disclosure based regime the quintessence is about disclosures which, if compromised with, may pose threat to orderly functioning of the securities markets. In the instant case, the Noticees have failed to make required disclosures in terms of provisions of SEBI SAST Regulations, 2011, as already brought out in the foregoing, and accordingly the same needs to be dealt with suitable penalty.

E. ORDER

27. Considering the facts and circumstances of the instant case, the material available on record, the factors mentioned in preceding paragraphs and in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, I hereby impose penalty upon the Noticees, as per

details in the table below, for the aforementioned violations, as discussed in this order. In my view, the said penalty will be commensurate with the violations committed by the Noticees in this case.

Noticee No.	Name of the Noticees	Penalty under Section	Penalty Amount
1.	Mr. Rounak Lohia	Section 15A(b) of the SEBI Act, 1992	Rs.6,00,000/- (Rupees Six Lakhs Only) (joint and several)
2.	Sree Niwas Lohia Sons HUF		
3.	Vikash Lohia HUF		
4.	Shreenarayan Lohia Sons HUF		
5.	Amit Lohia HUF		
6.	Rounak Lohia HUF		
7.	Ms. Rakhi Lohia		
8.	Ms. Saloni Lohia		
9.	Ms. Puspa Devi Lohia		
10.	Colorshine Hosiery Pvt. Ltd.		

28. The Noticees shall remit /pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

29. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

30. Copy of this Adjudication Order is being sent to the Noticees and also to SEBI in terms of Rule 6 of the Adjudication Rules.

DATE: January 23, 2025
PLACE: MUMBAI

AMAR NAVLANI
ADJUDICATING OFFICER