BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[**ADJUDICATION ORDER NO. Order/BM/RK/2024-25/30983-30989]**

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

In respect of

Noticee No.	Name of Noticees	PAN
1	Jagjanani Textiles Limited	AAACJ6739Q
2	Shri Gopal Vyas	AATPV8476G
3	Ms Madhavi Vyas	ACNPV3397G
4	Shri Shiv Kumar Singhal	AAZPS6608M
5	Ms Rita Singhal	AYJPS4871Q
6	Ms Megha Jain	AVQPS0253A
7	Shri Ayush Singhal	CGYPS4732F

In the matter of **"Jagjanani Textiles Limited"**

BACKGROUND

1. Securities and Exchange Board of India ("**SEBI**") conducted an examination of Draft Letter of Offer ("**DLoF**") filed by Fedex Securities Private Limited (hereinafter referred as **"Merchant Banker/MB/Manager to the offer"**) for acquisition of equity shares of Jagjanani Textiles Limited ("**Target Company/ Noticee 1**"), a company listed on

Bombay Stock Exchange Limited ("**BSE**") pertaining to an open offer made by the acquirers namely Mr Manojbhai J Patel (hereinafter referred as **"Acquirer 1**"), Mr Avinashkumar Manojkumar Patel (hereinafter referred as **"Acquirer 2**") (hereinafter both of them referred to as the **"Acquirers"**) and Surendra Shah (Person Acting in Concert). The examination was to ascertain whether there was any violation of the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as **"SAST Regulations**") and SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015, (hereinafter referred to as "**LODR Regulations**") by certain entities.

2. While examining the said DLoF, it was observed that Notice 1 had allegedly filed wrong shareholding for the period March 2013 till the date of filing DLoF i.e. April 10, 2023, non-complied and belatedly complied with various requirements specified under LODR Regulations, Mr Shree Gopal Vyas(**Noticee 2**), Ms Madhavi Vyas (**Noticee 3**), Mr Shiva Kumar Singhal (**Noticee 4**), Ms Rita Singhal (**Noticee 5**) and Ms Megha Jain (**Noticee 6**) allegedly failed to make open offer in the FY 2013-14 and 2014-15, Ayush Singhal (**Noticee 7**) allegedly failed to make open offer in the FY 2014-15 and **Noticee 4** also allegedly failed to make disclosures w.r.t the change in his shareholding.(hereinafter all of them together referred to as the "**Noticees**")

3. SEBI had therefore initiated adjudication proceedings against the Noticees to inquire into and adjudge the alleged violations of the provisions of LODR Regulations and SAST Regulations as tabulated in table 1 below and to impose penalties under Section 15A(b) of the SEBI Act for the alleged violation by Noticee 1 and 4 and Section 15H (ii) of the SEBI Act for the alleged violation by Noticee 2 to 7:

<u>Table 1</u>:

Sr. No.	Alleged Violations by (Noticees)	Regulatory provisions
1.	Noticee 1	Regulation 31(4) of LODR Regulations; Regulation 29(1)(a) of LODR Regulations; Regulation 7(3), 13(3), 23(9), 24A, 30(4)(i)(b), 31(1), 40(9) and 44(3) of LODR Regulations;
2.	Noticee 2-7	Regulations 3(1), 3(2) and 4 of SAST Regulations;
3.	Noticee 4	Regulation 29(2) r/w 29(3) of the SAST Regulations

APPOINTMENT OF ADJUDICATING OFFICER

4. SEBI appointed the undersigned as the Adjudicating Officer **("AO")** vide order dated May 29, 2024, communicated vide communique dated May 30, 2024 under Section 15-I of the SEBI, 1992 (hereinafter referred to as **"SEBI Act"**) read with Rule 3 of the SEBI (Procedure for Holding Inquire and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"SEBI Adjudication Rules**") to inquire into and adjudge under Sections 15H(ii) and 15A(b) of the SEBI Act for the aforesaid alleged violations by the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

5. A common Show Cause Notice dated August 02, 2024 (hereinafter referred to as ***SCN***) was issued to the Noticees in terms of Section 15-I of the SEBI Act, 1992 read with Rule 4 of the SEBI Adjudication Rules to show cause as to why an inquiry should not be held against them and penalty, if any, be not imposed upon them under the following Sections of the SEBI Act:

a) Section 15A(b) of the SEBI Act upon Noticee 1 and 4 for aforementioned alleged violations of LODR Regulations and SAST Regulations respectively.

b) Sections 15H(ii) of the SEBI Act upon Noticee 2 to 7 for the alleged violation of the provisions of SAST Regulations mentioned in table 1 above.

6. The said SCN was attempted to be served upon the Noticees via SPAD, which returned undelivered with a remark "*Left*" in respect of Noticee 1. However, digitally signed email was delivered in respect of all the Noticees and the proof of service w.r.t delivery of SCNs is on record. The details of mode of delivery of the SCN is mentioned in the table 2 below:

Table 2:

Names of the Noticees	**SCN Delivered (Y/N)(MODE)**	**Reply Received Y/N**
Jagjanani Textiles Limited	Y, Email	Y
Shri Gopal Vyas	Y, Email	Y
Ms Madhavi Vyas	Y, Email	Y
Shri Shiv Kumar Singhal	Y, Email	Y
Ms Rita Singhal	Y, Email	Y
Ms Megha Jain	Y, Email	Y

Names of the Noticees	SCN Delivered (Y/N)(MODE)	Reply Received Y/N
Shri Ayush Singhal	Y, Email	Y

7. In response to the SCN, Noticee 1 vide email dated August 09, 2024 sought extension of time to file reply in the matter. Accordingly, vide email dated August 09, 2024, Noticee 1 was advised to submit its reply to the SCN by September 08, 2024. In the absence of any reply from the Noticee 2-7, vide email dated August 26, 2024, they were advised to submit reply in the matter latest by August 31, 2024. The Noticees submitted a common reply vide letter received through email dated September 02, 2024. The submissions made by the Noticees vide the said letter is summarized as under:

Reply of the Noticees

7.1 Noticees submitted that since the date of listing, Noticee 2 and 4 had been shown as promoters and had not included the names of the family members as promoters or promoter group.

7.2 They submitted that when Noticee 3 and 5 acquired the shares, they had inadvertently not classified them as part of the promoter group.

7.3 That the shares held by Noticee 3 and 5 were 3.53% and 1.28% respectively and even after the inclusion, their shareholding had continuously been less than 75%, which is permitted promoter shareholding in a listed company.

7.4 That Shree Ganesh Projects Private Limited (SGPPL) was not a part of the promoter group in terms of Regulation 2(1)(pp) of the SEBI (ICDR) Regulations, 2018 *as Noticee 5 was not a shareholder in SGPPL rather was a Director there and was not a Director in Notice 1.*

7.5 As regards allegation of BSA Holdings Private Limited (BSA) being not classified as part of the promoter / promoter group, Noticees submitted that it was a genuine error without any malafide intention and submitted that it was due to their ignorance and requested to take a lenient view on the same.

7.6 They further submitted that even after the inclusion of the shareholding of BSA of 6.6%, the total promoter holding has continuously been less than 75% which is maximum permitted promoter shareholding in a listed company.

7.7 As regards allegation of not giving prior intimation regarding the Board Meeting for the consideration of financial results for the year ended March 31, 2017, Noticees submitted that their Company Secretary Mr Ankit Bhardwaj had resigned with effect from May 06, 2017 and they had always been intimating regarding the Board Meeting and are confident that they would have intimated the Exchange of the same. However, they are unable to obtain a copy of the intimation and further added that no penalty or fine was levied by the Exchange for the lapses, if any.

7.8 Noticees submitted that they had made disclosure under Regulation 7(3) of the LODR Regulations for the quarters ended March 31, 2016, September 30, 2016, March 31, 2017 and March 31, 2018 on time.

7.9 As regards delayed disclosure under Regulation 13(3) of the LODR Regulations for the quarters ended on December 2015, December 31, 2016 and December 31, 2018, Noticees submitted that since December 2015 was the first quarter, so there was a delay and the delay w.r.t the remaining alleged quarters was due to inadvertence.

7.10 Noticees submitted that Noticee 1 never had any related party transactions (RPT) and that is why they did not submit the details to the Exchange. However, when BSE *informed that a nil report had to be filed even though there were no RPTs, the same with was submitted with a delay of 8 days.*

7.11 Noticees submitted that the Annual secretarial compliance report for the year ended March 31, 2021 was filed with BSE on June 28, 2021 and the delay of 2208 days in filing as alleged in the SCN is wrong.

7.12 Noticees submitted that change in directors had been intimated with a delay of about 17 days in March 2017 and the delay was due to a delay in receipt of forms / consents from the directors and the same was unintentional. They further submitted that they had intimated the exchange as soon as the consent / letter confirming their appointment/ resignation from the concerned directors was received.

7.13 As regards delay in filing the shareholding pattern for the quarter ended June 2016, June 2018 and September 2019 by one day, Noticees submitted all the filings for those quarters were revised filings due to an error and the originals had been submitted on time and that no communication of fine or penalty was received from the exchange on these filings till date.

7.14 Noticees submitted that they had submitted to the exchange, certificate for the half year ended on September 30, 2016 on October 29, 2016 and had also submitted the certificates for the half year ended March 31, 2017 on April 29, 2017 required in terms of Regulation 40(9) of LODR Regulations.

7.15 As regards alleged violation of provision of Regulation 44(3) of LODR Regulations, Noticees submitted that the said Regulation stipulates that the voting results/ scrutinizers report be submitted within 48 hours of the conclusion of the meeting and the meeting is considered to be concluded on the declaration of the result on the resolutions. The Scrutinizer has two days to submit the report and the Company has 48 hours thereafter to submit the result to the stock exchange. Noticees further *added that while there had been a delay of about 4 days for the AGM of September 29, 2017 there had been no delay for the AGM of September 30, 2019.*

7.16 Noticees submitted that Noticee 3 acquired 20010 shares from Shakuntala Vyas, another promoter and immediate relative and 4,88,520 shares from Neelam Marbles Private Limited, which was another group entity and was holding shares in the Noticee 1 for more than 3 years at the time of acquisition. They submitted that Noticee 3 had acquired only 42,894 shares from the market. Hence, 20,010 shares were by way of an eligible inter-se transfer and that the shareholding pattern from the quarter ended September 30, 2011 clearly showed that BSA continued to hold 10,30,030 equity shares constituting 6.6% of the total paid-up capital of the Noticee 1. This has already been accepted by the Noticees in their submissions above and was wrongly classified as public due to ignorance and hence if this holding is clubbed with the holding of the promoters, shareholding of the promoters as on September 30, 2010 and again on the date of acquisition of shares by Noticee 3 in 2013 would be 31.50% which is more than 25% the threshold limit specified under Regulation 3(1). Hence there is no trigger in the acquisition of shares by Noticee 3.

7.17 Noticees regarding the allegation on acquisition of control submitted that since Noticee 2 and Ms Shakuntala Vyas were already in control of the Noticee 1, there was no acquisition of control and Regulation 4 is not attracted and therefore, there is no trigger in the acquisition of shares by Noticee 2 in FY 2013-14.

7.18 Noticees submitted that there was acquisition of 10,44,000 shares, constituting 6.69% by Noticee 4, 1,10,000 shares by Noticee 7 constituting 0.705% and 2715 shares by Noticee 6 constituting 0.01% and Noticee 4 had acquired from SGPPL and if in case Noticees consider SGPPL as part of the promoter then this would be an eligible inter-se transfer of shares amongst promoters and accordingly, if this transfer *is deducted from the total acquisition of shares during the year, the number of shares acquired would be less than 5% and hence there will be no trigger.*

7.19 As regard acquisition of control due to buying of shares by Noticee 6 and 7, Noticees submitted that the control is not defined by way of acquisition of shares but by the ability to appoint majority of directors and take decisions with regard to the operations of the Company. Since the control of the Noticee 1 was already with the family members, there is no acquisition of control by the acquisition of 1,10,000 constituting 0.705% and 2715 shares constituting 0.01 % by Noticee 6 and 7 respectively.

7.20 That there is no trigger of open offer by the acquisition of shares by Noticee 4, 6 and 7 in the financial year 2014-15.

7.21 As regards non-dislcosure in terms of Regulation 29(2) r/w Regulation 29(3) of SAST Regulations by Noticee 4, Noticees submitted the same was an oversight and requested to take a lenient view on the same.

8. In the interest of natural justice and in order to conduct an inquiry in terms of Rule 4(3) of the SEBI Adjudication Rules, an opportunity of personal hearing on September 23, 2024, vide hearing Notice dated September 10, 2024 was granted to the Noticees. Subsequently, the said hearing was preponed and rescheduled to September 16, 2024. Accordingly, vide email September 15, 2024, the Authorized Representative (AR) of the Noticees confirmed to attend the hearing on September 16, 2024. The said hearing was attended to by the AR of the Noticees wherein she reiterated the submissions made by the Noticees vide their letter received through email dated September 02, 2024. During the course of hearing, the AR was advised to provide following documents/information:

a) Prior intimation to stock exchange about the meeting of board of directors for the financial results for the year ended on March 31, 2017 in terms of Regulation 29(1)(a) of LODR Regulations;
b) That there was no Related Party Transactions (RPT) and the NIL report that was submitted at the behest of BSE in terms of Regulation 23(9) of LODR Regulations.
c) Legible copy of the Secretarial compliance report for the FY 2020-21 and having timely submitted the same in terms of Regulation 24A of the LODR Regulations.
d) Original and revised shareholding pattern submitted to exchange in terms of Regulation 31(1) of LODR Regulations and having timely submitted the same.
e) Write up on how the open offer was not triggered in the FY 2013-14 considering BSA Holding Private Limited as the promoter related entity for the aforementioned FY as submitted by AR in the hearing.
f) Details with regard to the Companies Act and LODR Regulations on the submission of voting results on conclusion of meeting under Regulation 44(3) of LODR Regulations.

9. In response to the above sought for documents/information, Noticee 1 submitted as mentioned below vide email dated September 20, 2024.

Additional submissions of the Noticees:

9.1 That it was unable to find the relevant documents regarding the prior intimation given to exchange with respect to the board meeting held in the month of May 2017 and thus, unable to provide the proof.

9.2 That there were no related party transactions (RPT) for the half year ended March 31, 2022 and that the same was filed only on the insistence of BSE with a delay of 8 days on June 23, 2022.

9.3 Noticees confirmed that the results under Regulation 44(3) of the LODR Regulations for the year 2019 was given on October 04, 2019, which was a delay of 1 day as the same had to be given within 48 hours of the conclusion of the meeting and last day for the same was October 03, 2019.

9.4 As regards allegation of open offer, Noticees submitted that the promoters were holding 22.05% as per the shareholding pattern filed with the stock exchanges. However, BSA, which should have been classified as promoter was wrongly classified as public and was holding 6.60% of the total paid-up capital of the Noticee 1. They submitted that in case this holding is included in the shareholding of the promoters, the aggregate voting rights of the promoters would be 28.65% of the total paid-up capital, which is more that the threshold limit of 25% as specified under Regulation 3(1) of the SAST Regulations. Hence, the acquisition by Noticee 3 and Noticee 5 of 4.81% in the FY 2013-14 did not trigger the requirement of making an open offer under the SAST Regulations.

CONSIDERATION OF ISSUES AND FINDINGS

10. The charges against the Noticees, their reply and the documents/material available on record have been carefully perused. The issues that arise for consideration in the present case are:

Issue No. I: Whether Noticees are in violation of the provisions of LODR Regulations and SAST Regulations as mentioned in table 1 above?

Issue No. II: If yes, does the violation, on the part of the Noticees would attract monetary penalty under Sections 15H(ii) and 15A(b) of the SEBI Act, as applicable?

Issue No. III: If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act?

11. Before proceeding further with the matter, it is pertinent to mention the relevant provisions of the LODR Regulations and SAST Regulations alleged to have been violated by the Noticees. The same are reproduced below:

LODR Regulations

Share Transfer Agent

7(3) *The listed entity shall submit a compliance certificate to the exchange, duly signed by both the compliance officer of the listed entity and the authorised representative of the share transfer agent, wherever applicable, within thirty days from the end of the financial year, certifying compliance with the requirements of sub- regulation (2).*

Grievance Redressal Mechanism.

13(3) *The listed entity shall file with the recognised stock exchange(s) on a quarterly basis, within twenty one days from the end of each quarter, a statement giving the number of* *investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter.*

<u>Related party transactions.</u>

23*[(9)* *The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website:*

Provided that a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year:

Provided further that the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:

Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.]

<u>[Secretarial Audit {and Secretarial Compliance Report}.</u>

24A. {(1) *Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex a secretarial audit report given by a company secretary in practice, in such form as specified, with the annual report of the listed entity.}]*

{(2) *Every listed entity shall submit a secretarial compliance report in such form as specified, to stock exchanges, within sixty days from end of each financial year.}*

<u>Prior Intimations.</u>

29. (1) *The listed entity shall give prior intimation to stock exchange about the meeting of the board of directors in which any of the following proposals is due to be considered:*

(a) *financial results viz. quarterly, half yearly, or annual, as the case may be;*

Disclosure of events or information.

30. (4) (i) *The listed entity shall consider the following criteria for determination of materiality of events/ information**:***

(b)*the omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date;*

Holding of specified securities and shareholding pattern.

31(1) *The listed entity shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by the Board from time to time within the following timelines -*

(a) one day prior to listing of its securities on the stock exchange(s);

(b) on a quarterly basis, within twenty one days from the end of each quarter; and,

(c) within ten days of any capital restructuring of the listed entity resulting in a change exceeding two per cent of the total paid-up share capital.

Provided that in case of listed entities which have listed their specified securities on SME Exchange, the above statements shall be submitted on a half yearly basis within twenty one days from the end of each half year.

31. [(4) *All entities falling under promoter and promoter group shall be disclosed separately in the shareholding pattern appearing on the website of all stock exchanges having nationwide trading terminals where the specified securities of the entity are listed, in accordance with the formats specified by the Board.]*

Transfer or transmission or transposition of securities.

40(9) *The listed entity shall ensure that the share transfer agent and/or the in-house share transfer facility, as the case may be, produces a certificate from a practicing company secretary within 244[thirty days from] the end of 245[***] the financial year, certifying that all certificates have been issued within thirty days of the date of lodgement for transfer, subdivision, consolidation, renewal, exchange or endorsement of calls/allotment monies.*

[Meetings of shareholders and voting].

44(3) *The listed entity shall submit to the stock exchange, within two working days of conclusion of its General Meeting, details regarding the voting results in the format specified by the Board.*

SAST Regulations

Substantial acquisition of shares or voting rights.

3(1) *No acquirer shall acquire shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, entitle them to exercise twenty-five per cent or more of the voting rights in such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations.*

(2) *No acquirer, who together with persons acting in concert with him, has acquired and holds in accordance with these regulations shares or voting rights in a target company entitling them to exercise twenty-five per cent or more of the voting rights in the target company but less than the maximum permissible non-public shareholding, shall acquire within any financial year additional shares or voting rights in such target company entitling them to exercise more than five per cent of the voting rights, unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations:*

Acquisition of control.

4. *Irrespective of acquisition or holding of shares or voting rights in a target company, no acquirer shall acquire, directly or indirectly, control over such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations.*

29. (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; and such change exceeds two per cent of total shareholding or voting rights in the target company, in such form as may be specified.*

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 Noticees are in violation of the provisions of LODR Regulations and SAST Regulations as mentioned in table 1 above?

<u>Alleged Violation 1: Filing of wrong shareholding pattern and Non-compliances as well as delayed compliances with various provisions of law</u>

12. It is observed that the promoter group entities of Noticee 1 i.e. Noticee 5 and 3 had acquired 2,94,000 shares and 5,51,424 shares during the quarter ended March 2013 and March 2014 respectively and since then both the Noticee 5 and 3 had been the shareholders of the Noticee 1 till the date of filing of DLoF i.e. April 10, 2023 except during the quarter ended September 2014 to June 2015 w.r.t the Noticee 5 where she ceased to be the shareholder. In this regard, it is observed that in terms of Regulation 31(4) of LODR Regulations, all entities falling under promoter and promoter group are required to be disclosed separately in the shareholding pattern appearing on the website of all stock exchanges having nationwide trading terminals where the specified securities of the entities are listed, in accordance with the formats specified by the Board. It is therefore alleged that both the Noticee 5 and 3 had been wrongly disclosed as Public shareholder during the aforesaid period. Further, it is observed that the Noticee 1 had confirmed to rectify the error in the shareholding pattern filed for the quarter ended June 30, 2023.

13. It is also observed that Shree Ganesh Projects Private Limited (SGPPL) was allegedly classified under Public Category whereas during the course of examination from MCA21 database, it was observed that the Noticee 5 (promoter group entity of the Noticee 1) was the director of both the Noticee 1 and SGPPL wherein SGPPL had the e-mail id registered with MCA as sks@jagjanani.com.

14. Further, it was observed that BSA Holdings Private Limited (BSA) was classified under Public Category, whereas the shareholding of BSA showed that Noticee 2, Shakuntala Vyas and S G Vyas HUF (promoter and promoter group entities of Noticee 1) collectively held 100%, 23.8%and 73.6% for the years 1996, 2003-2014 and 2015-2021 respectively. From the above, it is observed that BSA was a part of promoter group since the Noticee 2 along with Shakuntala Vyas and S G Vyas HUF collectively exercised control in the Noticee 1 and therefore, allegedly BSA being part of a promoter group was wrongly classified as a Public shareholder. The relevant details are also mentioned in Table 3 below:

<u>Disclosure of promoter group entities as a public shareholder</u>

<u>Table 3:</u>

Name of the Entities	**Shares Held**	**Period of holding**	**Connection to promoter/ promoter group**
Rita Singhal (Noticee 5)	2,94,000	March 2013 till the date of DLOF except, during the quarter ended September 2014 to June 2015	Related to Ayush Singhal
Madhavi Vyas (Noticee 3)	5,51,424	March 2014 till the date of DLOF	Related to Shri Gopal Vyas
BSA Holdings Private Limited (BSA)			SG Vyas, Shakuntala Vyas and S G Vyas HUF (promoter and promoter group entities of JTL) collectively held 100%, 23.8%and 73.6% for the years 1996, 2003-2014 and 2015-2021 respectively.

15. Accordingly, in view of the alleged wrong classification of Noticee 3, 5 and BSA, it is alleged that the Noticee 1 has violated Regulation 31(4) of LODR Regulations.

16. Noticee 1 submitted that it had inadvertently not classified Noticee 3, 5 as a part of promoter group and w.r.t BSA, it submitted that it was a genuine error without any malafide intention and the same was due to its ignorance and requested to take a lenient view on the same.

17. It is noted Noticee 1 had admittedly not shown Noticee 3 and 5 as a part of promoter group who had been holding 5,51,000 shares from March 2014 till the date of DLOF and 2,94,000 shares from March 2013 till the date of DLOF except, during the quarter ended September 2014 to June 2015 respectively as detailed in table 3 above. Similarly, BSA being a promoter group entity was admittedly wrongly classified under public category despite being a promoter group entity.

18. In view of the above, it stands established that the Noticee 1 has violated Regulation 31(4) of LODR Regulations.

<u>Non- Compliance w.r.t Regulation 29(1)(a) of the LODR Regulations</u>

19. It had been observed that the Noticee 1 allegedly did not give prior intimation to stock exchange about the meeting of the board of directors for the financial results for year ended on March 31, 2017 required under Regulation 29(1)(a) of LODR Regulations. Accordingly, it is alleged that the Noticee 1 has violated Regulation 29(1)(a) of LODR Regulations.

20. Noticee 1 submitted that its Company Secretary Mr Ankit Bhardwaj had resigned with effect from May 06, 2017 and it had always been intimating regarding the Board

Meeting and was confident it had intimated the Exchange of the same. However, it was unable to obtain a copy of the same and further added that no penalty or fine was levied by the Exchange for the lapses, if any.

21. During the course of hearing, AR of the Noticee 1 was advised to provide the documentary evidence in support of having made prior intimation to stock exchange about the meeting of board of directors for the financial results for the year ended on March 31, 2017 in terms of Regulation 29(1)(a) of LODR Regulations.

22. It is noted that the Noticee 1 could not provide any documentary evidence in support of having made prior intimation to stock exchange about the meeting of board of directors for the financial results for the year ended on March 31, 2017, required to be given in terms of Regulation 29(1) of LODR regulations, which is mentioned below:

<u>Prior Intimations.</u>

29. (1) *The listed entity shall give prior intimation to stock exchange about the meeting of the board of directors in which any of the following proposals is due to be considered:*

(a) *financial results viz. quarterly, half yearly, or annual, as the case may be;*

23. Thus, in view of the above failure on the part of Noticee 1 to give prior intimation to stock exchange regarding its board meeting for the financial year ended on March 31, 2017, it stands established that the Noticee 1 has violated Regulation 29(1)(a) of the LODR Regulations.

24. It was observed that there were instances of delayed compliances by the Noticee 1 w.r.t the provisions of LODR Regulations. The details of the alleged delayed compliances are tabulated in table 4 below.

Table 4:

LODR						
Regulation	**F.Y.**	**Due date of compliance**	**Actual compliance date**	**Delay, if any**	**Status of compliance with**	**Remarks, if any**
7(3)	2015-16	4/30/2016	4/24/2023	2550	Delayed Compliance	For the quarter ended 31.03.2016,no disclosure received by the Exchange
7(3)	2016-17	10/30/2016	4/24/2023	2367	Delayed Compliance	For the quarter ended 30.09.2016, no disclosure received by the Exchange
7(3)	2016-17	4/30/2017	4/24/2023	2185	Delayed Compliance	For the quarter ended 31.03.2017.
7(3)	2017-18	4/30/2018	4/24/2023	1820	Delayed Compliance	For the quarter ended 31.03.2018, no disclosure received by the Exchange.
13(3)	2015-16	1/21/2016	2/12/2016	22	Delayed Compliance	For Quarter ended December, 2015.
13(3)	2016-17	1/21/2017	1/29/2017	8	Delayed Compliance	For Quarter ended December 31, 2016.
13(3)	2018-19	1/21/2019	2/7/2019	17	Delayed Compliance	For the quarter ended 31.12.2018, the company has submitted disclsoure on 07-02-2019.
23(9)	2021-22			8 days	Delayed Compliance	The company submitted disclosure on 23-06-2022.
24A	2020-21	4/7/2017	4/24/2023	2208	Delayed Compliance	For the F.Y. 2020-2021, the company has submitted disclosure on 28-06-2021.
30 read with Part A Schedule III	2016-17	3/30/2017	4/13/2017	14	Delayed Compliance	There is change in Director where Director appointed wef from March 30, 2017. and cessation of director are March 21,2017 March 22,2017 and March 27,2017
31(1)	2016-17	7/21/2016	7/22/2016	1	Delay Compliance	
31(1)	2017-18	7/21/2018	7/22/2018	1	Delay Compliance	
31(1)	2019-20	22/10/2019	21/10/2019	1	Delay Compliance	
40(9)	2016-17	4/30/2017	4/24/2023	2185	Delay Compliance	For the quarter ended 31.03.2017.
40(9)	2016-17	10/30/2016	4/24/2023	2367	Delay Compliance	For the quarter ended 30.09.2016.
44 (3)	2017-18	10/2/2017	10/7/2017	6	Delayed Compliance	The meeting of the Shareholders of the Company was conducted on Septemeber 29, 2017 and had 48 hours from the conclusion of the General Meeting to submit the voting results. i.e. the Company had to submit the voting results by October 01, 2017. The Company

						submitted the voting results on October 07, 2017 i.e. with a delay of 6 days.
44 (3)	2019-20	02/10/2019	04/10/2019	2	Delayed Compliance	During the period, the meeting of the Shareholders of the Company was conducted on Septemeber 30, 2019 and had 48 hours from the conclusion of the General Meeting to submit the voting results. i.e. the Company had to submit the voting results by October 04, 2019.

25. From the table 4 above, it is observed that the Noticee 1 had allegedly delayed the following:

a) Submission of the compliance certificate to the exchange in terms of Regulation 7(3) of LODR Regulations for the quarter ended on March 31, 2016, September 30, 2016, March 31, 2017 and March 31, 2018, which stipulates the submission of the same by a company within thirty days from the end of the financial year duly signed by both the Compliance officer and Authorized Representative of the share transfer agent, wherever applicable, certifying compliance with the requirements of Regulation 7(2).

b) Statement providing the number of investor complaints pending for the quarter ended on December 2015, December 31, 2016 and December 31, 2018 with a delay of 22 days, 8 days and 17 days respectively, which was required to be submitted as per Regulation 13(3) of LODR Regulations to the exchanges within 21 days from the end of each quarter.

c) Disclosures of related party transactions under Regulation 23(9) of LODR Regulations was delayed by 8 days, which was actually submitted to the exchange on June 23, 2022.

d) Submission of a secretarial compliance report for the FY 2020-21 in terms of Regulation 24A of the LODR Regulations was submitted by the Noticee 1 with a delay of 2208 days.

e) Change in Director wherein a Director was appointed w.e.f March 30, 2017 and cessation of some directors took place on March 21,2017, March 22,2017 and March 27,2017 and the same was intimated with delay of 14 days to the exchanges, thus, allegedly the Noticee 1 delayed compliance with Regulation 30(4)(i)(b) read with PART A Schedule III of LODR Regulations.

f) Statement showing holding of securities and shareholding pattern in terms of Regulation 31(1) of LODR Regulations was delayed for 1 day wherein actual date of compliance was July 22, 2016, July 22, 2018 and October 21, 2019 for all the three instances.

g) In terms of Regulation 40(9) of LODR Regulations, a listed company is required to ensure that the share transfer agent and/or the in-house share transfer facility, as the case may be, produces a certificate from a practicing company secretary within thirty days from the end of the financial year, certifying that all certificates have been issued within thirty days of the date of lodgement for transfer, subdivision, consolidation, renewal, exchange or endorsement of calls/allotment monies. However, it is observed that the Noticee 1 allegedly did not submit certificate from a practicing company secretary as per the said Regulations for the quarter ended on September 30, 2016 and March 31, 2017.

h) Details regarding the voting results of its General Meeting list as per Regulation 44(3) of LODR Regulations are required to be submitted to the exchanges within 2 days of conclusion of its General Meeting. In this regard, it is observed that the meeting of the Shareholders of the Noticee 1 was conducted on September 29, 2017 and September 30, 2019 whereas the Noticee 1 had submitted the voting results on October 07, 2017 and October 04, 2019 i.e. with a delay of 6 days and 2 days respectively on both the occasions.

26. Accordingly, in view of the above delayed compliances, it is alleged that the Noticee 1 has violated Regulation 7(3), 13(3), 23(9), 24A, 30(4)(i)(b), 31(1), 40(9) and 44(3) of LODR Regulations.

<u>Delayed Submission of Compliance certificate to exchange</u>

27. Noticee 1 submitted that it had made timely disclosures to the exchange under Regulation 7(3) of the LODR Regulations for the quarters ended March 31, 2016, September 30, 2016, March 31, 2017 and March 31, 2018 and provided with the relevant disclosures.

28. It is noted from the documents provided by the Noticee 1 that for the quarter ended on March 31, 2016, September 30, 2016, March 31, 2017 and March 31, 2018, it had submitted Compliance certificate in terms of Regulation 7(3) of LODR Regulations to BSE vide disclosure dated April 04, 2016, October 14, 2016, April 07, 2017 and April 05, 2018 respectively, i.e. within 4 days, 14 days, 7 days and 5 days for March 31, 2016, September 30, 2016, March 31, 2017 and March 31, 2018 respectively. Thus, from the above, it is noted that the Noticee 1 had submitted the compliance certificate within thirty days from the end of the financial year signed by both the Compliance officer and Authorized Representative of the share transfer agent, certifying compliance with the requirements of Regulation 7(2). The said Regulation 7(3) of the LODR Regulations reads as mentioned below:

<u>Share Transfer Agent</u>

7(3) *The listed entity shall submit a compliance certificate to the exchange, duly signed by both the compliance officer of the listed entity and the authorised representative of the share transfer agent, wherever applicable, within thirty days from the end of the financial year, certifying compliance with the requirements of sub- regulation (2).*

29. In view of the above, submission of the Noticee 1 is acceptable.

<u>Delayed submission of statement on pending investor complaints</u>

30. As regards delayed disclosure under Regulation 13(3) of the LODR Regulations for the quarters ended on December 2015, December 31, 2016 and December 31, 2018, Noticee 1 submitted that since December 2015 was the first quarter, so there was a delay and the delay w.r.t the remaining alleged quarters was due to inadvertence.

31. From the above, submission of the Noticee 1, it is noted that admittedly, Noticee 1 had delayed the submission of statement providing the number of investors complaint for the December 2015, December 31, 2016 and December 2018 quarters with a delay of 22 days, 8 days and 17 days respectively, which was required to be submitted within 21 days from the end of each quarter in terms of Regulation 13(3) of LODR Regulations, which reads as mentioned below:

<u>Grievance Redressal Mechanism.</u>
13(3) *The listed entity shall file with the recognised stock exchange(s) on a quarterly basis, within twenty one days from the end of each quarter, a statement giving the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter.*

32. Thus, in view of the above delayed disclosure, it stands established that the Noticee 1 has violated Regulation 13(3) of the LODR Regulations.

<u>Delayed disclosure of RPT</u>

33. It is noted that at the time of hearing, Noticee 1 was advised to provide the documentary evidence in support of its claim that there was no RPT and the NIL report was submitted at the behest of BSE in terms of Regulation 23(9) of LODR Regulations. In this regard, Noticee 1 submitted that there were no RPT for the half year ended March 31, 2022 and the same was filed only on the insistence of BSE with a delay of 8 days on June 23, 2022 and also provided a disclosure dated June 23, 2022 addressed to exchange.

34. It is noted from the disclosure dated June 23, 2022 on RPT on consolidated basis for the half year ended on March 31, 2022 under Regulations 23(9) of the LODR Regulations, addressed to BSE, provided by Noticee 1 that it had two RPTs in the

period from October 01, 2021 to March 31, 2022 which was a loan taken by Noticee 1 from Noticee 2 and Noticee 4 to the tune of Rs 2,57,600/- and Rs 4,00,000/- respectively. The said RPTs were also observed from the website of BSE. Thus, it is noted that there were RPTs for the quarter ended on March 31, 2022 in contradiction to Noticee 1's submission that there was no RPT. Further, upon perusal of BSE website, it is noted that the said disclosure on RPT was filed with the exchange on August 16, 2022 at 07:45 PM. It is thus noted that Noticee 1 had not made timely disclosure to the exchange i.e. within 15 days from the date of publication of its standalone and consolidated financial results for the half year ended on March 31, 2022, required to be disclosed by April 15, 2022 in terms of Regulation 23(9) of the LODR Regulations mentioned below, rather than June 23, 2022 as alleged:

> ***Related party transactions.***
>
> **23*[(9)*** *The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website:*
>
> *Provided that a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year:*
>
> *Provided further that the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:*
>
> *Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.]*

35. In view of the above delayed disclosure, submission of the Noticee 1 is not tenable and it stands established that the Noticee 1 has violated Regulation 23(9) of the LODR Regulations.

<u>Delayed submission of Secretarial Compliance report</u>

36. Noticee 1 submitted that the Annual secretarial compliance report for the year ended March 31, 2021 was filed with BSE on June 28, 2021 and the delay of 2208 days in filing as alleged in the SCN is wrong.

37. Noticee 1 was advised to provide documentary evidence in support of having submitted Secretarial compliance report for the FY 2020-21 in terms of Regulation 24A of the LODR Regulations. In this regard, it is noted that the Noticee 1 has provided a screenshot on submission of Secretarial compliance report dated June 28, 2021, which reads as mentioned below:

"Submission of Secretarial Compliance Report for the year ended on March 2021"

38. In terms of Regulation 24A of the LODR Regulations, the compliance report was required to be submitted within 60 days from the end of financial year i.e. by May 30, 2021. However, it is observed that the Noticee 1 did not submit report within May 30, 2021 and submitted with a delay of 29 days. The relevant provisions are mentioned below:

<u>[Secretarial Audit {and Secretarial Compliance Report}.</u>

24A. {(1) *Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex a secretarial audit report given by a company secretary in practice, in such form as specified, with the annual report of the listed entity.}]*

***{(2)** Every listed entity shall submit a secretarial compliance report in such form as specified, to stock exchanges, within sixty days from end of each financial year.}*

39. In view of the above, it stands established that the Noticee 1 has violated Regulation 24A of the LODR Regulations.

<u>Delayed intimation of change in Directors</u>

40. Noticee 1 submitted that change in directors had been intimated with a delay of about 17 days in March 2017 and the delay was due to a delay in receipt of forms / consents from the directors and the delay was not intentional. It further submitted that it had intimated the exchange as soon as the consent / letter confirming their appointment/ resignation from the concerned directors was received.

41. From the above submission of the Noticee 1 it is noted that admittedly there was a delay in intimation w.r.t appointment of Director on March 30, 2017 and cessation of Directors in March 21, 2017, March 22, 2017 and March 27, 2017 and the same was delayed by 17 days.

42. Thus, in view of the above delayed disclosure, it stands established that the Noticee 1 has violated Regulation 30(4)(i)(b) of the LODR Regulations.

<u>Delayed submission of statement showing holding of securities and shareholding pattern</u>

43. As regards delay in filing the shareholding pattern for the quarter ended June 2016, June 2018 and September 2019 by one day, Noticee 1 submitted that all the filings for those quarters were revised filings due to an error and the originals had been

submitted on time and that no communication of fine or penalty was received from the exchange on these filings till date.

44. During the course of hearing, Noticee 1 was advised to provide the documentary evidence in support of having submitted the original and revised shareholding pattern to exchange in terms of Regulation 31(1) of LODR Regulations mentioned below and having timely submitted the same

> ***Holding of specified securities and shareholding pattern.***
>
> ***31(1)*** *The listed entity shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by the Board from time to time within the following timelines -*
>
> *(a) one day prior to listing of its securities on the stock exchange(s);*
>
> *(b) on a quarterly basis, within twenty one days from the end of each quarter; and,*
>
> *(c) within ten days of any capital restructuring of the listed entity resulting in a change exceeding two per cent of the total paid-up share capital.*
>
> *Provided that in case of listed entities which have listed their specified securities on SME Exchange, the above statements shall be submitted on a half yearly basis within twenty one days from the end of each half year.*

45. In this regard, it is noted that Noticee 1 has provided screenshots for the period ended on June 2016, June 2018 and September 2019. The same was also perused from the website of BSE wherein it was observed that for the quarter ended on June 2016, Noticee 1 had made a revised filing with BSE on July 22, 2016, for the quarter ended on June 2018, it had filed shareholding pattern originally on July 20, 2018

and revised filing was made on August 01, 2018. Similarly, for the quarter ended on September 2019, Noticee 1 had filed the shareholding pattern originally on October 22, 2019 and had made revised filing with BSE on November 04, 2019. Thus, from the above, it is noted that the Noticee 1 had timely filed the original shareholding pattern with the exchange i.e. within a period of 21 days on all the occasions after taking into account the holidays between the date of filing and the end of respective quarters.

46. In view of the above, it is observed that the Noticee 1 made timely submission in terms of Regulation 31(1) of the LODR Regulations.

<u>Delayed compliance w.r.t Regulation 40(9) of the LODR Regulations</u>

47. Noticee 1 submitted that it had submitted to the exchange certificate for the half year ended on September 30, 2016 on October 29, 2016 and had also submitted the certificates for the half year ended March 31, 2017 on April 29, 2017 required in terms of Regulation 40(9) of LODR Regulations and provided the relevant documents.

48. From the documents provided by the Noticee 1, it is noted that Noticee 1 vide disclosures dated October 29, 2016 and April 29, 2017 to BSE had submitted the compliance certificate for the half year ended on September 30, 2016 and year ended on March 31, 2017 respectively within 30 days from the end of the financial year in terms of Regulation 40(9) of the LODR Regulations, which reads as mentioned below:

Transfer or transmission or transposition of securities.

40(9) *The listed entity shall ensure that the share transfer agent and/or the in-house share transfer facility, as the case may be, produces a certificate from a practicing company secretary within thirty days from the end of the financial year, certifying that all certificates have been issued within thirty days of the date of lodgement for transfer, subdivision, consolidation, renewal, exchange or endorsement of calls/allotment monies.*

49. Thus, from the above, it is concluded that the Noticee 1 had timely submitted the Compliance certificates in terms of Regulation 40(9) of the LODR Regulations.

Delayed submission of voting results to the Exchange

50. As regards alleged violation of provision of Regulation 44(3) of LODR Regulations, Noticee 1 submitted that the said Regulation stipulates that the voting results/ scrutinizers report be submitted within 48 hours of the conclusion of the meeting and the meeting is considered to be concluded on the declaration of the result on the resolutions. The Scrutinizer has two days to submit the report and the Company has 48 hours thereafter to submit the result to the stock exchange. It further added that while there had been a delay of about 4 days for the AGM of September 29, 2017, there had been a delay of 1 day for the AGM of September 30, 2019.

51. At this juncture, it is pertinent to refer to the relevant provision of Regulation 44(3) of the LODR Regulations, which reads as mentioned below:

[Meetings of shareholders and voting].

44(3) *The listed entity shall submit to the stock exchange, within two working days of conclusion of its General Meeting, details regarding the voting results in the format specified by the Board.*

52. From the above Regulation 44(3) of the LODR Regulations, it is noted that the said Regulation clearly provides for submission of voting results to exchange within two working days of conclusion of General meeting by the company, in the instant case, by Noticee 1 and the said provision nowhere provides for submission of the voting results pursuant to submission of report by Scrutinizer and further it also nowhere specifies that the meeting would be construed as completed post scrutinizer submit its report. In the instant case Noticee 1 had conducted meeting of the shareholders on September 29, 2017 and September 30, 2017 whereas voting results were submitted by it to exchange with a delay of 4 days and 1 day respectively on both the above occasions on October 07, 2017 and October 4, 2017 and the said delay has been admitted by the Noticee 1. Thus, the Noticee 1 was found to be non-compliant with the Regulation 44(3) of the LODR Regulations.

53. In view of the above, it stands established that the Noticee 1 has violated Regulation 44(3) of the LODR Regulations.

Alleged Violation 2: Failure to make open offer

54. It is observed from the capital build-up of promoters that open offer was triggered first during FY 2013-14 and second time during FY 2014-15. The details of alleged failure to make the open offer are as mentioned in Table 5 below:

Table 5:

S No.	Financial year	Promoter Shareholding		Regulation Triggered	Compliance Status
		Prior	Post		
1	FY 2013-14	23.94%	27.34%	3(1) and 4	Non-Compliance
2	FY 2014-15	27.34%	32.87%	3(2) and 4	Non-Compliance

55. With regard to the aforesaid, the details of the holding which allegedly triggered open offer during FY 2013-14 is tabulated in table 6 below:

Table 6:

Open Offer Triggered during FY 2013-14

Sr No.	Promoter Name	No. of Shares	%
1	Shree Goyal Vyas	1060000	6.79
2	Shiv Kumar Singhal	2360000	15.13
3	Shakuntala Vyas	20010	0.13
4	Rita Singhal	294000	1.88
	TOTAL	**3734010**	**23.94**

56. The acquisition/disposal of shares in Noticee 1 by Noticee 3 and one Ms Shakuntala Vyas is as tabulated in table 7 below:

Table 7

Sr No.	Promoter Name	Type of Transaction	No. of Shares	%
1	Madhavi Vyas	Buy	551424	3.53
2	Shakuntala Vyas	Sell	20010	0.13

57. The shareholding of the Noticee 2, 3, 4 and 5 in the Noticee 1 post the transaction which allegedly triggered open offer is as tabulated in table 8 below:

Table 8:

Sr No.	Promoter Name	No. of Shares	%
1	Shree Goyal Vyas	1060000	6.79
2	Shiv Kumar Singhal	2360000	15.13
3	Madhavi Vyas	551424	3.53
4	Rita Singhal	294000	1.88
	TOTAL	**4265424**	**27.34**

58. From the above tables, it is observed that the collective shareholding of the promoters increased from 23.94% to 27.34% during FY 2013-14. In terms of Regulations 3(1) of SAST Regulations, if an acquisition of shares by a person in a target company results in increase in individual shareholding of such person to a level which entitles him to exercise twenty-five per cent or more of the voting rights of such target company, such person is under an obligation to make a public announcement of an open offer for acquiring shares of the target company irrespective of whether there is a change in the aggregate shareholding with persons acting in concert. Thus, the Noticee 2, 3, 4 and 5 allegedly breached the threshold limit of 25% provided under Regulation 3(1) of SAST Regulations, thereby triggering

the obligation of making an open offer in accordance with the provisions of the SAST Regulations, 2011.

59. Further, in terms of Regulations 4 of SAST Regulations, an acquirer should not acquire control over such target company directly or indirectly, unless he/she makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations. In the instant case Noticee 3 bought 5,51,424 shares amounting to 3.53% and thus, allegedly acquired control over the Noticee 1 along with Noticee 2, 4 and 5.

60. Similarly, the details of the holding, which allegedly triggered open offer during FY 2014-15 is tabulated below:

Table 9

Open Offer Triggered during FY 2014-15

Sr No.	Promoter Name	No. of Shares	%
1	Shree Goyal Vyas	1060000	6.79
2	Shiv Kumar Singhal	2360000	15.13
3	Madhavi Vyas	551424	3.53
4	Rita Singhal	294000	1.88
	TOTAL	**4265424**	**27.34**

61. The acquisition/disposal of shares in Notice 1 by Noticee 4, 6 and 7 is as under:

Table 10

Sr No.	Promoter Name	Type of Transaction	No. of Shares	%
1	S K Singhal	Buy	1044000	6.69
2	Ayush Singhal	Buy	110000	0.70513
3	Megha Jain	Buy	2715	0.0174

62. The shareholding of the Noticee 2, 3, 4, 5, 6 and 7 in the Noticee 1 post the transaction which allegedly triggered open offer is as mentioned in Table 11 below:

Table 11:

Sr No.	Promoter Name	No. of Shares	%
1	Shree Goyal Vyas	1060000	6.79
2	Shiv Kumar Singhal	2360000	21.82
3	Madhavi Vyas	551424	3.53
4	Rita Singhal	294000	1.88
5	Ayush Singhal	110000	0.71
6	Megha Jain	2715	0.02
	TOTAL	**5128139**	**32.87**

63. From the above tables 9-11, it is observed that the collective shareholding of the promoters increased from 27.34% to 32.87% and in terms of Regulations 3(2) of SAST Regulations, if increase in shareholding/voting rights was more than the permissible creeping acquisition of 5% in a financial year, the promoters were under obligation to make public announcement in accordance with provisions of regulation 3(2) of the SAST Regulations. In the instant case, the Noticee 2 to 7 allegedly did not make public announcement of open offer even though they breached the

threshold limit for acquisition of 5% In the financial year 2014-15, which is allegedly in contravention of Regulation 3(2) of SAST Regulations.

64. Further, on perusal of Regulations 4 of SAST Regulations, it is observed that acquirer shall not acquire control over such target company directly or indirectly, unless he makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations in the instant case, Noticee 7 and 6 bought 1,10,000 & 2,715 shares amounting to 0.70513% & 0.0174 respectively and thus acquired control over the Noticee 1 along with Noticee 2, 3, 4, 5.

65. Accordingly, in view of the above, it is alleged that the Noticee 2, 3, 4, 5, 6 and 7 have violated Regulations 3(1), 3(2) and 4 of SAST Regulations by having failed to make open offer for the financial year 2013-14 and 2014-15 by Noticee 2-6 and for FY 2014-15 by Noticee 7.

66. Noticees submitted that Noticee 3 acquired 20010 shares from Shakuntala Vyas, another promoter and immediate relative and 4,88,520 shares from Neelam Marbles Private Limited, which was another group entity and was holding shares in Noticee 1 for more than 3 years at the time of acquisition. They submitted that Noticee 3 had acquired only 42,894 shares from the market. Hence, 20,010 shares were by way of an eligible inter-se transfer and that the shareholding pattern from the quarter ended September 30, 2011 clearly showed that BSA Holding Private Limited continued to hold 10,30,030 equity shares constituting 6.6% of the total paid-up capital of the Noticee 1. This has already been accepted by the Noticees in their

submissions above and was wrongly classified as public due to ignorance and hence if this holding is clubbed with the holding of the promoters the shareholding of the promoters as on September 30, 2010 and again on the date of acquisition of shares by Noticee 3 in 2013, would be 31.50% which is more than 25% the threshold limit specified under Regulation 3(1). Hence, the acquisition by Noticee 3 and Noticee 5 of 4.81% in the FY 2013-14 did not trigger the requirement of making an open offer under the SAST Regulations.

67. Noticees submitted that there was acquisition of 10,44,000 shares, constituting 6.69% by Noticee 4, 1,10,000 shares by Noticee 7 constituting 0.705% and 2715 shares by Noticee 6 constituting 0.01% and Noticee 4 had acquired from SGPPL and if in case Noticees consider SGPPL as part of the promoter then this would be an eligible inter-se transfer of shares amongst promoters and accordingly, if this transfer is deducted from the total acquisition of shares during the year, the number of shares acquired would be less than 5% and hence there will be no trigger.

68. As regards acquisition of control due to acquisition of shares submitted that since Noticee 2 and Ms Shakuntala Vyas were already in control of the Noticee 1, there was no acquisition of control therefore, there is no trigger in the acquisition of shares by Noticee 2 in FY 2013-14. They further submitted that the control is not defined by way of acquisition of shares but by the ability to appoint majority of directors and take decisions with regard to the operations of the Company. Since the control of the Noticee 1 was already with the family members, there is no acquisition of control by the acquisition of 1,10,000 constituting 0.705% and 2715 shares constituting 0.01 % by Noticee 6 and 7 respectively.

69. As already established in the pre-paragraphs and admitted by Noticee 1, BSA was a promoter group entity and was wrongly classified as Public shareholder. In this regard, it is noted that BSA had been holding 6.60% shareholding of i.e. 10,30,030 shares of Noticee 1 as observed from the shareholding pattern of Noticee 1 filed with BSE for the period from Jan 2007 to FY 2014-15. Thus, considering the above, the shareholding of promoters including BSA is mentioned in table 12 below:

Table 12: Shareholding of the promoters before acquisition and disposal of shares by Noticee 3 and Ms Shakuntala Vyas respectively

Sr No.	Promoter Name	No. of Shares	%
1	Shree Goyal Vyas	1060000	6.79
2	Shiv Kumar Singhal	2360000	15.13
3	Shakuntala Vyas	20010	0.13
4	Rita Singhal	294000	1.88
5	BSA Holdings Private Limited	10,30,030	6.60
	TOTAL	**4764010**	**30.54%**

70. As per table 13 below, Noticee 3 and Ms Shakuntala Vyas had bought and sold 551424 shares and 20010 shares respectively, which was 3.53% and 0.13% of the shareholding of Noticee 1

Table 13:

Sr No.	Promoter Name	Type of Transaction	No. of Shares	%
1	Madhavi Vyas	Buy	551424	3.53
2	Shakuntala Vyas	Sell	20010	0.13

71. Subsequent to the acquisition/selling of shares, shareholding of the promoters stands as follows in table 14:

Table 14: Shareholding of promoters After acquisition and disposal of shares by Noticee 3 and Ms Shakuntala Vyas respectively

Sr No.	Promoter Name	No. of Shares	%
1	Shree Goyal Vyas	1060000	6.79
2	Shiv Kumar Singhal	2360000	15.13
3	Madhavi Vyas	551424	3.53
4	Rita Singhal	294000	1.88
5	BSA Holdings P Limited	1030030	6.60
	TOTAL	**5295454**	**33.94**

72. From the above, it is observed that the shareholding of the promoters before acquisition of shares by Noticee 3 and Madhavi Vyas was 30.54% as against 23.94%, as alleged in table 6 above. Pursuant to acquisition of shares by Noticee 3 and Madhavi Vyas, the shareholding reached to 33.94% and not 27.34% as alleged in table 8 above. Thus, the shareholding of promoters was already 30.54% before acquisition/selling of shares and hence the transaction did not attract Regulation 3(1) of the SAST Regulations. In view of the foregoing, there was no requirement on the part of the above Noticees to make public announcement of open offer in accordance with the Regulation 3(1) of SAST Regulations in FY 2013-14, consequently, Regulation 4 of SAST Regulations is also not attracted as there was no change in control as alleged.

73. With respect to classification of SGPPL under public category, Noticee 1 submitted that Noticee 5 is only a Director in SGPPL and not a shareholder, hence, the same has been rightly classified under public category. With regard to open offer in FY 2014-15, it is noted from the material available on record that the shareholding of Noticee 2, 3, 4, 5 and BSA was 33.94% with 52,95,45 shares of Noticee 1 in the beginning of FY 2014-15 and the same is tabulated in table 15 below:

Table 15:

Sr No.	Promoter Name	No. of Shares	%
1	Shree Goyal Vyas	1060000	6.79
2	Shiv Kumar Singhal	2360000	15.13
3	Madhavi Vyas	551424	3.53
4	Rita Singhal	294000	1.88
5	BSA Holdings Private Limited	1030030	6.60
	TOTAL	**5295454**	**33.94**

74. As per table 16 below, it is observed that there was acquisition of shares by Noticee 4, 6 and 7 as the Noticee 4, 6 and 7 bought 1044000 shares, 2715 shares and 110000 shares in Noticee 1 constituting 6.69% and 0.0174% and 0.70%. respectively.

Table 16:

Sr No.	Promoter Name	Type of Transaction	No. of Shares	%
1	S K Singhal	Buy	1044000	6.69
2	Ayush Singhal	Buy	110000	0.70513
3	Megha Jain	Buy	2715	0.0174

75. Subsequent to the acquisition of shares by promoters, the shareholding of the promoters stands as mentioned in table 17 below:

Table 17: Shareholding of Noticee 2, 3, 4, 5, 6 and 7 including BSA in the FY 2014-15 pursuant to acquisition of shares by Noticee 4, 6 and 7:

Sr No.	Promoter Name	No. of Shares	%
1	Shree Goyal Vyas	1060000	6.79
2	Shiv Kumar Singhal	2360000	21.82
3	Madhavi Vyas	551424	3.53
4	Rita Singhal	294000	1.88
5	Ayush Singhal	110000	0.71
6	Megha Jain	2715	0.02
7	BSA Holdings P Limited	1030030	6.60
	TOTAL	**6158169**	**39.47**

76. From the table 15 above, it is observed that the shareholding of promoters before acquisition of shares by Noticee 4, 6 and 7 was 33.94%. Pursuant to acquisition of shares by the Noticee 4, 6 and 7, the shareholding of promoters reached to 39.47%. Thus, pursuant to the acquisition of shares, the shareholding of promoters goes from 33.94% to 39.47%, which is crossing for 5% and hence, there was a trigger of open offer in terms of Regulation 3(2) of the SAST Regulations. Thus, Noticee 2-7 were required were required to make public announcement of open offer in accordance with provisions of Regulation 3(2) of the SAST Regulations, which they failed to do. The relevant provision is mentioned below:

***3(2)** No acquirer, who together with persons acting in concert with him, has acquired and holds in accordance with these regulations shares or voting rights in a target company entitling them to exercise twenty-five per cent or more of the voting rights in the target company but less than the maximum permissible non-public shareholding, shall acquire within any financial year additional shares or* *voting rights in such target company entitling them to exercise more than five per cent of the voting rights, unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations:*

77. Thus, without making public announcement of open offer Noticee 2-7 violated Regulation 3(2) of the SAST Regulation. Further, Regulation 4 of SAST Regulations is also not attracted as there was no change in control as alleged.

<u>Alleged Violation 3: Non- disclosure of shareholding by Noticee 4</u>

78. It is observed that in terms of Regulation 29(2) of SAST Regulations, any person together with person acting in concert holding 5% or more of voting rights of target company shall disclose change in shareholding when such change exceeds 2% of shareholding of target company. In this regard, it is observed from the table 10 above that the Noticee 4 had bought 1044000 shares of the Noticee 1 during FY 2014-15, which was 6.69% of the shareholding of the Noticee 1 and Noticee 4 allegedly did not make disclosure under Regulation 29(1) & 29(2) read with Regulation 29(3) of SAST Regulations within 2 working days to Exchange and to the Noticee 1 regarding the said transaction. Further, BSE vide its email dated July 28, 2023 had confirmed that it did not receive the disclosures for the aforesaid transaction.

79. Accordingly, in view of the above non-disclosure w.r.t the change in shareholding of the Noticee 4, it is alleged that the Noticee 4 has violated Regulation 29(2) r/w 29(3) of the SAST Regulations.

80. Noticee 4 submitted the same was an oversight and requested to take a lenient view on the same.

81. From the above submission of the Noticee 4, it is noted that the Noticee 4 had admittedly not made disclosure w.r.t 1044000 shares of the Noticee 1 bought by him during the FY 2014-15 wherein his shareholding was 6.69% in Noticee 1. Since Noticee 4 was already holding greater than 5% of the shareholding in Noticee 1 and the overall change in his shareholding was more than 2% from the FY 2013-14 wherein he was holding 15.13% shares of Noticee 1, the same was required to be disclosed to the exchange and to the Noticee 1 within 2 days in terms of Regulation 29(2) r/w 29(3) of the SAST Regulations, which the Noticee 4 failed to do. The relevant Regulations are mentioned below:

> ***29. (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; and such change exceeds two per cent of total shareholding or voting rights in the target company, in such form as may be specified.*
>
> ***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."*

82. Thus, in view of the above, it stands established that the Noticee 4 has violated Regulation 29(2) r/w 29(3) of the SAST Regulations.

<u>Issue No. II: If yes, does the violation, on part of the Noticees would attract monetary penalty under Section 15H(ii) & 15A(b) of the SEBI Act, as applicable?</u>

83. As it has been established in the paragraphs above that the Noticees have violated the following provisions of SAST Regulations and LODR Regulations as mentioned in table below:

Sr. No.	Alleged Violations by (Noticees)	Regulatory provisions
1.	Noticee 1	Regulation 31(4) of LODR Regulations; Regulation 29(1)(a) of LODR Regulations; Regulation 13(3), 23(9), 24A, 30(4)(i)(b) and 44(3) of LODR Regulations;
2.	Noticee 2-7	Regulations 3(2) of SAST Regulations;
3.	Noticee 4	Regulation 29(2) r/w 29(3) of the SAST Regulations

84. In context of the above, I refer to the observations of Hon'ble Supreme Court in the matter of ***Chairman, SEBI vs. Shriram Mutual Fund*** {[2006] 5 SCC 361} wherein the Hon'ble Court had observed *"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. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not."*

85. In this regard, reliance is placed on the order of the Hon'ble SAT in the matter of ***Virendrakumar Jayantilal Patel vs. SEBI*** (Appeal No. 299 of 2014 order dated October 14, 2014), wherein Hon'ble SAT 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."*

86. Therefore, in view of the foregoing and placing reliance on the above judgements of the Hon'ble Apex Court & SAT, Noticee 1 and 4 are liable for penalty under Section 15A(b) of the SEBI Act and Noticee 2-7 are liable for monetary penalty under Section 15H(ii) of the SEBI Act, the relevant sections are reproduced hereunder:

<u>Penalty for non-disclosure of acquisition of shares and takeovers</u>

> ***15H.*** *If any person, who is required under this Act or any rules or regulations made thereunder,*
>
> *fails to,—*
>
> *(ii) make a public announcement to acquire shares at a minimum price; he shall be liable to a penalty which shall not be less than ten lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher.*
>
> ***<u>Penalty for failure to furnish information, return, etc.</u>***
>
> ***15A*** *Any person, who is required under this Act or any rules 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 or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], 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]];*

Issue No. III: If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act?

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

SEBI Act, 1992

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.

88. The main objective of LODR Regulations is to afford fair treatment for the investors. The Regulation seeks to achieve the fair treatment by *inter alia* mandating timely disclosure of adequate information to enable investors to make an informed decision and ensuring that there is a fair and informed market. Correct and timely disclosures are also an essential part of the proper functioning of the securities market and failure to do so results in preventing investors from taking well-informed decisions. Thus, the cornerstone of such provisions is investor protection. Further, these timely

disclosures are of significant importance from the point of view of the Regulators also.

89. Hon'ble SAT in the case of ***M/s. Coimbatore Flavors& Fragrances Ltd. & Ors vs SEBI*** (Appeal No. 209 of 2014 order dated August 11, 2014), has held that:

"Undoubtedly, the purpose of these disclosures is to bring about more transparency in the affairs of the companies. True and timely disclosures by a company or its promoters are very essential from two angles. Firstly; investors can take a more informed decision to invest or not to invest in a particular scrip secondly; the Regulator can properly monitor the transactions in the capital market to effectively regulate the same."

90. Hon’ble SAT, in the aforesaid order, has articulated the importance of true and timely disclosures.

91. Further with respect to open offer, it is noted that the primary objective of the takeover code is to provide an exit route to the public shareholders when there is acquisition of shares beyond the Regulatory limit. This right to exit is an invaluable right and the shareholders cannot be deprived of such right. In the instant case, Noticee 2-7 by acquiring more than 5% of the voting right were required to make open offer whereby they would have acquired 40,56,000 shares (26%of 1,56,00,000 shares- paid up share capital) in 2014-15. The offer price as computed in terms of Regulation 8 (1) and 8(2) of SAST Regulations for FY 2014-15 comes to Rs. 3.32/- Considering that on the trigger, acquirers have to acquire at least 26% of the paid up share capital, the Noticee 2-7 would have to thus shell out approx. Rs. 1.35

crores to meet their regulatory obligation. However, considering the time period elapsed since the occurrence of the violation, that there has been no apparent change in control as the Noticees were already holding 33%, the penalty amount being considered for this violation has been arrived at after factoring these issues.

ORDER

92. 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 also taking into account judgment of the Hon'ble ***Supreme Court in SEBI vs. Bhavesh Pabari*** (2019)5 SCC 90 and in exercise of power conferred under Section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI Adjudication Rules, 1995, following penalty under Section 15H(ii) and 15A(b) of the SEBI Act, as applicable is imposed upon the Noticees for violation of the aforementioned provisions of LODR Regulations & SAST Regulations:

Name of the Noticees	Penal provisions	Penalty(Rs)
Jagjanani Textiles Limited Shri Shiv Kumar Singhal	Section 15A(b) of the SEBI Act	Rs 7,00,000/- (Rupees Seven Lakhs Only) Rs 2,00,000/- (Rupees Two Lakhs Only)
Shri Gopal Vyas		

Ms Madhavi Vyas	Section 15H)(ii) of the SEBI Act	Rs 50,00,000/- (Rupees Fifty Lakhs Only) (To be paid Jointly & Severally by the Noticee 2-7)
Shri Shiv Kumar Singhal		
Ms Rita Singhal		
Ms Megha Jain		
Shri Ayush Singhal		

93. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: **ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW**. In case of any difficulties in payment of penalties, Noticees may contact the support at portalhelp@sebi.gov.in.

94. 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.

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

BARNALI MUKHERJEE Digitally signed by BARNALI MUKHERJEE Date: 2024.11.18 17:28:52 +05'30'

Date: November 18, 2024 **BARNALI MUKHERJEE**

Place: Mumbai **ADJUDICATING OFFICER**