

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER Ref No.: Order/AP/VS/2020-21/9273]

**UNDER SECTION 15-I OF 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:

Mr. Subramanian
(PAN No.: AAGPS2200L)
New No 38 Old No 78,
Viswanand Menichols Road,
Chetpet, Chennai,
Tamil Nadu-600031

In the matter of

Seshasayee Paper and Boards Limited

1. Seshasayee Paper and Boards Limited (hereinafter referred to as 'SPBL / the Company'), is a company having its shares listed on the Bombay Stock Exchange Limited (hereinafter referred to as 'BSE') and National Stock Exchange Limited (hereinafter referred to as 'NSE'). Securities and Exchange Board of India (SEBI) had conducted an investigation in the matter of trading in the scrip of the SPBL by its promoters, to ascertain whether there was any violation of the provisions of SEBI (Prohibition of Insider Trading) Regulation, 1992 (hereinafter referred to as 'the PIT Regulations, 1992') during the period December 15, 2011 to October 09, 2014 (hereinafter referred to as 'investigation period').
2. SEBI observed that during quarter ended December 2013, one of the promoters Mr. Subramanian (hereinafter referred to as 'the Noticee') disposed of his shareholding of 4500 shares on various dates with a valuation of ₹8,19,750/-. The Noticee being promoter of SPBL was obligated to make disclosures under regulation 13(4A) read with regulation 13(5) of the PIT Regulations, 1992, read with regulation 12 of the SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as 'the PIT Regulations, 2015'), to SPBL and to exchanges
3. SPBL vide its email dated March 18, 2019 and April 03, 2019 had informed that no disclosures were received from the Noticee for the aforesaid transaction.
4. BSE and NSE vide their email dated March 07, 2019 also informed that as per their record no disclosures were received from the Noticees with regard to the said transaction.

5. Pursuant to above, the competent authority in SEBI was satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violation of regulation 13(4A) read with regulation 13(5) of PIT Regulations, 1992, read with regulation 12 of PIT Regulations, 2015. Vide a *communication-order* dated May 14, 2019, the competent authority had appointed Mr. Santosh Shukla, CGM, as Adjudicating Officer (“erstwhile AO”) under section 15-I of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as ‘SEBI Act’) and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as ‘SEBI Adjudication Rules’) to inquire into and adjudge under section of 15A(b) of the SEBI Act, 1992 for the aforesaid alleged violations. Subsequently, by a *communication-order* dated January 07, 2020, this case has been transferred to the undersigned with an advise that except for the change of the Adjudicating Officer the other terms and conditions of the original orders ‘shall remain unchanged and shall be in full force and effect’ and that the “Adjudicating Officer shall proceed in accordance with the terms of reference made in the original orders”. The relevant provisions of the PIT Regulations charged in this case against the Noticees are reproduced as follows:

PIT Regulations, 1992

Disclosure of interest or holding in listed companies by certain persons - Initial Disclosure

13 (2A) Any person who is a promoter or part of promoter group of a listed company shall disclose to the company in Form B the number of shares or voting rights held by such person, within two working days of becoming such promoter or person belonging to promoter group.

Continual disclosure.

13 (4A) Any person who is a promoter or part of promoter group of a listed company, shall disclose to the company and the stock exchange where the securities are listed in Form D, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings of such person from the last disclosure made under Listing Agreement or under sub-regulation (2A) or under this sub-regulation, and the change exceeds ₹5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.

(5) The disclosure mentioned in sub-regulations (3), (4) and (4A) shall be made within two working days of:

- (a) the receipts of intimation of allotment of shares, or
- (b) the acquisition or sale of shares or voting rights, as the case may be.

PIT Regulation, 2015

Repeal and Savings.

12. (1) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 are hereby repealed.

(2) Notwithstanding such repeal,—

(a) the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, forfeiture or punishment incurred in respect of any offence committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid, shall remain unaffected as if the repealed regulations had never been repealed; and

(b) anything done or any action taken or purported to have been done or taken including any adjudication, enquiry or investigation commenced or show-cause notice issued under the repealed regulations prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations;

(3) After the repeal of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Board shall be deemed to be a reference to the corresponding provisions of these regulations.

6. After receipt of records of these proceedings, it was noted that the erstwhile AO had issued the show cause no. EAD-2/SS/Vs/6745/BD/15/2019 dated June 04, 2019 (hereinafter referred to as 'SCN') to the Noticee in terms of rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as the 'Adjudication Rules') read with section 15I of the SEBI Act. By the SCN the Noticee was called upon to show cause as to why an inquiry should not be held against him in accordance with rule 4 of the Adjudication Rules read with section 15-I of the SEBI Act and why penalty, should not be imposed upon him under section 15A(b) of the SEBI Act for the alleged violations of regulation 13(4A) read with regulation 13(5) of PIT Regulations, 1992, read with regulation 12 of PIT Regulations, 2015. The SCN could not be delivered upon the Noticee through Speed Post Acknowledgment Due, therefore, a SCN cum notice of hearing was served upon the Noticee by way of affixture. In the said SCN, the Noticee was asked to reply within a period of 14 days and appear before the erstwhile AO on July 22, 2019, however, the Noticee neither replied to SCN nor he availed the opportunity of personal hearing.
7. Pursuant to transfer of the instant matter to undersigned, in the interest of natural justice and in terms of rule 4(3) of the Adjudication Rules, the Noticee was given additional opportunity to file reply to the SCN and was also granted an opportunity of personal hearing on September 18, 2020 and the same was communicated vide notice dated September 04, 2020. The said notice was duly served upon the Noticee through courier, however, no reply / communication has been received from him despite service of notices upon it. Vide the said SCN/notice of hearing, it was clearly indicated that in case of failure to submit reply or to appear for the hearing, the case would be proceeded with *ex-parte* on the basis of the material available on record. It is noted that the Noticee had neither filed any reply nor have availed the opportunity of personal hearing despite service of notices upon him. In the facts and

circumstances of this case, I am of the view that the Noticee has nothing to submit and in terms of rule 4(7) of the Adjudication Rules the matter can be proceeded *ex-parte* on the basis of material available on record.

8. I have carefully considered the allegations and charges levelled against the Noticee and relevant material relied upon in this case. In absence of any response from the Noticee, it is presumed that the Noticee admitted the charge of provisions as alleged in the case. In this regard, the observations of Hon'ble Securities Appellate Tribunal (SAT) in the matter of *Classic Credit Ltd. vs. SEBI* (Appeal No. 68 of 2003 decided on December 08, 2006) are relevant to rely upon wherein it has that- "... *the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them*". Further, the Hon'ble SAT in the matter of *Sanjay Kumar Tayal & Others vs SEBI* (Appeal No. 68 of 2013 decided on February 11, 2014), has, *inter alia*, observed that: "... *appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices...*"
9. While deciding the case, I cannot lose sight of settled position of law that the charge should be established with valid reasons and in accordance with law. I, therefore, deem it necessary to examine the charge. It is also a case that the charges and allegations have been leveled based upon the transactions of the Noticee and supporting material as provided in the SCN. I have, therefore, considered the allegation leveled in the SCN and the relevant material brought on record.
10. It is established fact that the Noticee had failed to disclose the change in his shareholding of 4500 shares on various dates with a valuation of ₹8,19,750/- to SPBL and exchanges under regulation 13(4A) read with regulation 13(5) of PIT Regulations, 1992, read with regulation 12 of PIT Regulations, 2015. SPBL, BSE and NSE have confirmed that they had not received any disclosure from the Noticee about the aforesaid transactions and there is no material even to indicate any subsequent disclosures about the transaction in reasonable time. Thus, this is a case of complete failure on the part of the Noticee who is a promoter. Therefore, the breach in the facts and circumstances as found hereinabove, in my view deserves imposition of monetary penalty upon the Noticee under section 15A (b) of the SEBI Act, which reads as follows:

Penalties and Adjudication

Penalty for failure to furnish information, return, etc.

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

(a) to furnish any document, return or report to the Board, fails to furnish the same 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;

(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.

11. The provisions of regulations of the PIT Regulations are meant to ensure timely disclosures of significant change in shareholding; as such disclosures also enable the stock exchanges and regulators to monitor such material event. Such disclosures also bring about transparency and enable the investors in the scrip to take an informed investment or disinvestment decision. All stakeholders, including minority shareholders should be aware of the change in shareholding of the promoters. Any information asymmetry with regard to such transactions as in this case would defeat the purpose of disclosures. Hon'ble 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 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* – 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.*”
12. Further, in these facts and circumstances of this case, the quantum of penalty has to be adjudged also taking into account the conduct of the Noticee as found in this case and the principle of proportionality. The failure as found in this case, had clearly defeated the purposes of the Regulations i.e. investor protection and ensuring regulation of market. Considering the role and responsibility of the Noticee in these regards and obligations cast upon it under the PIT Regulations, in my view, the default is grave and the gravity of this matter cannot be ignored. Therefore, no lenient view should be taken in this matter and the case deserves imposition of monetary penalty proportionate to the default as found in this case.
13. For the purpose of adjudication 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. The factors stipulated in Section 15J of the SEBI Act, are 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.*

Explanation-

For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

14. Having regard to the factors listed in section 15J, it is noted from the material available on record, that any quantifiable gain or unfair advantage accrued to the Noticee or the extent of loss suffered by the investors as a result of the default cannot be computed. It is noted that defaults as noted in this matter is not repetitive in nature. However, the disclosure related violations as required under the PTT Regulations are of significant importance from the point of view of the investors and regulators.
15. Taking into consideration all the facts and circumstances of the case including the aforesaid 15J factors, in exercise of the powers conferred upon me under section 15I of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby impose a monetary penalty of ₹1,00,000/- (Rupees One Lakh only) upon Noticee viz. Mr. Subramanian under section 15A(b) of the SEBI Act. In my view, the said penalty is commensurate with the violation committed by the Noticee in this case.
16. The Noticee shall remit / pay the said total amount of penalty within 45 days of the receipt of this Order 20 in either of the way of demand draft in favour of “SEBI – Penalties Remittable to Government of India”, payable at Mumbai, or by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT> Orders> Orders of AO> PAY NOW; OR by using the web link <https://portal.sebi.gov.in/intermediary/AOPaymentGateway.html>. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in
17. The Demand Draft or details and confirmation of e-payment made in the format as given in table below shall be sent to "The Division Chief, EFD-DRA-3, Securities and Exchange Board of India,

SEBI Bhavan, Plot no. C- 4 A, "G" Block, Bandra Kurla 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)	

18. 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.
19. In terms of rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: September 29, 2020
Place: Mumbai

Amit Pradhan
Adjudicating Officer