BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER Ref. No. ORDER/NH/RJ/2023-24/30189-30190]

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

Sr. No.	Noticee Name	Noticee No.	PAN
1.	Steel City Securities Limited	Noticee No. 1	AAECS0970L
2.	Satish Kumar Arya	Noticee No. 2	ADPPA5763Q

(hereinafter cumulatively referred to as '**Noticees'**)

In the matter of Steel City Securities Limited

BACKGROUND

1. Steel City Securities Limited (hereinafter referred to as '**Noticee No. 1**') is a company which is listed at National Stock Exchange of India Limited (hereinafter referred to as '**NSE'**).

2. Securities and Exchange Board of India (hereinafter referred to as '**SEBI'**) had conducted thematic monitoring of Noticee No. 1 during the period from January, 2021 to December, 2021 (hereinafter referred to as '**examination period'**). Pursuant to the thematic monitoring, an examination report was prepared. It was, *inter alia,* alleged in the examination report that:

2.1. Noticee No. 1 has made deficient disclosure regarding the educational qualification of its director, Mr. Satish Kumar Arya (hereinafter referred to as '**Noticee No. 2')** in the prospectus dated January 10, 2017. Therefore, Noticee No. 1 has allegedly violated Regulation 57(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as '**ICDR Regulations'**) and Clause

2(VIII)(E)(1)(a) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations,

2.2. Related Party Transaction Policy of Noticee No. 1 had a provision for "ratification of related party transactions by the Audit Committee". Therefore, Noticee No. 1 has allegedly violated Regulation 23(1) read with Regulation 23(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (hereinafter referred to as '**LODR Regulations'**) and

2.3. Noticee No. 2 has made an incorrect declaration in the prospectus dated January 10, 2017. Therefore, Noticee No. 2 has allegedly violated Clause 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations.

3. In light of the above, SEBI initiated the instant adjudication proceeding against the Noticees.

APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned was appointed as the Adjudicating Officer (hereinafter referred to as '**AO'**) vide communique dated November 23, 2022 read with communique dated November 22, 2023, under Section 19 read with Section 15-I of Securities and Exchange Board of India, 1992 (hereinafter referred to as '**SEBI Act'**) and under Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) to enquire into and adjudge under Sections 15A(a) and 15HB of the SEBI Act for the alleged violations committed by Noticees as mentioned above.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice bearing No. SEBI/EAD2/NH/RJ/2022/63996 dated December 26, 2022 was issued against the Noticees. Thereafter, a Supplementary Show Cause Notice bearing No. SEBI/EAD2/NH/RJ/2023/48148 dated November 30, 2023 was issued. The said Show Cause Notice dated December 26, 2022 and the

said Supplementary Show Cause Notice dated November 30, 2023 (hereinafter cumulatively referred to as '**SCN'**) were issued to the Noticees to show cause as to why an inquiry should not be held and penalty be not imposed against Noticee No. 1 under Sections 15A(a) and 15HB of SEBI Act and Noticee No. 2 under Section 15A(a) of SEBI Act for the aforesaid alleged violations.

6. The SCN, *inter alia*, alleged the following:

"…

A. Allegation regarding Disclosure in Prospectus

*i. It is observed that Noticee No. 1 came up with Initial Public Offer ("**IPO**") in the year 2017. In this regard, in its prospectus dated January 10, 2017, which was submitted to SEBI, Noticee No. 1, inter-alia, had disclosed the following regarding the educational qualifications of Noticee No. 2 on page no. 131-132:*

> *"Dr. Satish Kumar Arya, aged 56 years is the Promoter and Whole-time Director and designated as Director- Operations of our Company. He obtained a degree in Bachelor of Alternative System of Medicines from Indian Board of Alternative Medicines in 2001. He obtained Post-Graduate Diploma in Business Management from Indian Institute of Management & Technology in the year 2004 and Graduate degree in Bachelor of Commerce from Kalinga University in the year 2005. Thereafter, he obtained a Degree of Philosophy in the field of Business Administration from New Age International University in the year 2009. He has served in the Indian Navy on board of various ships and establishments for 15 years in the medical branch from June 1978 to June 1993."*

The aforesaid qualifications of Noticee No. 2 which were disclosed in the prospectus are given below:

Institute	***Degree/Diploma***	***Year of Qualification***
Indian Board of Alternative Medicine, Kolkata	*Bachelor of Alternative Systems of Medicines BASM*	*2001*
Indian Institute of Management and Technology, Chennai	*PGDBM*	*2004*

Kalinga University, Chhattisgarh	*B.Com*	*2005*
New Age International University, Seborga Europe, located in Italy	*Ph.D.*	*2009*

ii. *It is observed that the B. Com degree was awarded to Noticee No. 2 by Kalinga University, Chhattisgarh on February 09, 2005. However, it is found that pursuant to the judgement of Hon'ble Supreme Court in Prof. Yashpal v. State of Chhattisgarh, Writ Petition (Civil) No.19 of 2004 dated February 11, 2005, many universities in Chhattisgarh including Kalinga University, Chhattisgarh were de-notified and they ceased to exist. The relevant extract of the said Supreme Court judgment is provided below:*

> *"In view of the discussions made above, Writ Petition (C) No. 19 of 2004 (Prof. Yashpal & Ors.v. State of Chhattisgarh & Ors.) and Writ Petition (C) No. 565 of 2003 (Gopalji Agarwal Vs. Union of India & Ors.) are allowed and provisions of Section 5 and 6 of the Chhattisgarh Niji Kshetra Vishwavidaylaya (Sthapana Aur Viniyaman) Adhiniyam, 2002 are declared to be ultra vires and are struck down. As a consequence of such declaration, all notifications issued by the State Government in the Gazette in the purported exercise of power under Section 5 of the aforesaid Act notifying the Universities (including respondent nos.3 to 94) are quashed and such Universities shall cease to exist."*

iii. *In this regard, it is alleged that all the aforesaid material facts/details regarding the de-notification of Kalinga University, Chhattisgarh and its impact on the B. Com degree of the Noticee No. 2 were not disclosed in the IPO prospectus dated January 10, 2017. Therefore, the said disclosure regarding the educational qualifications of Noticee No. 2 made by Noticee No. 1 in its IPO prospectus is alleged to be deficient. Further, the declaration made in the prospectus viz. "disclosures made in the offer document are true and correct" by Noticee No. 2, in his capacity as director of Noticee No. 1 is alleged to be incorrect.*

iv. *In view of the above, Noticee No. 1 has allegedly violated Regulation 57(1) of the ICDR Regulations and Clause 2(VIII)(E)(1)(a) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations and Noticee No. 2 has* *allegedly violated Clause 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations.*

B. Allegation regarding Related Party Transactions (RPTs) Policy

i. *As per Regulation 23 of the LODR Regulations, a listed entity is required to formulate a RPT policy on the materiality of RPTs and on dealing with RPTs. Further, a listed entity can enter into RPTs only with the prior approval of the Audit Committee and there is no scope for ratification of RPTs by the Audit Committee.*

ii. *It is alleged that the RPTs policy of Noticee No. 1 had a provision for ratification of RPTs by the Audit Committee and hence, its RPTs policy violated the then Regulation 23 of the LODR. Accordingly, an administrative warning dated May 13, 2022, was issued to Noticee No. 1 asking Noticee No. 1 to bring its RPTs policy in compliance with LODR.*

iii. *It is alleged that despite the issuance of the said administrative warning dated May 13, 2022, Noticee No. 1 did not bring its RPTs policy in compliance with LODR.*

iv. *It is observed that only after a clarification was sought from Noticee No. 1 by the SEBI vide email dated September 19, 2022, Noticee No. 1 uploaded the revised RPTs policy on its website.*

v. *In view of the above, Noticee No. 1 has allegedly violated Regulation 23 of LODR."*

7. The SCN dated December 26, 2022 was duly served upon Noticees vide email and SPAD. In this regard, it is observed that Noticees acknowledged the receipt of the SCN vide email dated December 28, 2022. Thereafter, vide email dated January 21, 2023, Noticees intimated about the filing of Settlement application in the instant matter.

8. From the record, I note that Noticees, vide letter dated March 13, 2023, submitted their common reply to the SCN. Noticees, *inter alia,* submitted as under*:*

"As regards allegation that disclosure regarding educational qualification of Noticee No. 2 is deficient, it is submitted as follows: -

i. *The basic Educational Qualification for a director of a trading member of the Exchange as per the extant process is 12th Pass and no question has been raised on his 12th Pass certificate. This has also been concluded by BSE in its report.*

ii. *Further, Regulation 57 of ICDR Regulations stipulates that the offer document shall contain all 'material disclosures' which are true and adequate. In our opinion, as described aforesaid, considering other positive factors in favour of Steel City Securities Ltd., the qualification of one of the directors was 'not material' to warrant violation of Regulation 57 of ICDR Regulations and levy of any penalty.*

iii. *Further, we understand that the Corporation Finance Department of SEBI had vide email dated 28.06.2021 asked for clarification from Merchant Banker viz. Keynote Financial Services Ltd. ("Keynote"). In response thereto, by letter dated 29.06.2021 Keynote had filed their reply.*

iv. *In view of the aforesaid, Noticee No. 1 denies that we are in violation of Regulation 57 (1) of the ICDR Regulations and Clause 2(VIII)(E)(l)(a) of Part A of Schedule VIII read with Regulation 57 (2) (a) of the ICDR Regulations.*

v. *As regards allegation that the declaration made by Noticee No. 2 in the prospectus that disclosures made in the offer document are true and correct in his capacity as a director is factually incorrect and denied. Hence, Noticee No. 2 denies that he has violated Clause 2 (XVI) (B) (2) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations.*

Submission on allegation regarding Related Party Transactions ("RPTs") Policy:

As regards aforesaid allegation, we submit as follows:

i. *That we have adopted the revised RPT policy at the meeting of the Board of Directors held on 25.06.2022.*

ii. *The same is evident from the outcome of the Board meeting dated 25.06.2022 which was forwarded to NSE on completion of the Board meeting and is also uploaded on the exchange website.*

iii. *However, while uploading the RPT policy, the old policy was inadvertently uploaded by the secretarial staff innocently. We reiterate that since the old* *policy was uploaded inadvertently, no adverse inference may be drawn against the Noticee on the same.*

iv. *As soon as query was received by Steel City, the revised RPT policy was uploaded which establishes that revised RPT was available in our records and we did not have to go through the grind of taking the Board approval.*

In view of the aforesaid submissions, we deny that we have violated Regulation 23 of LODR Regulations. Hence no penalty ought to be levied.

…"

9. In interest of natural justice, an opportunity for a hearing was granted to Noticees on March 15, 2023. On March 15, 2023, Mr. Satish Kumar Arya along with Mr. Prakash Shah and Mr. Kinjal Shah (Authorized Representatives) attended the hearing. During the hearing, Noticees reiterated their submissions dated March 13, 2023. Further, Noticees were given additional time to make submissions till March 29, 2023.

10. From the material on record, it is noted that the Settlement applications were rejected by the panel of WTMs on October 17, 2023.

11. Thereafter, based on the revised examination report, a Supplementary SCN was issued on November 30, 2023 to the Noticees.

12. The said Supplementary SCN was duly served on Noticees vide SPAD and email. In response, Noticees, vide letter dated December 18, 2023, submitted their common response to the Supplementary SCN. In the said response, Noticees reiterated their reply dated March 13, 2023.

13. After the receipt of the letter dated December 18, 2023, in consonance with the Adjudication Rules, an opportunity of hearing on January 04, 2024 was granted to Noticees vide Hearing Notice dated December 21, 2023.

14. The hearing was held on January 04, 2024. Mr. Satish Kumar Arya along with Mr. Prakash Shah, Mr. Kushal Shah and Mr. Keyur Shah (Authorized Representatives)

attended the hearing and reiterated the submissions made by Noticees in their replies dated March 13, 2023 and December 18, 2023. During the hearing, Noticees were given additional time to make submissions till January 18, 2024.

15. In response, Noticee No. 1, vide letter dated January 18, 2024, *inter alia,* submitted as under:

"…

In respect of the allegation w.r.t. disclosure in Prospectus, it is submitted as under:

i. The only finding against us in the SCN is that the disclosure made by us in the IPO Prospectus regarding the educational qualification of Mr. Satish is deficient. There is no finding in the entire SCN or SSCN that there any false statement made by us in the prospectus. We humbly and respectfully submit that all the information and disclosure in the prospectus is true and correct.

ii. In fact, the submission in respect of the alleged deficiency and the materiality of the same is as under:

a) It is stated that the De -Notification of Kalinga university, Chhattisgarh and its impact on the degree of B. Com of Mr. Satish was not disclosed in the IPO prospectus dated 10.01.2017. It is humbly submitted that there was no false or untrue statement made in the prospectus.

b) It is humbly submitted that De - Notification of university of a director in a prospectus is not a material aspect to the prospectus. It does not have any impact on the company, its operations and its functioning in any manner whatsoever. In fact, the said De - Notification of university of the director of the company is not such a vital and crucial aspect and will not have an impact on the mind of the investor to not apply for the Initial Public Offering.

c) In fact, it is humbly submitted that during the course of Investigation related to the present proceedings, there were certain queries raised by SEBI to the Merchant Banker of the IPO issue of Steel City Namely M/s Keynote Financial Services Limited ("Keynote"). In this regard, we understand that the last correspondence between Keynote and SEBI was that Keynote had filed a reply dated 29.06.2021 to SEBI by email dated 29.06.2021. In the said reply, Keynote has inter alia provided *detailed clarification in respect of the observation/issues/question raised by SEBI. In fact, Keynote has also provided the detailed clarification and documents in respect of the qualification details of Noticee No. 2 i.e. Mr. Satish. In view of the aforesaid, it is inter alia understood that all the necessary documents are verified by Merchant Banker before the IPO prospectus of Steel City (Noticee No. 1).*

d) *In fact, it is humbly submitted that the merchant bankers are the crucial personnel while issuing a prospectus and they have after taking due diligence and going through the documents has referred the data in our Prospectus. Pertinently, merchant bankers are equally responsible for the disclosure issues, if any in the prospectus. In fact, on perusal of the SEBI website, we understand that no proceedings are initiated against them in the present subject matter. Hence, it is humbly submitted that since in case no alleged violation has been observed w.r.t. the merchant banker, no allegation against us is sustainable in facts and in law.*

e) *In view of the aforesaid, we humbly submitted that the proceedings are initiated against us on the basis of pick and choose methodology and hence the same is untenable and unsustainable.*

iii. *In context of the De- Notification of the University and the Hon'ble Supreme Court Order relied there upon, it humbly submitted as under:*

a) *Mr. Satish obtained B.com degree from Kalinga University in the year 2005 with an intention to possess a formal degree in Commerce since he is into the field of Finance after joining Steel City Securities Ltd. Notably, Order of Hon'ble Supreme Court was passed subsequent to Noticee No. 2 received his degree on 09.02.2005 i.e. prior to the Order passed by Hon'ble Supreme Court. In this regard, reliance is placed on the Order dated 24.09.2018 passed by the Hon'ble High Court of Telangana in Writ Petition No. 14935 of 2014 in the matter of Spl. C.S., Envt., Forest, Science and Tech Dpt., Hyd. and 3 Othr. vs T. Sridevi, Karimnagar Dt. and Anr.*

b) *Therefore, the degree received by Noticee No. 2 i.e. Satish is a valid degree and ought not to be considered as invalid as the same is received prior to the date of Order passed by Hon'ble Supreme Court.*

iv. *In respect of the Allegation regarding RPTs Policy:*

a) *The allegation is that we did not brought in RPT policy in compliance with LODR and only after a clarification was sought from us i.e. Steel City we uploaded the revised RPTs policy on our website.*

b) *At the outset, it is humbly submitted that Appellant has allegedly violated Regulation 23 of the LODR Regulation.*

c) *In this regard, we humbly submit that Regulation 23(1) of the LODR Regulations only states about the formulation of a policy on materiality of RPTs, however it does not state anything in relation to the uploading of the same on the website. Pertinently, we had formulation of a policy on materiality of RPTs. Hence, it is humbly submitted that we cannot be alleged to be in violation of the Regulation 23 of the LODR Regulations since the alleged finding/allegation that we uploaded the revised RPTs policy on our website after a clarification was sought from us by SEBI is not covered under the Regulation 23 of the LODR Regulations.*

d) *In fact, pursuant to the Board Meeting dated 25.06.2022, we had intimated to the Exchange (NSE) about adopting revised RPTs and the same was also disseminated on the Exchange's website. Hence, we humbly submit that we have adopted revised RPT policy on 25.06.2022.*

e) *Further, it is humbly submitted that as soon as the query was received by Steel City, the revised RPT Policy was uploaded which establishes that revised RPT was available in our record and we did not have to go through the grind of taking Board Resolution.*

f) *Without prejudice to our aforesaid submissions on the RPTs, we humbly submit that the said provisions w.r.t. RPTs policy were examined by SEBI based on the same an administrative warning was issued by Letter dated 13.05.2022. In view thereof, we humbly submit* *that any penalty imposed on us in respect of the said allegation will lead to it being double - jeopardy, hence untenable and unsustainable.*

…”

16. Further, Noticee No. 2, vide letter dated January 18, 2024, *inter alia,* submitted as under:

“…

The present matter is in respect of the SCN dated 26.12.2022 and the SSCN dated 30.11.2023 wherein the basis of the allegations as leveled against me is as under:

i. *The only allegation leveled against me is that declaration made in the prospectus by me (Noticee No. 2) in my capacity as a director of Steel City Securities Limited (Noticee No. 1) ("Steel City") is alleged to be incorrect. It is observed that the De - Notification of Kalinga University, Chhattisgarh and its impact on my B. Com degree were not disclosed in the IPO prospectus dated 10.01.2017 of Steel City. Hence, the disclosure by Steel City regarding my educational qualification in the IPO prospectus is alleged to be deficient. Hence, it is alleged that I have violated Clause 2 (XVI)(B)(2) of Part A of Schedule VIII r/w Regulation 57(2)(a) of ICDR Regulations. (Ref. Para No. 5 (A) (iii) & (iv) on Page No. 5 of the SCN)*
ii. *In respect of the said allegation, it is humbly submitted that the only allegation against me is in terms of the declaration made in the prospectus by me. In this regard. It is humbly submitted that there is no finding in the entire SCN or SSCN that there was any form of misstatements made by me. It is humbly submitted that all the information provided by me and the declaration given by me in the Prospectus during the IPO of Steel City and True and Fair and no finding of any incorrect statement can be leveled against me in any manner whatsoever. It is merely mentioned that the disclosure by Steel City regarding my educational qualification in the IPO prospectus is alleged to be deficient.*
iii. *In context of the De- Notification of the University and the Hon’ble Supreme Court Order relied there upon, it humbly submitted that details of my qualifications is mentioned under Para No. 8 (I) (i) on Page No. 4 and 5 of the*

Submissions dated 18.12.2023. Further, I had B.com degree from Kalinga University in the year 2005 with an intention to possess a formal degree in Commerce since I am into the field of Finance after joining Steel City Securities Ltd. Notably, Order of Hon'ble Supreme Court was passed subsequent to degree received by me on 09.02.2005 i.e. prior to the Order passed by Hon'ble Supreme Court. In this regard, reliance is placed on the Order dated 24.09.2018 passed by the Hon'ble High Court of Telangana in Writ Petition No. 14935 of 2014 in the matter of Spl. C.S., Envt., Forest, Science and Tech Dpt., Hyd. and 3 0thr. vs T. Sridevi, Karimnagar Dt. and Anr. Relevant Extract of the Order is mentioned herein under:

> *"According to Sri P.V. Ramana, learned counsel, the requisite qualification is intermediate and the first respondent possesses a B.A. Degree certificate from Kalinga University, Orissa. He would further assert that the genuineness of that certification was also verified by the authorities and the Registrar of the University, under letter dated 19.03.2010, confirmed, its veracity.*
>
> *It appears that the University was de-notified pursuant to the order of the Supreme Court of India but only with effect from 11.02.2005. The degree awarded to the first respondent was dated 09.02.2005 and would therefore not be hit by the later development ...."*

Hence, it is humbly submitted that the degree received by me is a valid degree and ought not to be considered as invalid as the same is received prior to the date of Order passed by Hon'ble Supreme Court.

iv. Further, I humbly submit in the prospectus of Steel City, there are details of other 8 directors also mentioned. However, there is no explanation as the basis on which proceedings are initiated against me."

17. It is noted that the SCN, Supplementary SCN along with the annexures and the Hearing Notices were duly served on Noticees. Noticees were granted sufficient opportunities to make submissions including further submissions and opportunities of hearing. Thus, the principles of natural justice were adhered to.

CONSIDERATION OF ISSUES AND FINDINGS

18. After careful perusal of the material on record, I note that the issues that arise for consideration in the present case are as follows:

    I. Whether Noticee No. 1 has violated Regulation 57(1) of the ICDR Regulations and Clause 2(VIII)(E)(1)(a) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations?

    II. Whether Noticee No. 2 has violated Clause 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations?

    III. Whether Noticee No. 1 violated Regulation 23 of the LODR Regulations?

    IV. Does the violation, if any, on the part of Noticees attract a monetary penalty under Sections 15A(a) and 15HB of the SEBI Act?

    V. If so, what would be the monetary penalty that can be imposed upon Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act?

19. The relevant extracts of the provisions of law, allegedly violated by Noticees, are mentioned under:

“**ICDR Regulations**

57. Manner of disclosures in the offer document.

(1) The offer document shall contain all material disclosures which are true and adequate so as to enable the applicants to take an informed investment decision.

(2) Without prejudice to the generality of sub-regulation (1):

(a) the red-herring prospectus, shelf prospectus and prospectus shall contain:

(i) the disclosures specified in Schedule II of the Companies Act, 1956; and

(ii) the disclosures specified in Part A of Schedule VIII, subject to the provisions of Parts B and C thereof

Schedule VIII

Part A

Disclosures in Red Herring Prospectus, Shelf Prospectus and Prospectus

(2) An issuer making a public issue of specified securities shall make the following disclosures in the offer document. However, an issuer making a fast track issue of specified securities may not make the disclosures specified in Part B of this Schedule in the offer document. Further, an issuer making a further public offer of specified securities may not make the disclosures specified in Part C of this Schedule, in the offer document, if it satisfies the conditions specified in para 2 of that Part:

(VIII) Particulars of the Issue:

…

(E) Management:

(1) Board of Directors

(a) Name, age, qualifications, Director Identification Number, experience, address, occupation and date of expiration of the current term of office of manager, managing director, and other directors (including nominee directors, whole-time directors), giving their directorships in other companies.

…

(XVI) Other Information:

…

(B) Declaration:

…

(2) The signatories shall further certify that all disclosures made in the offer document are true and correct.

LODR Regulations

Related party transactions

23. *(1) The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall* *be reviewed by the board of directors at least once every three years and updated accordingly:*

*(2) All related party transactions and **[subsequent material modifications] shall require prior approval of the audit committee **[of the listed entity]:*

…

*** Inserted by the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, w.e.f. 1.4.2022"*

CONSIDERATION

I. Whether Noticee No. 1 has violated Regulation 57 (1) of the ICDR Regulations and Clause 2(VIII)(E)(1)(a) of Part A of Schedule VIII read with Regulation 57 (2) (a) of the ICDR Regulations?

II. Whether Noticee No. 2 has violated Clause 2 (XVI) (B) (2) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations?

20. It was alleged in the SCN that Noticee No. 1 in its prospectus dated January 10, 2017 had, *inter alia,* mentioned that Noticee No. 2 had obtained a B. Com degree from Kalinga University, Chhattisgarh in the year 2005. It was further mentioned in the SCN that Kalinga University, Chhattisgarh was de-notified pursuant to the judgement of the Hon'ble Supreme Court in **Prof. Yashpal v. State of Chhattisgarh**[1]. In this regard, it was alleged that all the material facts/details regarding the de-notification of Kalinga University, Chhattisgarh and its impact on the B. Com degree of Noticee No. 2 were not disclosed in the IPO prospectus dated January 10, 2017. Therefore, it was alleged that the said disclosure regarding the educational qualifications of Noticee No. 2 made by Noticee No. 1 in its IPO prospectus was deficient. Further, the declaration made in the prospectus viz. "disclosures made in the prospectus are true and correct" by Noticee No. 2, in his capacity as director of Noticee No. 1 was alleged to be incorrect.

[1] (2005) 5 SCC 420.

21. In this context, I note that Clause 57(2) of ICDR Regulations, *inter alia,* provides as under:

"57. Manner of disclosures in the offer document.

(2) Without prejudice to the generality of sub-regulation (1):

(a) the red-herring prospectus, shelf prospectus and prospectus shall contain:

(i) the disclosures specified in Schedule II of the Companies Act, 1956; and

***(ii) the disclosures specified in Part A of Schedule VIII, subject to the provisions of Parts B and C** thereof"* (Emphasis supplied)

22. It is noted that the 'qualification' of the board of directors has been included in Clause 2(VIII)(E)(1)(a) of Part A of Schedule VIII of ICDR Regulations. The text of the said Clause is, *inter alia,* reproduced below:

"2.(VIII) Particulars of the Issue:

…

(E) Management:

(1) Board of Directors

*(a) Name, age, **qualifications** …"* (Emphasis supplied)

23. From the previous paragraphs, it is noted that the prospectus is required to contain all disclosures specified in Part A of Schedule VIII including qualifications of the board of directors. I note that Hon'ble Securities Appellate Tribunal (hereinafter referred to as '**SAT'**) in the matter of **P.G. Electroplast Ltd. v. SEBI[2],** *inter alia,* held that "*Regulation 57 deals* with *the manner of disclosures in the offer document and lays down that the **offer document shall contain all material disclosures which are true and adequate so as to enable investors to take an educated and well-informed investment decision regarding the viability of the stock of a particular company".***(Emphasis supplied)

24. Therefore, the qualification of the board of directors is an important information which needs to be disclosed in the prospectus. It is an undisputed fact that Noticee No. 2 was the whole time director of Noticee No. 1 when the prospectus was issued.

[2] Appeal No. 144 of 2014 dated August 30, 2016.

Accordingly, the qualification of Noticee No. 2 including the B. Com degree obtained from Kalinga University was an important and relevant disclosure.

25. I note that regarding the qualification of Noticee No. 2, the prospectus of Noticee No. 1 had, *inter alia,* mentioned as under:

"Dr. Satish Kumar Arya, aged 56 years is the Promoter and Whole-time Director and designated as Director- Operations of our Company. He obtained a degree in Bachelor of Alternative System of Medicines from Indian Board of Alternative Medicines in 2001. He obtained Post-Graduate Diploma in Business Management from Indian Institute of Management & Technology in the year 2004 and ***Graduate degree in Bachelor of Commerce from Kalinga University in the year 2005****. Thereafter, he obtained a Degree of Philosophy in the field of Business Administration from New Age International University in the year 2009. He has served in the Indian Navy on board of various ships and establishments for 15 years in the medical branch from June 1978 to June 1993."*

(Emphasis supplied)

26. From the said prospectus dated January 10, 2017, I, further, find that there were eight directors who were signatories to the said prospectus of Noticee No. 1 including Noticee No. 2. So, Noticee No. 1, being a director, was also a signatory to the prospectus.

27. Based on the material on record, I note that Noticee No. 2 obtained a B. Com degree from the Kalinga University, Chhattisgarh on February 09, 2005. It is an undisputed fact that the said Kalinga University was de-notified pursuant to the order of the Hon'ble Supreme Court in the matter of **Prof. Yashpal v. State of Chhattisgarh**[3] dated February 11, 2005. Further, there lies no dispute regarding the fact that there was no disclosure regarding the de-notification of the said Kalinga University by the Hon'ble Supreme Court in the prospectus of the Noticee No. 1.

[3] *Supra*.

Observations on the submissions of Noticees

28. I note that Noticees have, *inter alia*, submitted various grounds as their defense which are discussed under different headings for the ease of discussion:

- ***Basic Educational Qualification for a director of a trading member of the Exchange as per the extant process is 12th Pass***

28.1. It is noted that Noticees have, *inter alia,* contended as under:

"…The basic Educational Qualification for a director of a trading member of the Exchange as per the extant process is 12th Pass and no question has been raised on his 12th Pass certificate. This has also been concluded by BSE in its report."

28.2. In this regard, I note that whether Noticee No. 2 was qualified to become director of Trading Member is not in question in the present proceedings.

28.3. Therefore, the aforesaid contention of the Noticees does not require further consideration.

- ***No violation has been observed against the merchant banker and other directors***

28.4. It is noted that Noticees have, *inter alia,* submitted as under:

"…It is humbly submitted that the merchant bankers are the crucial personnel while issuing a prospectus and they have after taking due diligence and going through the documents has referred the data in our Prospectus. Pertinently, merchant bankers are equally responsible for the disclosure issues, if any in the prospectus. In fact, on perusal of the SEBI website, we understand that no proceedings are initiated against them in the present subject matter. Hence, it is humbly submitted that since in case no alleged violation has been observed w.r.t. the merchant banker, no allegation against us is sustainable in facts and in law.

In view of the aforesaid, we humbly submitted that the proceedings are initiated against us on the basis of pick and choose methodology and hence the same is untenable and unsustainable. …

I humbly submit in the prospectus of Steel City, there are details of other 8 directors also mentioned. However, there is no explanation as the basis on which proceedings are initiated against me…"

28.5. I note that the fact that there was no disclosure regarding the de-notification of the said Kalinga University by the Hon'ble Supreme Court in the prospectus of the Noticee No. 1 and Noticee No. 2 was a signatory to the prospectus have not been disputed. In this regard, it is noted that in terms of ICDR Regulations, Noticees were also responsible to ensure that the relevant disclosures made in the prospectus were true and adequate.

28.6. Further, it is noted that the instant proceedings are limited to alleged violations committed by the Noticees. The role of the merchant banker and other directors are beyond the scope of the present proceedings.

28.7. At this point, it is pertinent to refer to the observations of Hon'ble SAT in the matter of **Brooks Laboratories Ltd. v. SEBI**[4] wherein Hon'ble SAT, *inter alia,* held as under:

> *"Failure to disclose material information and making false/ misleading statements in the RHP/ Prospectus constitutes serious violation of the PFUTP/ ICDR Regulations. Appellants who are Chairman, Managing Director, Chief Executive Officer, Chief Financial Officer and Company Secretary of the Company cannot escape penal liability for the aforesaid violations by merely stating that they had relied on the merchant banker.* ***Appellants were equally responsible to ensure that all material facts were disclosed and*** *further ensure that false and misleading statements were not made in the RHP/ Prospectus.*"** (Emphasis supplied)

28.8. Therefore, this submission of the Noticees cannot be accepted.

[4] Appeal No. 246 of 2015 dated March 06, 2018.

- ***Noticee No. 2 received his degree before the passing of Order by the Hon'ble Supreme Court***

28.9. Further, it is noted that Noticees have, *inter alia,* submitted that:

> *"(iii)…*
> *(b) … Order of Hon'ble Supreme Court was passed subsequent to Noticee No. 2 received his degree on 09.02.2005 i.e. prior to the Order passed by Hon'ble Supreme Court. In this regard, reliance is placed on the Order dated 24.09.2018 passed by the Hon'ble High Court of Telangana in Writ Petition No. 14935 of 2014 in the matter of Spl. C.S., Envt., Forest, Science and Tech Dpt., Hyd. and 3 Othr. vs T. Sridevi, Karimnagar Dt. and Anr.…*
> *(c)Therefore, the degree received by Noticee No. 2 i.e. Satish is a valid degree and ought not to be considered as invalid as the same is received prior to the date of Order passed by Hon'ble Supreme Court."*

28.10. I find that the judgment of the Hon'ble Supreme Court was passed on February 11, 2005 which was before the issuance of prospectus on January 10, 2017 and therefore ought to have been disclosed in the prospectus. The judgment of the Hon'ble High Court of Telangana, relied on by the Noticees, was passed only on September 24, 2018 which was subsequent to the issuance of the prospectus. Hence, the judgment of the Hon'ble High Court of Telangana cannot be accepted as justification for the lack of adequate disclosure in the prospectus.

28.11. Therefore, there lies no merit in this submission of the Noticees.

29. In this background, I note that the Kalinga University was de-notified pursuant to the order of the Hon'ble Supreme Court on February 11, 2005 which was before the issuance of the prospectus by Noticee No. 1 in 2017. Based on the reasoning mentioned in the previous paragraphs, I find that the de-notification of Kalinga University which had awarded B. Com degree to the director of Noticee No. 1 i.e. Noticee No. 2 by the Hon'ble Supreme Court was a relevant information in relation to the education qualification of the director of Noticee No. 1. Therefore, it was incumbent on the Noticee No. 1 to disclose the de-notification of the Kalinga

University pursuant to the said judgment of the Hon'ble Supreme Court in its prospectus in terms of ICDR Regulations.

30. However, it is a fact that the prospectus of Noticee No. 1 was conspicuously silent on the said judgment of Hon'ble Supreme Court vide which the said Kalinga University was de-notified despite the fact that the Noticees were aware of the Hon'ble Supreme Court's judgment. Therefore, I find that the disclosures regarding the educational qualification of the Noticee No. 2 made in the prospectus were lacking in material particulars and cannot be considered as complete and adequate. In other words, the Noticee No. 1 provided deficient disclosures in the prospectus regarding the educational qualification of the Noticee No. 2. I, further, note that even if the Noticee No. 1 was ever in doubt as to the materiality of information, it ought to have ensured that the said information was provided in the prospectus. In this regard, I note that Hon'ble SAT in the matter of **Electrosteel Steels Limited v. Securities and Exchange Board of India**[5] has, *inter alia,* held as under:

> "***The letter and spirit (as well as absence of pictures) of the disclosure requirement is the need for disclosing all material events in clear terms with very little discretion for judging the degree of materiality.*** *The emphasis is* ***on disclosure; not otherwise, which means disclose even when the issuer doubts whether there is any materiality****. In other words, it would imply that only facts/ events which the issuer is undoubtedly sure of having no relevance to the issuer or to the issue can be excluded from disclosure"* (Emphasis supplied)

31. Therefore, it is established that the said disclosure regarding the educational qualifications of Noticee No. 2 made by Noticee No. 1 in its IPO prospectus was deficient.

32. It is, further, noted that Black's Law Dictionary, Tenth Edition, defines 'true and correct' as *"authentic; accurate; unaltered."*

[5] Appeal No. 223 of 2016 dated November 14, 2019.

33. Investors treat the disclosures contained in the prospectus by the issuer company as true and fair. Disclosures are the bedrock on which investors depend to make informed investment decisions. As noted above, the Noticee No. 2 at the time of issuance of prospectus, in 2017, knew that the Hon'ble Supreme Court in February 11, 2005 had de-notified the Kalinga University from which he had obtained B. Com degree. I note that it is rather an admitted fact that there was no disclosure regarding the de-notification of the Kalinga University by the Hon'ble Supreme Court in the prospectus. Therefore, I find that there was a vital omission in the prospectus as the fact pertaining to de-notification of the Kalinga University pursuant to the said judgment of the Hon'ble Supreme Court was not disclosed. Hence, I find that the disclosure made in the prospectus of Noticee No. 1 regarding the education qualification of Noticee No. 2 was deficient, inadequate and inaccurate.

34. In light of the above, I find that the declaration made in the prospectus viz. "disclosures made in the prospectus are true and correct" by Noticee No. 2 was incorrect.

35. Therefore, the charges leveled against Noticee No. 1 for violations of Regulation 57(1) of the ICDR Regulations and Clause 2(VIII)(E)(1)(a) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations stand established. Further, it is established that Noticee No. 2 has violated Clause 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations.

III. Whether Noticee No. 1 has violated Regulation 23 of the LODR Regulations?

36. In the SCN, it was alleged that during the examination period, the Related Party Transactions (hereinafter referred to as '**RPT'**) policy of Noticee No. 1 had a provision for "ratification of RPT by the Audit Committee". Accordingly, it was alleged that the RPT policy of Noticee No. 1 was in contravention to the then Regulation 23 of the LODR Regulations. It was, further, alleged that despite the issuance of an administrative warning dated May 13, 2022, Noticee No. 1 did not bring its RPT policy in compliance with LODR Regulations.

37. It is noted that the fact that the RPT policy of Noticee No. 1 during the examination period was in contravention of Regulation 23(1) read with Regulation 23(2) of the LODR Regulations has not been disputed. In this regard, SEBI issued an administrative warning on May 13, 2022. As submitted by Noticee No. 1, the board meeting of Noticee No. 1 was held on June 25, 2022. It is noted, from the submissions of Noticee No. 1 and disclosure available on the NSE's website, that in the disclosure titled 'Outcome of the Board Meeting held today i.e., 25th June, 2022', it was, *inter alia,* mentioned as under:

"…4) Took note of the letter no: SEBI/CFD/CMD3/0W/20544/1/2022 DT: 13.05.2022 received from SEBI
5) Adopted the revised Related Party Transaction Policy of the Company.…"

38. Further, it is noted that from the abovementioned disclosure dated June 25, 2022 that a "revised RPT Policy" was enclosed with the said disclosure. However, it is noted that the said RPT Policy which was enclosed with the said disclosure dated June 25, 2022 continued to have a clause for "ratification of RPT by the Audit Committee" and was in contravention of Regulation 23(2) of the LODR Regulations.

39. In this regard, I note that vide email dated September 19, 2022, a clarification was sought from Noticee No. 1 by SEBI. In response, Noticee No. 1, vide email dated September 20, 2022, *inter alia,* stated that: *"Company has adopted the revised Related Party Transaction Policy at the meeting of the Board of Directors held on 25 June, 2022 but inadvertently the Company has uploaded the old policy instead of the revised Policy".* Further, on September 20, 2022, a disclosure with the subject 'Related Party transaction Policy – revised' was disseminated on the website of NSE by Noticee No. 1. The said disclosure contained a letter dated September 20, 2022 addressed to NSE enclosing an RPT Policy. In the said letter dated September 20, 2022, it was, *inter alia*, observed as under:

"…We, M/s. Steel City Securities Limited would like to inform the Exchange that the Board has approved the revised Related Party Transaction Policy at its meeting held on 25th June, 2022 but instead of the revised Policy, the old policy was uploaded along with the Outcome of the Board Meeting held on 25th June. 2022 inadvertently. We are hereby attaching the revised policy adopted by the Board at its meeting held on 25th June, 2022 along with this letter.

…."

40. It is noted that the RPT policy annexed to the said disclosure dated September 20, 2022 did not contain the clause pertaining to "ratification of RPT by the Audit Committee".

Observations on the submissions of Noticee No. 1

41. I note that Noticee No. 1 has, *inter alia*, submitted various grounds in its defense which are discussed under different headings for brevity:

- ***RPT Policy was duly revised***

41.1. I note that Noticee No. 1 has, *inter alia,* submitted as under:

"(iv)In fact, pursuant to the Board Meeting dated 25.06.2022, we had intimated to the Exchange (NSE) about adopting revised RPTs and the same was also disseminated on the Exchange's website. A copy of the Snapshot of the relevant dates of the corporate filings from the NSE Website and Covering pages on the outcome of the Board Meeting held on 25.06.2022 is enclosed hereto. … Hence, we humbly submit that we have adopted revised RPT policy on 25.06.2022

(v) Further, it is humbly submitted that as soon as the query was received by Steel City, the revised RPT Policy was uploaded which establishes that revised RPT was available in our record and we did not have to go through the grind of taking Board Resolution."

41.2. In this regard, it is noted that Section 118 of the Companies Act, 2013, *inter alia*, provides as under:

*"**Minutes of proceedings of general meeting, meeting of Board of Directors and other meeting and resolutions passed by postal ballot.***

…

(4) In the case of a meeting of the Board of Directors or of a committee of the Board, the minutes shall also contain—

(a) the names of the Directors present at the meeting; and

(b) in the case of each resolution passed at the meeting, the names of the Directors, if any, dissenting from, or not concurring with the resolution.

…

***(7) The minutes kept in accordance with the provisions of this section shall be evidence of the proceedings recorded therein**."* (Emphasis supplied)

41.3. From the material on record, it is noted that Noticee No. 1 has not provided the minutes of the board meeting dated June 25, 2022 in support of its submission that the RPT Policy of Noticee No. 1 was revised in the said board meeting after the issuance of the administrative warning dated May 13, 2022. However, it is noted that Noticee No. 1 has provided only the disclosures dated June 25, 2022 and September 20, 2022 disseminated on the NSE website in support of its submission.

41.4. Further, I note that Noticee No. 1 has not disputed the allegation that its RPT policy was not in compliance with the LODR Regulations during the examination period. In this context, I note that even presuming that the RPT policy of Noticee No. 1 was revised subsequently, Noticee No. 1 cannot be absolved for its violation of LODR Regulations as its RPT policy during the examination period had a clause for "ratification of RPT by Audit Committee".

- ***No requirement to upload RPT Policy on the website***

41.5. It is observed that Noticee No. 1 has*, inter alia,* stated that:

"In this regard, we humbly submit that Regulation 23(1) of the LODR Regulations only states about the formulation of a policy on materiality of RPTs, however it does not state anything in relation to the uploading of the same on the website. Pertinently, we had formulation of a policy on materiality of RPTs. Hence, it is humbly submitted that we cannot be alleged to be in violation of the Regulation 23 of the LODR Regulations since the alleged finding/allegation that we uploaded the revised RPTs policy on our

website after a clarification was sought from us by SEBI is not covered under the Regulation 23 of the LODR Regulations."

41.6. I note that the ambit of instant allegation against Noticee No. 1 is limited to the fact whether the RPT Policy of the Noticee No. 1 was in alignment with Regulation 23(1) read with Regulation 23(2) of the LODR Regulations.

41.7. Therefore, I find that this submission by the Noticee does not merit any consideration as it is not relevant to the allegations made in the SCN.

- ***Double Jeopardy***

41.8. Noticee No. 1 has, *inter alia,* argued that:

"Without prejudice to our aforesaid submissions on the RPTs, we humbly submit that the said provisions w.r.t. RFTs policy were examined by SEBI based on the same an administrative warning was issued by Letter dated 13.05.2022. In view thereof, we humbly submit that any penalty imposed on us in respect of the said allegation will lead to it being double - jeopardy, hence untenable and unsustainable."

41.9. I note that Black's Law Dictionary, Tenth Edition, defines 'double jeopardy' as *"the fact of being* ***prosecuted or sentenced*** *twice for substantially the same* ***offense".*** (Emphasis supplied)

41.10. In this regard, I note that in the matter of **Maqbool Hussain v. State of Bombay[6],** it was, *inter alia,* held by the Hon'ble Supreme Court:

"...

9. The fundamental right which is guaranteed in Article 20(2) enunciates the principle of "autrefois convict" or "double jeopardy".

….

[6] (1953) 1 SCC 736.

15. The words "before a court of law or judicial tribunal" are not to be found in Article 20(2). But if regard be had to the whole background indicated above it is clear that in order that the protection of Article 20(2) be invoked by a citizen there must have been a prosecution and punishment in respect of the same offence before a court of law or a tribunal, required by law to decide the matters in controversy judicially on evidence on oath which it must be authorised by law to administer and not before a tribunal which entertains a departmental or an administrative enquiry even though set up by a statute but not required to proceed on legal evidence given on oath. ***The very wording of Article 20 and the words used therein: "convicted", "commission of the act charged as an offence", "be subjected to a penalty", "commission of the offence", "prosecuted and punished", "accused of any offence", would indicate that the proceedings therein contemplated are of the nature of criminal proceedings before a court of law or a judicial tribunal and the prosecution in this context would mean an initiation or starting of proceedings of a criminal nature before a court of law or a judicial tribunal in accordance with the procedure prescribed in the statute which creates the offence and regulates the procedure.***

…" (Emphasis supplied)

41.11. At this juncture, I rely on the judgement of the Hon'ble High Court of Bombay in the case of **SEBI v. Cabot International Capital Corporation**[7] wherein it was, *inter alia,* observed that *"the adjudication for imposition of penalty by Adjudication Officer, after due inquiry, is neither a criminal nor a quasi criminal proceeding. The penalty leviable under this Chapter or under these sections is penalty in cases of default or failure of statutory obligation or in other words, breach of* ***civil obligation****.* ***The provisions and scheme of penalty under SEBI Act and the regulations, there is not element of criminal offence or punishment as contemplated under criminal proceedings****."* (Emphasis supplied)

[7] (2004) 2 Comp LJ363 (Bom).

41.12. Further, I note that Black's Law Dictionary, Tenth Edition defines '*warning'* as *"The pointing out of danger, esp. to one who would not otherwise be aware of it."* Further, in Chamber's 20th Century Dictionary, the word *'warn'* means *"to give notice of danger or evil to, to notify in advance; to caution (with against); to instruct, command...; to demolish; to forbid"* and *'Warning' means "a caution against danger etc.; something that gives this; previous notice..."*

41.13. With regard to '*penalty',* I note that Black's Law Dictionary, Tenth Edition defines *'penalty'* as *"Punishment imposed on a wrongdoer, usu. in the form of imprisonment or fine; esp., a sum of money exacted as punishment for either wrong to the state or a civil wrong"* and '*civil penalty'* as "*a fine assessed for a violation of a statute or regulation".* Further, Supreme Court Words and Phrases, Third Edition defines *'penalty' as a "liability imposed as a punishment on the party committing the breach."*

41.14. In this context, I note that an administrative warning is not a form of penalty that can be imposed on an entity in the course of proceedings under Section 15 – I of the SEBI Act. It cannot, therefore, be construed that the administrative warning issued against Noticee No. 1 was a "penalty" under the SEBI Act. Accordingly, this submission of Noticee No. 1 cannot be accepted.

41.15. Accordingly, I note that the principle of 'double jeopardy' does not apply to the present proceeding.

42. Therefore, from the previous paragraphs, I note that no justifiable reason has been brought on record by Noticee No. 1 with regard to the violation of Regulation 23(2) of LODR Regulations. As noted from previous paragraphs, it is rather an undisputed fact that the RPT policy of Noticee No. 1 contained a clause for "ratification of RPT by the Audit Committee" which was in contravention of the then Regulation 23(2) of the LODR Regulations during the examination period.

43. Thus, it is established that Noticee No. 1 has violated Regulation 23(1) read with Regulation 23(2) of the LODR Regulations.

IV. Does the violation, if any, on the part of Noticees attract a monetary penalty under Sections 15A(a) and 15HB of the SEBI Act?

V. If so, what would be the monetary penalty that can be imposed upon Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act?

44. From the previous paragraphs, it is noted that the allegations of violation of Regulation 57(1) of the ICDR Regulations and Clause 2(VIII)(E)(1)(a) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations and Regulation 23(1) read with Regulation 23(2) of the LODR Regulations by Noticee No. 1 and Clause 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations by Noticee No. 2 have been established.

45. In this regard, I take note of the decision of the Hon'ble Supreme Court in the matter of **The Chairman, SEBI v. Shriram Mutual Fund & Anr**[8] wherein it, *inter alia,* held:

> *"In our view, the **penalty is attracted as soon as contravention of the statutory obligations as contemplated by the Act is established** and, therefore, the intention of the parties committing such violation becomes immaterial."* (Emphasis supplied)

46. Therefore, Noticee No. 1 is liable for payment of a monetary penalty in terms of Sections 15A(a) and 15HB of the SEBI Act and Noticee No. 2 is liable for payment of a monetary penalty in terms of Section 15A(a) of the SEBI Act.

47. The text of the abovesaid Sections 15A(a) and 15HB of the SEBI Act are reproduced below:

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[8] 2006 (5) SCC 361.

SEBI Act

"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, —

(a) to furnish any document, return or report to the Board, fails to furnish the same he shall be liable to a penalty 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.

….

15HB. Penalty for contravention where no separate penalty has been provided.

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."

48. While determining the quantum of penalty under Section 15HB of the SEBI Act, the following factors stipulated in Section 15J of the SEBI Act have to be given due regard:

SEBI Act

"15J. Factors to be taken into account by the adjudicating officer

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."

Factors Considered While Imposing Penalty

49. The available records neither specify disproportionate gains/unfair advantage made by Noticees nor the loss, if any, suffered by the investors due to such violations.

However, I take note of the fact that SEBI has imposed monetary penalties on Noticee No. 1 earlier for violations of securities laws.

50. I note that ICDR Regulations, apart from bringing transparency and fairness, aims to preserve and protect the market integrity in order to boost investor confidence in the securities market. In the matter of **Kotak Mahindra Capital Company Limited and Ors. v. SEBI[9],** Hon'ble SAT, *inter alia,* held as under:

> *"6. Object of the disclosure provisions contained in the ICDR Regulations and Merchant Bankers Regulations is to ensure that the offer document contains all material disclosures which are true and adequate so as to enable the applicants permitted to participate in the offer to take an informed investment decision. In other words, the disclosures made in the offer documents must be those disclosures which are material to the applicants permitted to participate in the offer to take an informed investment decision.*
>
> *…*
>
> *61. …* ***True and accurate disclosures are important for common investors to take an informed decision regarding investment in the upcoming IPO. The purpose for which the disclosures are required to be made will, thus, be frustrated if the same were inaccurate or untrue or incomplete****…."*
> (Emphasis supplied)

51. Further, I note that the LODR Regulations, *inter alia,* lay down the provisions for effective corporate governance and fair disclosures by listed companies in India. In the 'Report of the Committee on Corporate Governance'[10], it was, *inter alia,* observed as under:

> *"CHAPTER V: PROMOTERS/CONTROLLING SHAREHOLDERS AND RELATED PARTY TRANSACTIONS*
> *A majority of Indian listed entities continue to be promoter driven, with significant shareholding held by promoter/promoter group. Therefore,*

[9] Appeal no. 63 of 2015 dated September 30, 2016.
[10] Available at https://www.sebi.gov.in/reports/reports/oct-2017/report-of-the-committee-on-corporate-governance_36177.html. Accessed on March 19, 2024.

protection of the interests of minority shareholders, especially those of retail shareholders assumes even greater importance. ***In this context, checks and balances on interactions and relationships between listed entities and the promoters/significant shareholders is crucial for good governance****."* (Emphasis supplied)

52. Therefore, the importance of the RPT Policy of a company cannot be undermined. It is noted that the mandate of Regulation 23(2) is clear and an RPT policy framed by any listed entity under Regulation 23(1) for obtaining approvals for related party transactions cannot be in derogation of specific requirements provided under Regulation 23(2) of the LODR Regulations.

53. Further, Noticee No. 1, being a registered intermediary and listed company, was under an obligation to comply with the said mandate of the ICDR Regulations and LODR Regulations in letter and spirit. In this regard, I note that Hon'ble SAT in the matter of **Premchand Shah and Others v. SEBI**[11], *inter alia*, held as under: *"...When a law prescribes a manner in which a thing is to be done, it must be done only in that manner..."*

54. I have also taken note of the fact that an administrative warning has been issued to the Noticee No. 1 in the instant matter. In this regard, Noticee No. 1, vide disclosure dated September 20, 2022, has, *inter alia,* stated as under:

"Board has approved the revised Related Party Transaction Policy at its meeting held on 25th June, 2022 but instead of the revised Policy, the old policy was uploaded along with the Outcome of the Board Meeting held on 25th June. 2022 inadvertently."

55. It underlines the fact that only after the administrative warning from SEBI, the Noticee No. 1 took efforts to align its RPT policy with the Regulation 23(2) of the LODR Regulations.

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[11] Appeal No. 192 of 2010 dated February 21, 2011.

56. The aforementioned factors have been taken into consideration while adjudging the penalty.

ORDER

57. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in preceding paragraphs and in the exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I, hereby, impose the following penalty on Noticees:

Table 1

Noticee Name	Violation	Penalty Provision	Penalty(in Rs.)
Steel City Securities Limited	Regulation 57(1) of the ICDR Regulations and Clause 2(VIII)(E)(1)(a) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations	Section 15A(a) of the SEBI Act	Rs.1,50,000/- (Rupees One Lakh Fifty Thousand only)
	Regulation 23(1) read with Regulation 23(2) of LODR Regulations	Section 15HB of the SEBI Act	Rs.2,00,000/- (Rupees Two Lakhs only)
Mr. Satish Kumar Arya	Clause 2(XVI)(B)(2) of Part A of Schedule VIII read with Regulation 57(2)(a) of the ICDR Regulations	Section 15A(a) of the SEBI Act	Rs.1,00,000/- (Rupees One Lakh only)

58. I am of the view that the said penalty is commensurate with the lapses/omissions on the part of Noticees.

59. Noticees shall remit/pay the said amount of penalty within 45 days of receipt of this order through the 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.

60. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to Noticees and also to the Securities and Exchange Board of India.

Date: March 28, 2024 **N HARIHARAN**

Place: Mumbai **CHIEF GENERAL MANAGER AND ADJUDICATING OFFICER**