BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/AK/AJ/2023-24/ 28371-28375

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

Noticee No. 1: **Ashokkumar Raghuram Thakker** **(PAN: AARPT7698E)** 507/2, Shree Raghuvir Bunglow, Science City Road, Nr.Sundaram Residency, Sola, Ahmedabad-380 060. Email: artnirman@gmail.com ashok@clubbabylon.in ashokthakkar@artnirman.com info@artnirman.com	**Noticee No. 2:** **Dharmisthaben Ashokkumar Thakkar** **(PAN: ACAPT0626R)** 507/2, Shree Raghuvir Bunglow, Science City Road, Nr.Sundaram Residency, Sola, Ahmedabad-380 060. Email: artnirman@gmail.com info@artnirman.com
Noticee No. 3: **Pitushkumar Chandrakantbhai Thakkar** **(PAN: AEJPT8651B)** 106-Anusthan Bungalows, Opp. Anurag Bungalows, Sola, Ahmedabad-380 060. Email: piyushthakkar@artnirman.com piyushthakkar09@gmail.com peppy_piyush@yahoo.com	**Noticee No. 4:** **Raghurambhai Vasrambhai Thakkar** **(PAN: AARPT7174R)** 507/2, Shree Raghuvir Bunglow, Science City Road, Nr.Sundaram Residency, Sola, Ahmedabad-380 060. Email: ashokthakkar@artnirman.com ashokthakkar.art@gmail.com
Noticee No. 5: Art Nirman Limited (PAN: AADCV5658D) Unit-1, Club Babylon, Survey No. 223/5, S P Ring Road, Nr Bhadaj Circle, at Bhadaj Ahmedabad- 380 060. Email: artnirman@gmail.com; info@artnirman.com	

In the matter of Art Nirman Limited

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) had noticed that Mr. Ashokkumar Raghuram Thakker **(Noticee No. 1)**, Mrs. Dharmisthaben Ashokkumar Thakkar **(Noticee No. 2)**, Mr. Piyushkumar C Thakkar **(Noticee No. 3),** Mr. Raghurambhai Varsambhai Thakkar **(Noticee No. 4)** and Art

Nirman Limited **(Noticee No. 5)** (hereinafter collectively referred to as **'Noticees'**) have violated provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as the "**PIT Regulations**").

2. It was observed that Noticee No. 5, listed at National Stock Exchange of India Limited (NSE), had allotted 1,27,80,000 convertible warrants on September 01, 2018 to its promoters and members of promoter group, i.e. Noticees No. 1 to 4. Pursuant to the said allotment, Noticees No. 1 to 4 were required under Regulation 7(2)(a) of PIT Regulations to make disclosure to Noticee No. 5, within two trading days i.e. by September 04, 2018. However, it was observed that Noticees No. 1 to 4 intimated the acquisition of the convertible warrants to Noticee No. 5 only in the year 2021, i.e. with a substantial delay. The details of the date of intimation to Noticee No. 5 by Noticees No. 1 to 4 and the number of days of delay is given hereunder;

Table No: 1:

Name of the Entities	No. of Warrants acquired	Date of acquisition of warrants	Whether the intimation was required as per Reg 7(2) (a) of PIT Regulations (Yes/No)	Due date of Intimation to the company	Actual Date of Intimation to the company	No. of Days of Delay
Mr. Ashokkumar Raghuram Thakker	1,01,70,000	01/09/2018	Yes	04/09/2018	05/03/2021	913
Mrs. Dharmisthaben Ashokkumar Thakkar	8,70,000	01/09/2018	Yes	04/09/2018	07/03/2021	915
Mr. Piyushkumar Chandrakantbhai Thakkar	8,70,000	01/09/2018	Yes	04/09/2018	05/03/2021	913
Mr. Raghurambhai Varsambhai Thakkar	8,70,000	01/09/2018	Yes	04/09/2018	05/03/2021	913

3. Further, it was observed that Noticee No. 5 failed to intimate NSE about the said acquisition by Noticees No. 1 to 4, as required under Regulation 7(2)(b) of PIT Regulations, the details of which are provided hereunder;

Table No:2

Name of the Entities	Date of Receipt of Intimation from entities on warrants alloted/ Date of becoming aware of allotment of warrants	Due date of Intimation by the company to the Exchange	Actual Date of Intimation by the company to the Exchange	No. of Days of Delay

Mr. Ashokkumar Raghuram Thakker	01/09/2018	04/09/2018	08/03/2021	916
Mrs. Dharmisthaben Ashokkumar Thakkar	01/09/2018	04/09/2018	08/03/2021	916
Mr. Piyushkumar Chandrakantbhai Thakkar	01/09/2018	04/09/2018	08/03/2021	916
Mr. Raghurambhal Varsambhai Thakkar	01/09/2018	04/09/2018	08/03/2021	916

4. SEBI observed that the warrants allotted to Noticees No. 1 to 4 were converted into 1,27,80,000 equity shares of Noticee No. 5 on April 25, 2019 and May 02, 2019. Noticees No. 1 to 4 were required under Regulation 7(2)(a) of PIT Regulations to make disclosure to Noticee No. 5 about the said conversion, within two trading of the said conversion. The details of violations by Noticees No. 1 to 4 are summarized hereunder:

Table No: 3

Name of the Entities	No. of Shares acquired	Date of acquisition of shares(i.e. date of credit of shares in demat account)	Whether the intimation was required as per Reg 7(2) (a) of PIT Regulations (Yes/No)	Due date of Intimation to the company	Actual Date of Intimation to the company	No. of Days of Delay
Mr. Ashokkumar Raghuram Thakker	33,90,000	25/04/2019	Yes	29/04/2019	08/03/2021	679
	67,80,000	02/05/2019	Yes	06/05/2019	08/03/2021	672
Mrs. Dharmisthaben Ashokkumar Thakkar	8,70,000	25/04/2019	Yes	29/04/2019	08/03/2021	679
Mr. Piyushkumar Chandrakantbhai Thakkar	8,70,000	25/04/2019	Yes	29/04/2019	08/03/2021	679
Mr. Raghurambhal Varsambhai Thakkar	8,70,000	02/05/2019	Yes	06/05/2019	08/03/2021	672

5. The disclosure under PIT Regulations pertaining to the said conversion were made by Noticee No. 5 to NSE on March 09, 2021, i.e. with substantial delay. The details of violations by Noticee No. 5 are summarized hereunder:

Table No: 4

Name of the Entities	Date of Receipt of Intimation from entities on conversion of warrants to shares/ Date of becoming aware of conversion of warrants to shares	Due date of Intimation by the company to the Exchange	Actual Date of Intimation by the company to the Exchange	No. of Days of Delay
Mr. Ashokkumar Raghuram Thakker	25/04/2019	29/04/2019	09/03/2021	680
	02/05/2019	06/05/2019	09/03/2021	673

Mrs. Dharmisthaben Ashokkumar Thakkar	25/04/2019	29/04/2019	09/03/2021	680
Mr. Piyushkumar Chandrakantbhai Thakkar	25/04/2019	29/04/2019	09/03/2021	680
Mr. Raghurambhal Varsambhai Thakkar	02/05/2019	06/05/2019	09/03/2021	673

6. In view of the above it was alleged that;

   6.1. Noticee Nos. 1 to 4 have violated Regulation 7(2)(a) of PIT Regulations for the transactions stated at Table No. 1 and 3 above.

   6.2. Noticee No. 5 has violated Regulation 7(2)(b) of PIT Regulations for the transactions stated at Table No. 2 and 4 above.

A. APPOINTMENT OF ADJUDICATING OFFICER

7. Upon being satisfied that there were sufficient ground to enquire into and adjudicate the violations by the Noticees, in exercise of powers of section 15-I (1) of the SEBI Act, 1992 (hereinafter referred to as the **"SEBI Act"**) and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the **"Adjudication Rules"**), SEBI appointed Ms. Geetha G, as Adjudicating Officer (AO), vide order dated May 20, 2022 to inquire into and adjudge the alleged violations by the Noticees. Pursuant to the transfer of Ms. Geetha G, SEBI appointed the undersigned as AO, vide communique dated June 14, 2023.

B. SHOW CAUSE NOTICE, REPLY AND HEARING

8. A joint Show Cause Notice (SCN) EAD-6/AK/AJ/26204/1-3/2023 was sent to the Noticees on June 27, 2023, under rule 4 of the Adjudication Rules to show cause as to why an inquiry should not be initiated against them and why penalty should not be imposed against them under section 15A(b) of the SEBI Act for the alleged violations brought out against them in the SCN.

9. In their response dated July 19, 2023, the Noticees contended that the SCN revolves around the same warrants for which one adjudication order was passed vide order no. Order/GG/VP/2022-23/16824-16837 dated May 31, 2022 and there

are no new facts which have cropped up which commands fresh SCN. The Noticees also referred to the judgements of Hon'b'e Securities Appellate Tribunal (SAT) in the matters of *Anchal Jindal Vs. SEBI, Anita Jajodia Vs SEBI, Nirmal N. Kotecha Vs. SEBI* and *Morepan Laboratories Ltd. Vs SEBI.*

10. Since the said order dated May 31, 2022 was passed in respect of entities, inter alia, Noticees no. 1 to 4, but not in respect of Noticee No. 5, in the interest of principles of natural justice, vide hearing notice dated July 21, 2023, Noticee no. 5 was given an opportunity of personal hearing on July 28, 2023. I note that the digitally signed hearing notice was delivered to the said Noticee by email on July 21, 2023 and the same was also sent by Speed post.

11. The representative of Noticee No. 5 appeared before me on July 31, 2023 and made its submissions based on its reply dated July 19, 2023. Vide email dated July 31, 2023, Noticee No. 5 submitted copy of a letter dated June 01, 2018, addressed to listing department of NSE regarding submission of voting results of EGM held on May 30, 2018 in compliance with regulation 44(3) of the SEBI (LODR) Regulations, 2015. I note that the Noticee has not submitted an acknowledged copy of the said letter and hence no reliance can be extended to the said letter.

C. <u>ISSUES</u>

12. I have perused the submissions put forth by the Noticees regarding alleged violations of PIT Regulations. The issues that arise for consideration are as under:-

    12.1. Whether Noticee Nos. 1 to 4 have violated Regulation 7(2)(a) of PIT Regulations for the transactions stated at Table No. 1 and 3 above and whether Noticee No. 5 has violated Regulation 7(2)(b) of PIT Regulations for the transactions stated at Table No. 2 and 4 above.

    12.2. If yes, whether the violations, if any, attract monetary penalty under the provisions of Section 15A(b) of the SEBI Act? If so, what quantum of monetary penalty should be imposed on the Noticees after taking into consideration the factors mentioned in Section 15J of the SEBI Act?

ISSUE I: Whether Noticee Nos. 1 to 4 have violated Regulation 7(2)(a) of PIT Regulations for the transactions stated at Table No. 1 and 3 above and whether Noticee No. 5 has violated Regulation 7(2)(b) of PIT Regulations for the transactions stated at Table No. 2 and 4 above.

13. I note that, vide order no. Order/GG/VP/2022-23/16824-16837 dated May 31, 2022, the AO had imposed a penalty of Rs. 1,00,000 (Rs. One Lakh Only) each on Noticees no. 1, 2, 3 and 4 under section 15 A (b) of the SEBI Act, for violation of Regulation 29(2) of SAST Regulations in respect of the allotment and conversion of same warrants for which the SCN has been issued in the instant matter, however, in the instant matter allegation is with respect to violation of Regulation 7(2)(b) of PIT Regulations. The said order was appealed against by the Noticees before Hon'ble SAT and the said order of AO was upheld by Hon'ble SAT.

14. I note that the requirements under Regulation 29(2) of SAST Regulations and Regulation 7(2)(a) of PIT Regulations are similar. I note from the order of Hon'ble SAT in the matter of *Vitro Commodities Private Limited, Kolkata* v. *Securities and Exchange Board of India, Mumbai*, wherein it was held that, "*It may be noticed that provisions of Regulations 7(1) of Takeover Regulations, 1997 and Regulation 13(1) of PIT Regulations, 1992 are not substantially different, since violation of first automatically triggers violation of second and hence there is no justification for imposition of penalty for second violation when penalty for first violation has been imposed. It may be seen that Regulation 7(1) of Takeover Regulations, 1997 and Regulation 13(1) of PIT Regulations, 1992 are not stand alone Regulations and one is corollary of other.*"

15. Considering the aforeasid *ratio decendi*, I am of the view that the aforesaid violations of Regulation 7(2)(a) of the PIT Regulations and Regulation 29 read with 29(3) of the SAST Regulations by Noticees no. 1, 2, 3 and 4 can be considered as single violation for the purpose of imposition of penalty on the said Noticees. Since penalty has already been imposed on Noticees no. 1, 2, 3 and 4, vide order no. Order/GG/VP/2022-23/16824-16837 dated May 31, 2022, even though only for

violation arising out of conversion of warrants, I am not inclined to impose any further penalty on Noticees no. 1, 2, 3 and 4 in the instant matter.

16. I note that Noticee no. 5 in the instant matter was not a noticee in the earlier matter and accordingly neither the allegations were made, established nor any penalty was imposed on it, vide order no. Order/GG/VP/2022-23/16824-16837 dated May 31, 2022.

17. I note that as per Regulation 7(2)(b) of the PIT Regulations, "*Every company shall notify the particulars of such trading to the stock exchange on which the securities are listed within two trading days of receipt of the disclosure <u>or from becoming aware of such information</u>.*"

18. I note that even though Noticee no. 5 did not receive information regarding allotment and conversion of warrants from Noticees no. 1, 2, 3 and 4 on time, as a company, which allotted such warrants and converted such warrants into equity shares, Noticee no. 5 was aware of the date of allotment and conversion of warrants allotted to Noticees no. 1, 2, 3 and 4 and should have disclosed the same to the NSE as required under Regulation 7(2)(b) of the PIT Regulations, which was not done by Noticee no. 5 within the prescribed time and there was a substantial delay in disclosing the same, as brought out in the SCN. Thus, it is established that Noticee no. 5 violated Regulation 7(2)(b) of the PIT Regulations.

Issue No. : If yes, whether the violations, if any, attract monetary penalty under the provisions of Section 15A(b) of the SEBI Act? If so, what quantum of monetary penalty should be imposed on the Noticees after taking into consideration the factors mentioned in Section 15J of the SEBI Act?

19. It is pertinent to mention that the disclosure requirements under PIT regulations serve very important purpose. The stock exchange is informed so that the investing public will come to know of the position enabling them to stick on with or exit from

the company. Timely disclosures of the details of the shareholding of the persons acquiring/ transferring substantial stake is of significant importance as such disclosures also enable the regulators to monitor such acquisitions. Hon'ble SAT in the matter of *Coimbatore Flavors & Fragrances Ltd. 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."* Further in the matter of *Appeal No. 66 of 2003 -Milan Mahendra Securities Pvt. Ltd. vs. SEBI,* Hon'ble SAT, vide its order dated April 15, 2005 also held that, *"the purpose of these disclosures is to bring about transparency in the transactions and assist the Regulator to effectively monitor the transactions in the market."*

20. Since the violation of Regulation 7(2)(b) of PIT Regulations by Noticee no. 5 has been established, a suitable penalty ought to be imposed so that such violations do not reoccur.

ORDER

21. In view of the foregoing, I, therefore, in exercise of the powers conferred upon me under Section 15-I of SEBI Act r/w Rule 5 of Adjudication Rules, hereby impose a penalty on Noticee no. 5 only, as under;

Name of the Noticee (PAN)	**Penalty amount in ₹**	**Imposition of penalty under**
Art Nirman Limited (**AADCV5658D**)	2,00,000 (Rupees Two Lakh only)	Section 15A(b) of SEBI Act for violation of the provisions of Regulation 7(2)(b) of PIT Regulations

I find that the said penalty is commensurate with the violations committed by Noticee in this case.

22. Noticee 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

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

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

Date: **July 31, 2023**
Place: **Mumbai**

AMIT KAPOOR
ADJUDICATING OFFICER