BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/BM/UR/2023-24/25980]

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

In respect of:

Harish Veerappa Kanchan

(PAN: AAMPK8890Q)

In the matter of *HCKK Ventures Ltd.*

BACKGROUND OF THE CASE

1. The Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") while processing the Open Offer for acquisition of equity shares of HCKK Ventures Limited (Target Company) examined the draft letter of offer (hereinafter referred to as "**DLOF**") and observed violation of provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as "**SEBI SAST Regulations, 2011**") allegedly committed by the promoter of the Target company i.e. Mr. Harish Veerappa Kanchan (hereinafter referred to as "**Noticee**").

2. In view of the above, adjudication proceedings were initiated under Section 15A(b) of SEBI Act, 1992 against the Noticee for the aforesaid alleged violations.

APPOINTMENT OF ADJUDICATING OFFICER

3. The undersigned was appointed as the Adjudicating Officer **(**hereinafter referred to as "**AO")** vide Order dated February 27, 2023 under Section 15-I(1) of the SEBI Act and Rule 3 of SEBI(Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") read with Section 19 of the SEBI

Act, 1992 to conduct adjudication proceedings into the violations of Regulation 29(2) read with Regulation 29(3) of SEBI SAST Regulations, 2011 alleged to have been committed by the Noticee in the manner specified under Rule 4 of Adjudication Rules read with Section 15-I(1) and (2) of SEBI Act, 1992, and if satisfied that penalty is liable, impose such penalty deemed fit in terms of Rule 5 of Adjudication Rules and Section 15A(b) of SEBI Act, 1992.

SHOW CAUSE NOTICE, REPLY OF THE NOTICEE AND HEARING

4. Show Cause Notice No. SEBI/EAD-3/BM/UR/9776/2023 dated March 06, 2023 (hereinafter referred to as **"SCN"**) was issued to the Noticee under Rule 4(1) of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against him and why penalty should not be imposed under section 15A(b) of the SEBI Act, 1992, for the aforesaid alleged violations.

5. The allegations levelled against the Noticee are as under:

a. The shares of the target company are listed on Bombay Stock Exchange Limited (BSE).

b. Acquirer, Mr. Amit Maheshwari along with Person acting in concert (hereinafter referred to as "PAC"), Mr. Kunal Maheshwari, made Open Offer under SEBI SAST Regulations, 2011 to the public shareholders of the Target Company, whereby SEBI initiated examination of the DLOF made by the Acquirer and the PAC. In pursuance of examination of DLOF, it was observed that prior to the current Open Offer made by Acquirer along with the PAC, the shares of the Target Company were acquired by the Noticee vide a Share Purchase Agreement with Winsome Retails and Marketing Private Limited, erstwhile Promoter, which resulted into open offer in June 2016.

c. During the course of examination, it was observed that there were non-compliances by Promoter/Noticee under SEBI SAST Regulations, 2011, post the open offer made by him in June, 2016. From the Promoter Build-up Sheet, it was observed that, the following transactions were entered into by the Promoters from the expiry of previous open offer till FY 2021-22, which are as follows:

Table 1: Transactions by Promoters

FY	Opening Balance – Name and holding of promoters and promoters group: Name	No. of shares	%	Date of transaction (Allotment / Transfer)	Shares Acquired: Name	No. of shares	%	Shares Sold: Name	No. of shares	%	Mode of acquisition / sale	Closing Balance – Name and holding of promoters and promoters group: Name	No. of shares	%	Increase (Decrease) in the shareholding of promoters and promoters group (%)	Compliance Status with SEBI (SAST) Regulation
2016-17	Winsome Retails and Marketing Private Ltd.	855000	25.15	09/05/2016	-	-	-	Winsome Retails and Marketing Private Ltd.	855000	25.15	Sales Through SPA	Harish Veerappa Kanchan	2194731	59.16	34.01	COMPLIED: 29(2) r/w 29(3)by Former Promoter and 29(1)&29(2) r/w 29(3) by Promoter; 30(2) r/w 30(3) by Promoter
				09/05/2016	Harish Veerappa Kanchan	855000	25.14	-	-	-	Acquisition through SPA					
				22/06/2016		909731	26.76	-	-	-	Acquisition through open offer					
				25/07/2016		430000	12.65	-	-	-	Acquisition through open offer					
2017-18	Harish Veerappa Kanchan	2194731	59.16	09/03/2018	Harish Veerappa Kanchan	71000	1.91	-	-	-	Market Acquisition	Harish Veerappa Kanchan	2265731	61.07	1.91	COMPLIED: 30(2) r/w 30(3); NA: 29(2)) r/w 29(3)
2018-19	Harish Veerappa Kanchan	2265731	61.07	24/08/2018	Harish Veerappa Kanchan	6000	0.17	-	-	-	Off-market Acquisition	Harish Veerappa Kanchan	2380631	64.17	3.10	COMPLIED: 30(2) r/w 30(3) **COMPLIED WITH DELAY: 29(2) r/w 29(3)**
				24/10/2018		14000	0.37	-	-	-	Off-market Acquisition					
				20/11/2018		48900	1.32	-	-	-	Market Acquisition					
				21/12/2018		35000	0.94	-	-	-	Market Acquisition					
				26/12/2018		11000	0.29	-	-	-	Market Acquisition					
2019-20	Harish Veerappa Kanchan	2380631	64.17	04/04/2019	Harish Veerappa Kanchan	94000	2.53	-	-	-	Market Acquisition	Harish Veerappa Kanchan	2474631	66.70	2.53	COMPLIED: 30(2) r/w 30(3) & 31(4) **COMPLIED WITH DELAY: 29(2) r/w 29(3)**
2020-21	Harish Veerappa Kanchan	2474631	66.70	-	-	-	-	-	-	-	-	Harish Veerappa Kanchan	2474631	66.70	-	COMPLIED: 30(2) r/w 30(3) & 31(4) NA: 29(2) r/w 29(3)
2021-22	Harish Veerappa Kanchan	2474631	66.70	-	-	-	-	-	-	-	-	Harish Veerappa Kanchan	2474631	66.70	-	COMPLIED: 31(4) NA: 29(2) r/w 29(3) &

																30(2) r/w 30(3)

d. From the perusal of table as abovementioned, following incidents of violations relating to provisions of Chapter V of SEBI SAST Regulations, 2011 on the part of the Promoter/Noticee of the Target Company were alleged:

Table 2: Chapter V violations by Promoter

Regulation	**FY**	**Acquisition/ Sale/ Annual Disclosure**	**Due Date for Compliance**	**Actual Date of Compliance**	**Delay, if any (no. of days)**
29(2) r/w 29(3)	2018-19	Acquisition	27/08/2018	16/12/2022	1571days
			23/12/2018	16/12/2022	1452days
	2019-20		06/04/2019	15/12/2022	1347 days

e. From the aforesaid table, following was observed:

i. During FY 2017-18, the Noticee acquired 71,000 shares on March 9, 2018, amounting to 1.91% of the total share capital of the Target Company. Further, during FY 2018-19, the Noticee acquired 6,000 shares on August 24, 2018, amounting to 0.17% of the total share capital of the Target Company. The total increase in shareholding from the last disclosure filed by the Noticee under Regulation 29(2) r/w 29(3) of SAST Regulations stood at 2.08% (1.91+0.17). Since the total change in the shareholding of the target company exceeded 2%, Noticee was required to make disclosure on or before August 28, 2018. However on exchange’s website, disclosure was made by the Noticee on December 16, 2022 with a delay of 1571 days and hence it is alleged that Noticee has not complied with the disclosure requirements as required under Regulation 29(2) r/w 29(3) of the SAST Regulation 2011.

ii. During FY 2018-19, the Noticee acquired 14,000 shares on October 24, 2018, amounting to 0.37% of the total share capital of the Target Company. On November 20, 2018, Noticee acquired 48,900 shares amounting to 1.32% of the total share capital of the Target company. Further, on December 21, 2018, Noticee acquired 35, 000 shares amounting to 0.94% of the shareholding of the target company. Thus the total increase in the shareholding of the Noticee stood at 2.63% (0.37+1.32+0.94)%. Thus, as required under Regulation 29(2) r/w Regulation 29(3) of the SEBI SAST Regulations, 2011, Noticee was under obligation to make the disclosure on or before December 25, 2018. However, it is observed that disclosure was made by the Noticee on December 16, 2022 with a delay of 1452 days. Thus, it is alleged that the Noticee violated Regulation 29(2) r/w Regulation 29(3) of the SEBI SAST Regulations, 2011.

iii. During FY 2018-19, the Noticee acquired 11,000 shares on December 26, 2018, amounting to 0.29% of the total share capital of the target Company. Further, the Noticee acquired another 94,000 shares on April 12, 2019, amounting to 2.53% of the total share capital of the target company. The total increase in shareholding stood at 2.82% (0.29+2.53)%. Since the total change in shareholding exceeded 2% of the total share capital of the target company, Regulation 29(2) r/w 29(3) of SAST Regulations was triggered and the disclosure ought to have been made on or before April 8, 2019. However, the disclosures were made by the Noticee on December 15, 2022 with a delay of 1347 days. Thus it is alleged that Noticee has not complied with the disclosure requirements as mandated by Regulation 29(2) r/w 29(3) of SAST Regulations 2011.

f. As the change exceeded 2% of total shareholding or voting rights held by the Noticee in the target company, the aforesaid change mandated disclosures under Regulation 29(2) read with Regulation 29(3) of SEBI (SAST) Regulations, 2011.

g. Thus it was alleged that, Noticee had delayed disclosure with regards to change of more than 2% in his shareholding of transferee company in 3 instances and has violated Regulation 29(2) read with Regulation 29(3) of SEBI (SAST) Regulations, 2011.

6. The SCN was duly served on the Noticee via SPAD dated March 28, 2023. The proof of the service is on record. Vide letter dated April 18, 2023, Noticee submitted its reply to the SCN. The submissions made by the Noticee are as summarized below:

a. Noticee submitted that, delay in making these disclosures was unintentional and simply due to inadvertence on his part. There was no malafide behind not disclosing these transactions to stock exchange.

b. Noticee submitted that, the change of his shareholding in HCKK Ventures Ltd. was disclosed to the stock exchange and the public at large in the annual disclosure made under Regulation 30(2) r/w 30(3) of SAST Regulations and also in the Annual Reports uploaded by HCKK Ventures Ltd. In regard to aforesaid, Noticee also submitted following analysis of the Annual Report:

- The Annual Report of HCKK Ventures Ltd. for the F.Y. 2017-18 showed the change in his shareholding from 59.16% to 61.07% i.e. change of 1.91%.
- The Annual Report of HCKK Ventures Ltd. for the F.Y. 2018-19 showed the change in his shareholding from 61.07% to 64.17% i.e. change of 3.1%.
- The Annual Report of HCKK Ventures Ltd. for the F.Y. 2019-20 showed the change in his shareholding from 64.17% to 66.70% i.e. change of 2.53%.

c. Noticee also submitted that Such change in his shareholding of HCKK Ventures Ltd. was also disclosed to the stock exchange under the SEBI (Prohibition of Insider Trading) Regulations, 2015. The details of the same are produced herein under:

- Purchase of 71,000 shares on market on 09th March 2018 was reported to the stock exchange on 09th March, 2018 i.e. the same day.
- Purchase of 14,000 shares off market on 24th October 2018 was reported to the exchange on 20th November 2018.
- Purchase of 48,900 shares on market on 20th November 2018 was reported to the exchange on 20th November 2018.

- Purchase of 35,000 shares on market on 21st December 2018 was reported to the exchange on 24th December 2018.
- Purchase of 11,000 shares on market on 26th December, 2018 was reported to the exchange on 27th December 2018.
- Purchase of 94,000 shares on market on 04th April 2019 was reported to the exchange on 04th April 2019.

d. In view of the aforesaid, Noticee submitted that, information was already available in public domain regarding the change of the shareholding in HCKK Ventures Ltd at the relevant time, the violations of Regulations 29(2) r/w 29(3) of SAST Regulations is merely technical in nature and no penalty should be imposed on him. In this regard, Noticee relied upon the judgment passed by the Hon'ble Securities Appellate Tribunal in the matter of Reliance Industries Ltd. vs. SEBI (SAT Appeal No. 39 of 2002).

e. Noticee submitted that he has not made any disproportionate gain or unfair advantage by such non-disclosure. If his intention was to gain from such non-disclosure, then he would have not made the disclosure at such belated stage. The moment he became aware about the requirement to make disclosure under SAST Regulations, the relevant disclosures were made on his own volition and without SEBI's intimation or warning.

f. Further, Noticee submitted that, no loss has been caused to any investor or a group of investors by such failure to disclose my change in shareholding to the stock exchange. In this regard, Noticee placed reliance on the orders passed by the Hon'ble Securities Appellate Tribunal in the matter of Vitro Commodities Pvt. Ltd. vs. SEBI dated 04th September 2013 and by Hon'ble Supreme Court in the matter of M/s Hindustan Steel Ltd. vs. State of Orissa [**1969 (2) SCC 627**]

g. Noticee also submitted that, in matters of similar nature, SEBI has passed various orders imposing a nominal penalty of Rs. 1,00,000. In this regard, Noticee placed reliance on the AO Order dated 24th October 2019 in the scrip of Purshottam Investofin Ltd, AO Order dated 20th February 2019 in the scrip of Citizen Yarns Ltd and AO Order dated 12th January 2021 in the scrip of Alora Trading Company Ltd.

7. Pursuant to issuance of the SCN, in the interest of principles of Natural Justice, Noticee was given hearing on April 21, 2023, vide hearing notice dated March 20, 2023. The Authorized Representative of the Noticee appeared on the scheduled day of the hearing and reiterated the submissions made vide letter dated April 18, 2023.

CONSIDERATION OF ISSUES AND FINDINGS

8. I have carefully perused the charges levelled against the Noticee, its reply and the documents/material available on record. The issues that arise for consideration in the present case are:

Issue No. I Whether the Noticee by not disclosing its change in the shareholding in HCKK Ventures Limited has violated Regulation 29(2) and 29(3) of the SEBI SAST Regulations.

Issue No. II Does the violation, if any, attract monetary penalty under Section 15A(b) of the SEBI Act, 1992?

Issue No. III If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act, 1992?

9. The relevant provisions of law are reproduced below:

Regulation 29(2)

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.

Regulation 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 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.

Issue No. I: Whether the Noticee by not disclosing its reduction in the shareholding in HCKK Ventures Limited has violated Regulation 29(2) and 29(3) of the SEBI SAST Regulations?

10. As has been observed in preceeding paragraphs, Noticee had delayed disclosure regarding its change in the shareholding. The details of shares acquired by the Noticee and the delay as observed is as follows:

Regulation	FY	Acquisition/ Sale/ Annual Disclosure	Due Date for Compliance	Actual Date of Compliance	Delay, if any (no. of days)
29(2) r/w 29(3)	2018-19	Acquisition	27/08/2018	16/12/2022	1571days
			23/12/2018	16/12/2022	1452days
	2019-20		06/04/2019	15/12/2022	1347 days

11. Thus, from the above table, I note that,

(a) During FY 2018-19, during FY 2017-18, the Noticee acquired 71,000 shares on March 9, 2018, amounting to 1.91% of the total share capital of the Target Company. Further, during FY 2018-19, the Noticee acquired 6,000 shares on August 24, 2018, amounting to 0.17% of the total share capital of the Target Company. The total increase in shareholding from the last disclosure filed by the Noticee under Regulation 29(2) r/w 29(3) of SAST Regulations stood at 2.08%

(1.91+0.17). However, on perusal of exchange's website, disclosure was made by the Noticee on December 16, 2022 with a delay of 1571 days.

(b) During FY 2018-19, the Noticee acquired 14,000 shares on October 24, 2018, amounting to 0.37% of the total share capital of the Target Company. On November 20, 2018, Noticee acquired 48,900 shares amounting to 1.32% of the total share capital of the Target company. Further, on December 21, 2018, Noticee acquired 35, 000 shares amounting to 0.94% of the shareholding of the target company. Thus the total increase in the shareholding of the Noticee stood at 2.63% (0.37+1.32+0.94)%. However, it was observed that disclosure was made by the Noticee on December 16, 2022 with a delay of 1452 days.

(c) During FY 2018-19, the Noticee acquired 11,000 shares on December 26, 2018, amounting to 0.29% of the total share capital of the target Company. Further, the Noticee acquired another 94,000 shares on April 12, 2019, amounting to 2.53% of the total share capital of the target company. The total increase in shareholding stood at 2.82% (0.29+2.53)%. However, the disclosures were made by the Noticee on December 15, 2022 with a delay of 1347 days.

12. From the above, I note that, Noticee has delayed the filing of disclosure which was in the range of 1347 to 1571 days in all the three instance with regard to change in shareholding for more than 2% as stated above, as required under Regulation 29(2) read with 29(3) of SAST Regulations.

13. Noticee vide his submissions has admitted to the allegations of delay in making disclosure. Noticee had submitted that delay in making these disclosures was unintentional and simply due to inadvertence on his part and there was no malafide behind not disclosing these transactions to stock exchange.

14. Further, Noticee had submitted that he had made the disclosure of the change of his shareholding in HCKK Ventures Ltd to the stock exchange and the public at large in the annual disclosure made under Regulation 30(2) r/w 30(3) of SAST Regulations and also in the Annual Reports uploaded by HCKK Ventures Ltd. Further, it had made disclosure under the SEBI (Prohibition of Insider Trading) Regulations, 2015.

15. From the records as perused from the website of BSE, following was observed:

Number of Securities held Prior to acquisition/Disposed	% of Securities held Prior to acquisition/Disposed	Number of Securities Acquired/Disposed/Pledge etc.	Value of Securities Acquired/Disposed/Pledge etc	Transaction Type (Buy/Sale/Pledge/Revoke/Invoke)	Number of Securities held Post acquisition /Disposed /Pledge etc	Post-Transaction % of Shareholding	Date of acquisition of shares/sale of shares/Date of Allotment(From date)	Date of acquisition of shares/sale of shares/Date of Allotment(To date)	Date of Intimation to Company	Mode of Acquisition	Reported to Exchange
2380631	64.17	94000	4060800	Acquisition	2474631	66.7	04-Apr-19	04-Apr-19	04-Apr-19	Market Purchase	04-Apr-19
2369631	63.87	11000	473000	Acquisition	2380631	64.16	26-Dec-18	26-Dec-18	26-Dec-18	Market Purchase	27-Dec-18
2328631	62.76	35000	1496250	Acquisition	2363631	63.71	21-Dec-18	21-Dec-18	21-Dec-18	Off Market	24-Dec-18
2265731	61.07	14000	504000	Acquisition	2279731	61.44	24-Oct-18	24-Oct-18	24-Oct-18	Off Market	20-Nov-18
2279731	61.44	48900	2102700	Acquisition	2328631	62.76	20-Nov-18	20-Nov-18	20-Nov-18	Market Purchase	20-Nov-18
2194731	59.15	71000	3202507	Acquisition	2265731	61.07	09-Mar-18	09-Mar-18	09-Mar-18	Market	09-Mar-18

16. From the aforesaid table, I note that the information of acquiring of shares, by the Noticee was informed to the exchanges under PIT Regulations within the prescribed time limits i.e. within 2 days and in some cases disclosure was made on the same day. I note that though the Noticee had delayed the disclosure under Regulation 29(2) r/w 29(3) of SAST Regulations, 2011, it is pertinent to note that the intention of both the regulations is dissemination of the information. By disseminating the information under regulation 7(2) of PIT Regulations, 2015, the essential information about the said acquisition of shares had already been disseminated to the general public. I note

that no material harm has been caused to the investors for failure to make disclosure under SAST Regulations, 2011 within stipulated time.

17. I find that, the aforesaid delay in failure could be termed as mere technical violation In the similar instance, Hon'ble Securities Appellate Tribunal in the matter of **Vitro Commodities Private Limited vs SEBI**, inter-alia opined that "the provisions of Regulations 7(1) of Takeover Regulations, 1997 and Regulation 13(1) of PIT Regulations are not substantially different, since, violation of first automatically triggers the violation of second and hence, there is no justification for imposition of penalty for second violation when penalty for first violation has been imposed."

18. Further I rely upon the order of Hon'ble SAT in the matter of **Ashok Shivlal Rupani Vs. SEBI** (Appeal No. 417 of 2018), dated 22.08.2019:

"…It is alleged that disclosure under PIT Regulations was not made but similar disclosure was made by the appellant under SAST Regulations. Therefore, information was available on the Stock Exchange and therefore it cannot be said that the respondents were unaware of the alleged violations. Further, the purpose of disclosure was to make the market aware of the change of shareholding of the shareholders. When a disclosure was made by the company under SAST Regulations the investors became aware of the change in the shareholding. The non-compliance of Regulation 13 if any becomes technical in nature."

19. In view of the above, I do not find the instant matter to be a fit case to levy monetary penalty on account of delay in disclosure under Regulation 29(2) r/w 29(3) of SAST Regulations, 2011.

20. Further, considering that the alleged violation against the Noticee does not stand established, I note that Issues II and III do not require any consideration.

ORDER

21. In view of the above I dispose of the SCN dated March 06, 2023 without imposing any penalty.

22. In terms of the provisions of rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to the SEBI.

Date: April 27, 2023	**BARNALI MUKHERJEE**
Place: Mumbai	**ADJUDICATING OFFICER**