BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER: Order/VV/AS/2021-22/14572 - 14576]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992.

In respect of:

1. **Mr. Brij Bhushan Singal (PAN: AEFPS6298M)**
2. **Mr. Neeraj Singal (PAN: ANRPS7986B)**
3. **Mr. Neeraj Singal (HUF) (PAN: AAEHN4557P)**
4. **Ms. Ritu Singal (PAN: ABHPS3711N)**
5. **Ms. Uma Singal (PAN: ANRPS7987A)**

In the matter of Rajlaxmi Industries Limited.

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1. Rajlaxmi Industries Ltd (hereinafter referred as '**Rajlaxmi**' or '**Company**') is a company listed on Bombay Stock Exchange Limited ("**BSE**"). An investigation has been undertaken by the Securities and Exchange Board of India ("**SEBI**") during the period January 01, 2013 to September 30, 2014 (hereinafter referred to as "**investigation period**") for violation of provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as '**PIT Regulations**') and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011(hereinafter referred to as '**SAST Regulations**') by the 5 entities *viz.* Mr. Brij Bhushan Singal (Noticee No. 1), Mr. Neeraj Singal (Noticee No. 2), Mr. Neeraj Singal HUF (Noticee No. 3), Ms. Ritu Singal (Noticee No. 4) and Ms. Uma Singal (Noticee No. 5) (hereinafter together referred as "**Noticees**") of the Company.

2. Pursuant to the investigation, SEBI made the following observations:

   a) It was observed that the Company had made preferential allotment on March 02, 2013 wherein, 3,00,00,000 shares (Three Crores Shares) of Rs. 10/- face value was allotted to 49 entities. The Noticees has been alleged to be Persons Acting in Concert ("PAC") and their shareholding pursuant to the aforesaid preferential allotment in the Company and the subsequent requirement of the disclosure under the SAST Regulations was as follows:

Table 1

Name of Shareholder (Noticee)	Transaction Date	No. of Shares Allotted (Acquired)	No. and % of shares held - post Allotment	Disclosure required under SAST Regulations, 2011	Required date of disclosure	Date of Disclosure to Company & BSE (no. of days delay)
Brij Bhushan Singal	02/03/2013	12,00,000	12,00,000 (3.87%)	29(1) read with 29(3) of the SAST Regulations	**05/03/2013**	**18/03/2013** **(13 days)**
Neeraj Singal	02/03/2013	15,00,000	15,00,000 (4.84%)		**05/03/2013**	**18/03/2013** **(13 days)**
Neeraj Singal (HUF)	02/03/2013	9,00,000	9,00,000 (2.90%)		**05/03/2013**	**18/03/2013** **(13 days)**
Ritu Singal	02/03/2013	15,00,000	15,00,000 (4.84%)		**05/03/2013**	**18/03/2013** **(13 days)**
Uma Singal	02/03/2013	9,00,000	9,00,000 (2.90%)		**05/03/2013**	**18/03/2013** **(13 days)**
Total Shareholding of the Noticees upon allotment			**60,00,000 (19.35%)**			

(***Source: bseindia.com***)

b) From the above table, it was observed that the Noticees as PAC were allotted 60 lakh shares of the Company constituting 19.35% of the shareholding of the Company. As PAC, the Noticees have acquired more than 5% of shares of the Company, therefore, in terms of provisions of Regulation 29(1) read with 29 (3) of the SAST Regulations, they were under the obligation to make disclosure to the BSE within 2 days of such allotment (acquisition) of shares of the Company.

c) It was observed that the Noticees have filed disclosures regarding aforementioned allotment of shares of the Company to BSE on March 18, 2021 i.e. with a delay of 13 days.

d) It was further observed that the shareholding of the Noticees did not undergo any change during the investigation period.

3. In view of the above observations during the investigation period, it has been alleged that the Noticees have made delayed disclosure to BSE in violation of Regulation 29(1) read with 29(3) of the SAST Regulations.

4. Vide a *communication-order* dated July 22, 2021, it has been informed that the competent authority in SEBI is satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violations by the Noticees and appointed the undersigned as Adjudicating Officer under Section 15-I (1) of the SEBI Act, 1992 read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge the alleged violations by the Noticees under Section 15A(b) of the SEBI Act, 1992.

5. Accordingly, a notice to show cause no. EAD - 9/SCN/VKV-AKS/OW/19068/1 - 5/2021 dated August 12, 2021 (hereinafter referred to as '**SCN**') was issued to the Noticees calling upon them to show cause as to why an inquiry should not be held against them in terms of Rule 4 of the Adjudication Rules and why penalty, if any, should not be imposed upon them under Section 15A(b) of the SEBI Act for the aforesaid alleged violations. The SCN was sent to the Noticees through speed post acknowledgement due ("*SPAD*") at their last known address and SCN was duly served upon them, however, no reply to the SCN received from the Noticees. Thereafter, vide digitally signed e-mail dated September 22, 2021 the SCN was again forwarded to the Noticees and advised them to submit reply to the SCN by September 22, 2021. But no reply to the SCN received from the Noticees by scheduled date. Accordingly, after considering the material available on record and in terms of Rule 4(3) of the Adjudication Rules, an opportunity of personal hearing was granted to the Noticees on November 15, 2021 and allowed to file reply to the SCN by 5 days before the date of scheduled hearing as the last opportunity.

6. M/s RRG & Associates ("**AR**") forwarded a letter dated November 08, 2021 under the instructions of the Noticees and stated that the Noticees have not received the SCN in the matter and therefore, requested for copy of the SCN and 7 days' time to file reply to the SCN. The AR also requested for adjournment of hearing scheduled on November 15, 2021. Vide e-mail dated November 09, 2011, the AR and the Noticees were informed that as per the available records, the SCN forwarded at the common addresses (*as available in our record*) of the Noticees "**W-29, Greater Kailash, Part – II, New Delhi – 110 048**", have been duly served on August

21, 2021 *via* SPAD. Further, the Hearing Notice dated October 21, 2021 to the Noticees have also been forwarded on same address (*as mentioned in the SCN*) *via* SPAD and same was duly served upon the Noticees and a copy of said hearing notice was made available to the Noticees. Further, vide digitally signed e-mail dated September 22, 2021, the copy of SCN along with the Annexures to the SCN as relied upon documents has been forwarded to the Noticees. In this regard, AR and the Noticees were provided with the copy of SCN, Annexures to the SCN and the copy of e-mails once again and were advised to file reply to the SCN by November 14, 2021 and to appear for hearing on the scheduled date. Accordingly, vide letter dated November 12, 2021, the AR has filed a common reply to the SCN and *inter alia* made following written submissions:

a. There is an unexplained and inordinate delay of more than 8 years in issuing show cause notice from the date of the alleged violation under the SAST Regulations, which relates back to March 05, 2013. In this regard, the Noticees have placed reliance upon the judgement of Hon'ble Securities Appellate Tribunal ("**SAT**") in the matter of *HB Stockholdings Ltd. v/s SEBI* (Appeal No. 114 of 2012 decided on 27.08.2013).

b. Even though there is no period of limitation prescribed in the SEBI Act and Regulations in the issuance of an SCN or for completion of the adjudication proceedings, the authority is required to exercise its powers within a reasonable period as held recently in *SEBI vs. Bhavesh Pabari (2019)* SCC OnLine SC 294.

c. The Noticees further placed reliance and refer upon another authoritative pronouncement passed recently by the Hon'ble SAT in *Ashlesh Gunvantbhai Shah Vs SEBI (*Appeal No. 169 of 2019 Date of Decision: 31.01.2020), wherein the Hon'ble SAT thereby considering the delay of 7 years in issuing show cause notice was pleased to allow the Appeal of the noticee therein. It is further pertinent to state that the Hon'ble SAT while upsetting the order of penalty has relied upon the judgment passed by the Hon'ble Apex court in *Bhavesh Pabari (Supra).*

d. The Noticees have made investment to the tune of Rs. 6,00,00,000 in the Company namely, Rajlaxmi Industries Limited and the said company does not belong to the category of promoter and promoter group.

e. The purported delay in disclosure, if any was purely unintentional and was delayed to due to the factors beyond the Noticees' control and was on account of inadequate professional expertise and advice.

f. The said delayed disclosure, if any, neither resulted in any undue benefit to the Noticees nor caused any loss to any of the promoters/investors or group of investors. The Noticees have not made any disproportionate gain or has taken any unfair advantage, as a result of the alleged default.

g. There are no other instances when the Noticees have contravened the provisions of the SAST Regulations and the PIT regulations, which indicates that the default by the Noticees was not repetitive in nature.

h. In view of aforesaid submissions, the Noticees requested to drop the charges alleged against them in the SCN.

7. On November 15, 2021, Ms. Ranjana Roy Gawai, Advocate, Mr. Ujjawal Jain, Advocate and Ms. Vasudha Sen, Advocate appeared before me for the personal hearing on behalf of the Noticees and the aforesaid Authorized Representatives made submissions and advanced arguments on the basis of the Noticees common reply dated November 12, 2021. Accordingly, the hearing concluded on November 15, 2021.

8. I have considered the allegation levelled in the terms of reference, the relevant material brought on record, reply/ submissions of the Noticees and oral submissions made during the personal hearing before the undersigned. Before dealing the case, it would be appropriate to provide reference to the provisions alleged to be violated by the Noticees at the relevant times and same read as under: -

SAST Regulations, 2011

Disclosure of acquisition and disposal.

29. (1) Any acquirer who acquires 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, aggregating to five per cent or more of the shares of such target company, shall disclose their aggregate shareholding and voting rights in such target company in such form as may be specified.

(3) The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within two working days of the receipt of intimation of allotment of shares, or the acquisition 70[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.

9. It is an admitted position that the Noticees are the PAC and have made investment to the tune of Rs. 6,00,00,000 in the Company. It is also admitted by the Noticees that there is a delay of 13 days in making disclosure to the BSE under the requisite provisions of the SAST Regulations. However, the Noticees have raised the technical objection regarding delay in initiation of the instant proceedings and issuance of the SCN for the alleged violation. In this regard the Noticees have placed reliance upon the judgement of the Hon'ble SAT in the matter of *HB Stockholdings Ltd. (Supra)* and *Ashlesh Gunvantbhai Shah (Supra)* and the judgement of the Hon'ble Supreme Court in the matter of *Bhavesh Pabari (Supra)*.

10. With regard to the contention of delay of more than 8 years in initiating the proceedings against the Noticees, I note that, on September 04, 2014, Department of Economic Policy and Action ("**DEPA**") carried out the study of the "*Anomalies in the price discovery of selected small stocks*" and Rajlaxmi was one of the Company among others against whom the investigation was recommended on November 17, 2014. SEBI had also received references from Department of Income Tax alleging sharp price rise in the scrip of the Company and use of Stock Exchange mechanism for generating bogus Long Term Capital Gain ("LTCG"). Thereafter, on preliminary analysis of the data pertaining to the Company, a formal investigation for modified investigation period i.e. from January 01, 2014 to July 31, 2015 was initiated against the Company. Thereafter, an extensive investigation was carried out by SEBI. The said investigation included various entities and detailed analysis carried out of fund flows, bank account statements, fund trails, preferential allotments and fund movements related to the same, Unique Client Code ("UCC") details; information sought from banks, exchange, depositories and various entities and thereafter analyzing the documents and records supplied by them. During this investigation, in July 2017, it was observed that the Noticees were preferential allottees in the Company and they have sold the shares of the Company during the investigation period. Accordingly, a separate investigation has been initiated to analyze the role of the Noticees in the concerned matter. Meanwhile twice the Investigating Authority change

due to the internal transfers. Subsequently, the final investigation report was presented on February 25, 2021 and the action was approved on March 01, 2021. As per the approved action an opportunity of "*summary settlement*" of the disclosures violations under the SAST Regulations was extended to the Noticees, however, the Noticees have not responded to the Settlement Notice and accordingly, as per approved action Adjudication Proceedings has been initiated against the Noticees and a *communique* is issued to the undersigned on July 22, 2021 regarding appointment as Adjudicating Officer to initiate inquiry and adjudication in the matter. Thereafter, on receipt of records, the SCN to the Noticees have been issued on August 12, 2021 in this matter. In this regard, I note that, initiating a proceeding under the appropriate provisions of SEBI Act is a regulatory prerogative of SEBI depending upon the outcome of the fact finding exercise, which is the investigation done in this case, and just because the alleged violation was committed in a distant past cannot be a ground to vitiate initiation of these proceedings.

11. The Noticees have placed reliance upon various judgements of Hon'ble SAT and Hon'ble Supreme Courton the question of delay. In this regard, I note that there is no provision in the SEBI Act which lays down any limitation period for initiating any proceedings/ action under the SEBI Act. Therefore, citing such arguments is flawed in itself. For establishing the delay, if any, in the matter, the date when the violation came to the notice of the SEBI would be the relevant point and not the date of violation. Whether a delay in a particular case is justified or not depends on the facts and circumstances of each case. I have perused the judgments pronounced by the Hon'ble SAT in *HB Stockholdings Ltd. (Supra)* and note that the decisions in these judgements, also endorses to the legal position regarding the delay, as stated above. Further, in the case of *Ravi Mohan & Ors. Vs. SEBI (SAT Appeal No. 97 of 2014 decided on 16.12.2015)*, Hon'ble SAT while referring to its own decision in *HB Stock Holdings case* (*supra*) and decision of Hon'ble Supreme Court in the matter of *Collector of Central Excise, New Delhi vs. Bhagsons Paint Industry (India) reported in 2003 (158) ELT 129 (S.C.),* held as follows:

"...Based on decision of this Tribunal in case of HB Stockholdings Ltd. vs. SEBI (Appeal no. 114 of 2012 decided on 27.08.2013) it is contended on behalf of the appellants that in view of the delay of more than 8 years in issuing the show cause notice, the impugned order is liable to be quashed and set aside. There is no merit in this contention, because, this Tribunal while setting aside the decision of SEBI on merits has clearly held in para 20 of the order, that delay itself may not be fatal in each and every case. Moreover, the Apex Court in case of Collector of Central Excise, New Delhi vs. Bhagsons Paint Industry

(India) reported in 2003 (158) ELT 129 (S.C) has held that if there no statutory bar for adjudicating the matter beyond a particular date, the Tribunal cannot set aside the adjudication order merely on the ground that the adjudication order is passed after a lapse of several years from the date of issuing notice………………"

12. I further observe that, the Hon'ble SAT in the matter of *Ashlesh Gunvantbhai Shah (Supra)* made the following pertinent remarks:

    "It is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the adjudication proceedings. The Supreme Court in Government of India vs, Citedal Fine Pharmaceuticals, Madras and Others, [AIR (1989) SC 1771] held that in the absence of any period of limitation, the authority is required to exercise its powers within a reasonable period. What would be the reasonable period would depend on the facts of each case and that no hard and fast rule can be laid down in this regard as the determination of this question would depend on the facts of each case. This proposition of law has been consistently reiterated by the Supreme Court [..].

13. I also note that, the Supreme Court recently in the case of Adjudicating Officer, *SEBI vs. Bhavesh Pabari (2019) SCC Online SC 294* held:

    "There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."

14. I am also of a view that, Hon'ble SAT has qualified the aforesaid ruling by saying that the reasonable period would depend on the facts and circumstances of each case and that no hard and fast rule can be laid down in this regard. I am of the view that present proceedings do not suffer from any infirmity on the ground of delay. Further, the Noticees have failed to show that, how delay, if any, in the instant matter have caused prejudice to them. I, therefore, hold that there is no protracted delay as contended and hence, the contention of the Noticees in this regard is rejected.

15. On the merits of the case, the Noticees have submitted that the purported delay in making disclosures to BSE at their end was unintentional and due to the factors beyond their control. The Noticees further contended that the delayed disclosure, if any was on account of

inadequate professional expertise and advice. In this regard, I note that though the Noticees have overtly mentioned about '*the factors beyond their control*', however, the Noticees failed to brought out any of those factors on record, which could have shown that to be a reason for delay in making disclosure. The Noticees have also failed to brought on record the professional expertise/ advice extended to them by any professional, which could have shown the inadequacy / lacking knowledge base for not making timely disclosure to BSE. In this regard, I am of the opinion that, if an individual is dealing in securities market, then he/ she has to be aware of the desired compliance expected from him/ her regarding the dealings of the PAC in the securities market and various obligations casted upon him/ her under the SEBI Act and Regulations thereof. A person being part of PAC cannot take the shield of ignorance, especially, when an obligation has been casted upon him/ her on the basis of being a part of a PAC. I am of a view that the merits brought out by the Noticees with regard to delay in disclosures lack any supporting arguments and records and therefore, I reject such contentions of the Noticees.

16. The Noticees have further contended that the delayed disclosure in this case has not resulted into undue benefit to them and they have not made any disproportionate gain as a result of the alleged default. Also no amount of loss caused to any investor or group of investors as a result of the alleged delayed disclosure. In this regard, I note that, in the matter of *Appeal No. 66 of 2003 -Milan Mahendra Securities Pvt. Ltd. vs. SEBI* – the Hon'ble SAT, vide its order dated April 15, 2005 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".* Therefore, I am of a view that the law does not permit any allowance to be made for such delayed disclosure as found in this case. The disclosure violations as found in this case, had clearly defeated the purposes of the Regulations i.e. investor protection and orderly development of the securities markets. The aforesaid factors can be a mitigating factors while adjudging the penalty under Section 15J of the SEBI fact but cannot be exonerating factor considering the facts and circumstances of the instant case.

17. In view of the above discussions, I found that the Noticees being PAC have acquired more than 5% of shares of the Company through preferential allotment on March 02, 2013 and there was a delay of 13 days in making disclosure to BSE of said acquisitions. Therefore, the Noticees have violated the provision of the Regulation 29(1) read with Regulation 29(3) of the SAST Regulations and thus, the Noticees are liable for penalty under Section 15A(b) of the SEBI Act. The aforesaid penalty provision is mentioned as follows:

SEBI Act

Penalty for failure to furnish information, return, etc.

15A. *If any person, who is required under this Act or any rules or regulations made thereunder, -*

(a) …..

(b) *to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less;*

18. For the purpose of adjudication of quantum of penalty, it is relevant to mention that under section 15I of the SEBI Act imposition of penalty is linked to the subjective satisfaction of the Adjudicating Officer. The words in the section that "*he may impose such penalty*" are of considerable significance, especially in view of the guidelines provided by the legislature in section 15J of the SEBI Act. The factors stipulated in Section 15J of the SEBI Act reads as follows: -

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

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investor/+s as a result of the default;

(c) the repetitive nature of the default.

19. In this case, from the material available on record, the extent of loss suffered by the investors as a result of the default cannot be computed. However, it is it is found in this case that the Noticees have made delayed disclosure in violation of the aforementioned provision of the SAST Regulations. Considering the same, I am of the view that the disclosures requirements under the SAST regulations serve very important purposes. The stock exchange is informed so that the investing public will come to know of the position enabling them to stick on with or exit from the company. Timely disclosures of the details of the shareholding of the persons acquiring substantial stake is of significant importance as such disclosures also enable the regulators to monitor such acquisitions. Hon'ble Securities Appellate Tribunal ("SAT") in the matter of *Coimbatore Flavors & Fragrances Ltd. vs SEBI (Appeal No. 209 of 2014 order dated August 11, 2014),* has also 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."

20. Considering all the facts and circumstances of the case, the mitigating factors including the factor of delay and exercising the powers conferred upon me under section 15I of the SEBI Act read with Rule 5 of the Adjudication Rules and considering the 15J factors, I hereby impose following penalty jointly and severally upon the following Noticees:

Name of the Noticee	Penalty
Mr. Brij Bhushan Singal (Noticee No. 1)	**Rs 2,00,000/- (Rupees Two Lakh Only) – Jointly and Severally.**
Mr. Neeraj Singal (Noticee No. 2)	
Mr. Neeraj Singal HUF (Noticee No. 3)	
Ms. Ritu Singal (Noticee No. 4)	
Ms. Uma Singal (Noticee No. 5)	

The aforesaid penalties commensurate with the violations committed by the aforesaid Noticees.

21. The Noticees shall remit / pay the said total amount of penalty within 45 days of receipt of this order by way online payment on SEBI website at following tabs on SEBI website www.sebi.gov.in – ENFORCEMENT -> Orders ->Orders of AO -> Pay Online or by way of using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html.In case you face any difficulties in payment of penalties, you may contact the support at portalhelp@sebi.gov.in .

22. The said confirmation of e-payment made in the format as given in table below should be sent to "*The Division Chief, EFD 1- DRA-II, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C- 4 A, "G" Block, BandraKurla Complex, Bandra (E), Mumbai - 400 051*" and also to e-mail id:- tad@sebi.gov.in

1	Case Name	
2	Name of the 'Payer/Noticee'	
3	Date of Payment	
4	Amount Paid	
5	Transaction No.	
6	Bank Details in which payment is made	
7	Payment is made for(like penalties/disgorgement / recovery/ settlement amount and legal charges along with order details)	

23. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated 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.

24. In terms of Rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticees and also to SEBI.

Date: December 24, 2021
Place: Mumbai

Vijayant Kumar Verma
Adjudicating Officer