BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/SM/DP/2022-23/24215-24216]

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

In respect of:

Sr. No.	Name of the Entity	PAN
1.	**Darshan Orna Limited**	**AADCD7142E**
2.	**Veeram Securities Ltd.**	**AAECV7446G**

In the matter of
R O Jewels Limited

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received a reference dated September 10, 2022, from BSE Limited (hereinafter referred to as "**BSE"**) regarding its investigation finding in the matter of R O Jewels Ltd. (hereinafter referred to as "**the company**") wherein BSE had observed certain violations of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as "**SAST Regulations**") by Darshan Orna Limited and Veeram Securities Ltd. (hereinafter referred to as "**Noticee")**.

APPOINTMENT OF ADJUDICATING OFFICER

2. Vide communique dated November 24, 2022, the undersigned was appointed as the Adjudicating Officer under Section 15I of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") read with Rule 4(1) of SEBI (Procedure for Holding Inquiry and Imposing Penalties), 1995 (hereinafter referred to as "**Rule**") to enquire into and adjudge under Section 15A(b) of SEBI Act, the violation of Regulation 29(2) read with Regulation 29(3) of SAST Regulations.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Based on the findings by SEBI, Show Cause Notice(s) dated November 29, 2022 (hereinafter referred to as '**SCN**') was issued to the Noticees under Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be held and penalty be not imposed on them under section 15A(b) of SEBI Act for the alleged violation of the provisions of SAST Regulations. The SCN, *inter alia*, alleged the following:

3.1. From BSE's letter dated September 10, 2022, it was observed that that Noticee No. 1 was holding 1,38,000 shares i.e. 4.87% shares of the company. It was observed that between April 23, 2020 and June 04, 2020 there was a change of 2.33% of the shareholding of Noticee No. 1 in the scrip of the company in the following manner:

Sr. No.	Trade Date	Qty bought/sold (No. shares/%)	Cumulative share-holding (No. of shares)	% cumulative shareholding
1	20/04/2020	24,000 (0.85%)	1,62,000	5.72%
2	23/04/2020	12,000 (0.42%)	1,74,000	6.14%
3	24/04/2020	9,000 (0.32%)	1,83,000	6.46%
4	05/05/2020	9,000 (0.32%)	1,92,000	6.78%
5	07/05/2020	-9,000 (sold) (0.32%)	1,83,000	6.46%
6	13/05/2020	12,000 (0.42%)	1,95,000	6.89%
7	26/05/2020	3,000 (0.11%)	1,98,000	6.99%
8	04/06/2020	66,000 (2.33%)	2,64,000	9.32%

3.2. As Noticee No. 1 was holding 5.72 % shareholding in the company before April 23, 2020, in terms of Regulation 29(2) read with Regulation 29(3) of the SAST Regulations, it was required to make disclosure with respect to acquisition made during April 23, 2020 to June 04, 2020, of additional 2.33% shareholding within two working days of such acquisition of shares to the company and the stock exchange.

3.3. It was further observed from the aforementioned letter of BSE that Noticee No. 2 was holding 1,53,000 shares i.e. 5.4% shares of the company. It is observed that between April 23, 2020 and May 13, 2020 there was a change of 2.11% of the shareholding of Noticee No. 2 in the scrip of the company in the following manner:

Sr. No.	**Trade Date**	**Qty sold (No. shares/%)**	**Cumulative share-holding (No. of shares)**	**% cumulative shareholding**
1	Prior to 23/04/2020	-	1,53,000	5.4%
2	23/04/2020	12,000 (sold) (0.42%)	1,41,000	4.98%
3	24/04/2020	6,000 (sold) (0.21%)	1,35,000	4.77%
4	05/05/2020	9,000 (sold) (0.32%)	1,26,000	4.45%
5	07/05/2020	12,000 (sold) (0.42%)	1,14,000	4.03%
6	08/05/2020	-9,000 (sold) (0.32%)	1,05,000	3.71%
7	13/05/2020	12,000 (sold) (0.42%)	93,000	3.28%

3.4. As Noticee No.2 was holding more than 5% of shareholding in the company before April 23, 2020, in terms of Regulation 29(2) read with Regulation 29(3) of the SAST Regulations, Noticee No. 2 was required to make disclosure with respect to disposal done during the period April 23, 2020 and May 13, 2020, of 2.11% shareholding within two working days of such disposal of shares to the company and the stock exchange.

3.5. It was, therefore, alleged that Noticees have violated Regulation 29(2) read with Regulation 29(3) of the SAST Regulations.

4. The SCN was served on the Noticees through Speed Post Acknowledgment Due (**SPAD**) and digitally signed email. However, Noticees vide email dated November 30, 2022 informed that they have filed summary settlement applications in the matter.

5. On perusal of the records it was noted that the summary settlement application filed by the Noticees were rejected as the Noticees did not make the payment of the settlement amount

within 30 calendar days from the date of receipt of the notice in terms of Regulation 16(3) of the SEBI (Settlement Proceedings) Regulations, 2018.

6. Subsequently, vide Notice dated December 22, 2022, Noticees were granted an opportunity of personal hearing on January 05, 2023. However, Noticees did not appear for the hearing granted to them. Subsequently, vide Notice dated January 06, 2023, Noticees were granted opportunity of personal hearing on January 11, 2023. However, Notice did not appear for the said hearing as well. Therefore, vide notice of personal hearing dated February 09, 2023, Noticees were granted another opportunity of personal hearing on February 17, 2023.

7. The Noticees appeared for the personal hearing granted to them and undertook to file reply to the SCN on or before February 27, 2023. The Noticees had also undertaken to appear for the personal hearing on February 27, 2023, provided the reply is filed before February 27, 2023.

8. Noticee vide separate emails dated February 20, 2023, informed that an appeal has been preferred by them against SEBI email dated December 21, 2022 with respect to the rejection of the settlement application filed by them.

9. Vide letters dated February 21, 2023, Noticees filed their replies to the SCN and submitted the following:

Noticee No. 1:

9.1. The company had traded in the scrip of RO Jewels Ltd. on April 20, 2020 such that its holdings crossed 5%. Further, it bought the shares of the Target Company on 04.06.2020, which increased its shareholding by 2.33%.

9.2. We had filed the disclosure to the Target Company on June 05, 2020 which was also acknowledged by the company on the same dated.

9.3. Furthermore, the period when the transactions were made, there was a complete lockdown in the country on account of COVID -19 pandemic situation. Our office was inoperative during that period, and due to unavailability of the expert staff to understand the required SEBI Regulations and BSE compliances, it prevented us from filing the requisite disclosures to BSE on time. Soon after we resumed our work in the month of October, we filed the disclosures with BSE on October 03, 2020.

9.4. There was an unintentional delay on the part of the company with no mala-fide intention to violate the regulations or to suppress the facts to take the undue advantage. There was no loss caused to any investor or the investor group in result in the default.

10. Noticee No. 2 in its letter dated February 21, 2023 submitted the following:

10.1. Our company had traded in the scrip of RO Jewels Ltd. on 13.05.2020 such that its holdings reduced from 5.4% to 3.28% that caused the shareholding to fall below 5%, which mandated the Disclosures under Regulation 29(2) read with Regulation 29(3) of the SAST Regulations.

10.2. This is to draw your attention that there was a delay in making the mandatory disclosures to BSE since our Company Secretary was on maternity leave.

10.3. Due to persisting lockdown situation due to which there was absence of the requisite staff, prevented us from making the required disclosures to BSE on time.

10.4. However, it must be noted that we had filed the disclosures to the Target Company on 13.05.2020 which was also acknowledged by the company on the same date.

10.5. We would like to inform you that the delay was inadvertent with no intention

11. The Authorised Representative (AR) of the Noticees appeared for the hearing on February 27, 2023 and submitted the following:

11.1. That the delayed disclosures in the matter may be condoned in the light of order of Hon'ble Supreme Court of India, dated April 27, 2021, wherein Hon'ble SC had referred to its earlier orders extending the limitation period in filing petitions/applications/suits/ appeals / all other proceedings under the general and special laws.

11.2. The AR of the Noticees further submitted that RO Jewels Ltd. was an illiquid scrip and impugned non disclosure did not affect the market.

CONSIDERATION OF ISSUES AND EVIDENCE

12. I have carefully perused the allegations levelled against the Noticees in the SCN and the material / documents available on record. In the instant matter, the following issues arise for consideration and determination:-

    I. **Whether Noticees have violated Regulation 29(2) read with Regulation 29(3) of the SAST Regulations?**

    II. **Do the violations, if any, on the part of the Noticees attract monetary penalty under section 15A(b) of SEBI Act?**

    III. **If so, what would be the quantum of monetary penalty that can be imposed on the Noticees after taking into consideration the factors mentioned in section 15J of the SEBI Act?**

13. Before proceeding further, I would like to refer to the relevant provisions of the SAST Regulations:

29. Disclosure of acquisition and disposal.

…

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

I. Whether Noticees have violated Regulation 29(2) read with Regulation 29(3) of the SAST Regulations?

14. From the reply of the Noticees, I note that admittedly Noticees had made required disclosures to BSE with the stipulated time, however, did not make requisite disclosures to the company. As discussed in pre-paras Noticee No. 1 was holding 5.72 % shareholding in the company before April 23, 2022 and in terms of Regulation 29(2) read with Regulation 29(3) of the SAST Regulations, it was required to make disclosure with respect to acquisition made during April 23, 2020 to June 04, 2020, of additional 2.33% shareholding within two working days of such acquisition of shares to the company and the stock exchange.

15. Further, Noticee No.2 was holding more than 5% of shareholding in the company before April 23, 2020 and in terms of Regulation 29(2) read with Regulation 29(3) of the SAST Regulations, Noticee No. 2 was required to make disclosure with respect to disposal done during the period April 23, 2020 and May 13, 2020, of 2.11% shareholding within two working days of such disposal of shares to the company and the stock exchange.

16. Noticees have submitted that they made the disclosures with respect to the aforementioned change in the shareholding well within the stipulated time to the company, however, due to prevalent COVID-19 pandemic situation in the country and the subsequent lockdown, they could not make the timely disclosures to the Stock Exchange.

17. It is noted from the replies of the Noticees and the documents forwarded by them along with the replies that disclosures were made to the company within two working days regarding the change in the shareholding and the same has also been acknowledged by the company. However, interestingly, the same disclosures were made by the Noticees to BSE on October 03, 2020 which is a substantial delay.

18. Noticees had submitted that the non-disclosure may be condoned in the light of order of Hon’ble Supreme Court of India (SC), dated April 27, 2021, wherein Hon’ble SC had referred to its earlier orders extending the limitation period in filing petitions/applications/suits/ appeals / all other proceedings under the general and special laws. The said order has been perused, it

is noted that Hon'ble SC had granted the extension of the limitation period for filing of enforcement actions in judicial forums in the light of the prevalent COVID-19 situation. However, the said limitation was not made applicable to the regulatory compliances.

19. Further, as submitted by the Noticees, the disclosures with respect to the change in shareholding were made by the Noticees to the company, however, a prudent mind may fail to understand why the same disclosures were not filed with the Stock Exchange. Noticees have confirmed that there has been a delay in filing the disclosures with the stock exchange.

20. It is pertinent to mention that the disclosure requirements under the respective Regulations serve very important purposes. The stock exchange is informed so that the investing public will come to know of the position enabling them to stick on with or exit from the company. In the matter of Ashok Jain Vs SEBI (Appeal No 79 of 2014 dated June 09,2014), Hon'ble SAT has held that

"*…under SAST Regulations 1997 as also under SAST Regulations, 2011 disclosures are liable to be made within specified days irrespective of the scrip being traded on the Exchange or not. Similarly, disclosures have to be made irrespective of whether investors have suffered any loss or not on account of non-disclosure within the time stipulated under those regulations*."

21. Further, in the matter of Virendrakumar Jayantilal Patel Vs SEBI (Appeal No 299 of 2014 and Order dated October 14, 2014), Hon'ble SAT has held that :

"…obligation to make disclosures within the stipulated time is a mandatory obligation and penalty is imposed for not complying with the mandatory obligation. Similarly, argument that the failure to make disclosures within the stipulated time, was unintentional, technical or inadvertent and that no gain or unfair advantage has accrued to the appellant, is also without any merit, because, all these factors are mitigating factors and these factors do not obliterate the obligation to make the disclosures."

22. In this regard, I find it pertinent to refer to the judgment of Hon'ble SAT in the matter of Akriti Global Traders Ltd. v. Securities and Exchange Board of India (Appeal No. 78 of 2014 dated September 30, 2014) wherein it was held that

"*....firstly, penal liability arises as soon as provisions under the regulations are violated and that penal liability is neither dependent upon the intention of parties...*"

23. In view of the aforesaid, I find Noticees have violated Regulations 29(2) read with Regulation 29(3) of the SAST Regulations.

II. Do the violations, if any, on the part of the Noticee attract monetary penalty under sections 15A(b) of SEBI Act?

24. I note that the Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) 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 and hence the intention of the parties committing such violation becomes wholly irrelevant.......... Hence, we are of the view that once the contravention is established, then the penalty has to follow and only the quantum of penalty is discretionary*."

25. I also note that in Appeal No. 66 of 2003–Milan Mahendra Securities Pvt. Ltd. Vs. SEBI–the Hon'ble Securities Appellate Tribunal (SAT) has observed that, "*the purpose of these disclosures is to bring about transparency in the transactions and assist the Regulator to effectively monitor the transactions in the market*".

26. In the context of disclosure related violations, I observe that Hon'ble SAT has consistently held that the obligation to make disclosure within the stipulated time is a mandatory obligation and penalty is imposed for non-compliance of the mandatory obligation.

27. In view of the foregoing, I am convinced that the Noticees are liable for monetary penalty under Section 15A(b) of SEBI Act for violation of the above mentioned SAST Regulations. The provisions of Section 15A(b) of the SEBI Act, 1992 is reproduced as under:

15A. Penalty for failure to furnish information, return, etc.

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, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.

III. If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act, 1992?

28. While determining the quantum of penalty under Section 15A(b) of the SEBI Act, it is important to consider the factors stipulated in Section 15J of the SEBI Act, 1992 read with Rule 5(2) of the Adjudication Rules, 1995 which read as under:

Factors to be taken into account by the adjudicating officer

15J While adjudging quantum of penalty under section 15-I, 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.

29. The material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticees and the loss, if any, and suffered by the investors as a result of their failure. However, I note that securities market is based on free and

open access to information, and that protection of the interests of the investors is the prime objective of SEBI. Disclosures in respect of the vital information of any company has been made mandatory for the protection of the investors so as to enable them to take suitable informed investment decisions. The objective behind such requirement is that the investing public shall not be deprived of any vital information in respect of their investments in the securities market. If any person who is to make such disclosures doesn't make it and are depriving the investing public the statutory rights available to them. Thus, in the present matter the facts of the case clearly bring out the default made by the Noticees. Hence, I note that the Noticees made delayed disclosure as brought out in the preceding paragraphs and thereby, has violated the relevant provisions of SAST Regulations, as mentioned above.

ORDER

30. Having considered all these facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act and considering the fact that disclosure requirement was triggered during the situation when the entire country was under lockdown and the disclosures were made to the company and also the time taken by SEBI to inform the Noticees about rejection of settlement application, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the SEBI Adjudication Rules, 1995, I hereby impose a penalty of Rs. 1,00,000/- (Rupees One Lakh) on each of the Noticees under Section 15A(b) of SEBI Act, 1992 for the violation of Regulation 29(2) read with Regulation 29(3) of SAST Regulations.

31. The said demand draft or forwarding details and confirmations of e-payments made (in the format as given in table below) should be forwarded to "The Division Chief, Enforcement Department (EFD1 –DRA 4), Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C –7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051.

Case Name	
Name of the Payee	
Date of payment	
Amount Paid	

Transaction No.	
Bank Details	
In which payment is made for	Penalty

32. 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, 1992 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

33. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are being sent to the Noticees viz., Darshan Orna Limited and Veeram Securities Ltd. and also to the Securities and Exchange Board of India.

Date : February 28, 2023
Place : Mumbai

SAHIL MALIK
CHIEF GENERAL MANAGER &
ADJUDICATING OFFICER