

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**[ADJUDICATION ORDER NO. MC/DPS/ 15-16 /2018-19]**

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**UNDER SECTION 15-I (2) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995.**

In respect of –

1. **M/s Meritorious Reality Pvt Ltd** (PAN No. AAGCM3629L) having address at – 14, Keshavji Naik Road, Mira Bhuvan, Terrace Room, Mumbai – 400009 and No. 9, Building No. B-20, Sector - 10, Shanti Nagar, Mira Road (East), Thane, Mumbai 401107.
2. **M/s Speciality Papers Ltd** (PAN No. AAECs0861Q) having address at – 93, Dadiseth Agiary Lane, Kalbadevi, Mumbai – 400002.

In the matter of *M/s Speciality Papers Ltd.*

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**BACKGROUND**

1. Securities and Exchange Board of India (hereinafter be referred to as, “**SEBI**”) conducted examination in the scrip of M/s Speciality Papers Ltd (hereinafter be referred to as, the “**Company**”), a company listed on the BSE Limited (hereinafter be referred to as, the “**BSE**”) for the period January 2014 to October 2014 (hereinafter be referred to as, the “**Examination Period**”). Examination prima facie revealed violations of regulation 13(3) read with 13(5) of SEBI(Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as ‘**PIT Regulations**’) and regulation 29(2) read with 29(3) of SEBI(Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as ‘**SAST Regulations**’) by M/s Meritorious Reality Pvt Ltd, (**the Noticee No. 1 / Meritorious**) and for violation of regulation 13(6) of PIT Regulations by

M/s Specialty Papers Ltd, ( **the Noticee No. 2 / Specialty / Scrip / Company**”).  
All the Noticees are collectively referred as '**Noticees/ You**'.

## **APPOINTMENT OF ADJUDICATING OFFICER**

2. SEBI initiated adjudication proceedings and appointed Mr. Suresh Gupta, Chief General Manager as Adjudicating Officer under Section 15I of the Securities and Exchange Board of India Act, 1992 (hereinafter be referred to as, the “**SEBI Act**”) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter be referred to as, the “**Adjudication Rules**”) vide order dated December 19, 2017 to inquire into and adjudge under Section 15A(b) of the SEBI Act against the Noticees for the alleged violation of aforesaid provisions of PIT Regulations and SAST Regulations. Subsequently, the undersigned was appointed as the Adjudicating Officer on May 29, 2018.

## **SHOW CAUSE NOTICE, REPLY AND HEARING**

3. Show Cause Notice No. EAO/MC/DS/18337/2018 dated June 28, 2018 (hereinafter be referred to as, the “**SCN**”) was served upon the Noticees under Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be held and penalty be not imposed against them under Section 15A(b) of the SEBI Act for the aforesaid alleged violations of PIT Regulations and SAST Regulations.
4. The allegations levelled against the Noticees in the SCN are summarized as below:
  - a) During the examination, it was observed that Noticee No. 1 had engaged in certain transactions on May 28, 2014, July 21, 2014, September 15, 2014, September 18, 2014, September 19, 2014 and September 26, 2014 which resulted in change in shareholding as given in the table below.

Date	Credit	Debit	Holding after trasaction	Share capital	% of share capital	Triggered disclosure requirement under PIT and SAST Regulations
Holding as on 16-05-2014			0			
<b>28/05/2014</b>	17169000	0	17169000	156164136	10.99	13(1) of PIT & 29(1) of SAST
Holding as on 15-07-2014			17119000	156164136		
<b>21/07/2014</b>	900000	4000000	14019000	156164136	8.98	13(3) r.w 13(5) of PIT & 29(2) r.w 29(3) of SAST
Holding as on 12-09-2014			11564000	156164136	7.41	
<b>15/09/2014</b>	0	3000000	8564000	156164136	5.48	13(3) r.w 13(5) of PIT & 29(2) r.w 29(3) of SAST
Holding as on 16-09-2014			8064000	156164136	5.16	
<b>18/09/2014</b>	0	5000000	3064000	156164136	1.96	13(3) r.w 13(5) of PIT & 29(2) r.w 29(3) of SAST
<b>19/09/2014</b>	14100000	0	17164000	156164136	10.99	13(1) of PIT & 29(1) of SAST
Holding as on 23-09-2014			14664000	156164136	9.39	
<b>26/09/2014</b>	0	1500000	13164000	156164136	8.43	13(3) r.w 13(5) of PIT & 29(2) r.w 29(3) of SAST

- b) The aforesaid transactions triggered disclosure under PIT Regulations and SAST Regulations. BSE confirmed vide its email dated September 22, 2014 and December 4, 2014 and Speciality (Company) also confirmed vide its letter dated November 14, 2014 and August 31, 2015 that no disclosures were received for the aforesaid transactions on July 21, 2014, September 15, 2014, September 18, 2014 and September 26, 2014 under PIT Regulations and SAST Regulations in the scrip of Speciality from Noticee No. 1.
- c) It is observed that Noticee No. 1 had made disclosure to Noticee No. 2 under PIT Regulations and SAST Regulations for the transactions on May 28, 2014 and September 19, 2014 on May 29, 2014 and September 22, 2014. However, Noticee No.2 had made the said disclosure to BSE under regulation 13(6) of PIT Regulations for the transactions on May 28, 2014 and September 19, 2014 only on December 5, 2014 and December 4, 2014 respectively as per BSE website.
- d) As the Noticee No. 1 failed to disclose the change in its shareholding to the exchange (BSE) as well as to the company (Noticee No. 2), hence, it is alleged to have violated regulation 13(3) read with 13(5) of PIT

Regulations and regulation 29(2) read with 29(3) of SAST Regulations. Noticee No. 2 made delayed disclosure and thus, is alleged to have violated Regulation 13(6) of PIT Regulations. The aforesaid regulations are reproduced as under;

PIT Regulations

**Continual Disclosure**

*13(3) Any person who holds more than 5% shares for voting rights in any listed company shall disclose to the company in Form C the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, 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 2% of total shareholding or voting rights in the company.*

*13(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.*

**Disclosure by company to stock exchanges.**

*13(6) Every listed company, within two working days of receipt, shall disclose to all stock exchanges on which the company is listed, the information received under sub-regulations (1), (2), (2A), (3) (4) and (4A) in the respective formats specified in Schedule III.*

SAST Regulations

**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.*

*29(2) Any acquirer, who together with persons acting in concert with him, holds shares or voting rights entitling them to five percent or more of the shares or voting rights in a target company, shall disclose every acquisition or disposal of shares of such target company representing two per cent or more of the shares or voting rights in such 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 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.*

5. It was stated in the SCN that the aforesaid alleged violations, if established, would make the Noticees liable for monetary penalty under Section 15A(b) of the SEBI Act.
6. The aforesaid SCN was issued through Speed Post Acknowledgement Due (SPAD) to the Noticee No. 1 on June 28, 2018 at the address, M/s Meritorious Reality Pvt Ltd, 14, Keshavji Naik Road, Mira Bhuvan, Terrace Room, Mumbai – 400009 and M/s Meritorious Reality Pvt Ltd, No. 9, Building No. B-20, Sector - 10, Shanti Nagar, Mira Road (East), Thane, Mumbai 401107, which was returned undelivered by the Postal Department with remarks, “Incomplete / Refused”. Therefore, SCN was communicated / served to Noticee No. 1, through email dated July 10, 2018 at email IDs: [meritorioupvtld@gmail.com](mailto:meritorioupvtld@gmail.com) (as available from website of Ministry of Corporate Affairs (MCA)) and [meritoriouspvtltd@gmail.com](mailto:meritoriouspvtltd@gmail.com) (as available from transaction statement submitted by Central Depository Services (India) Limited (CDSL)). SCN was once again communicated / served to the Noticee No. 1, through email dated August 8, 2018 at email IDs: [meritorioupvtld@gmail.com](mailto:meritorioupvtld@gmail.com) and [meritoriouspvtltd@gmail.com](mailto:meritoriouspvtltd@gmail.com), which was duly digitally signed by the undersigned. SCN was affixed at the last known address of the Noticee i.e. M/s

Meritorious Reality Pvt Ltd, 14, Keshavji Naik Road, Mira Bhuvan, Terrace Room, Mumbai – 400009 on August 13, 2018. SCN dated June 28, 2018 was served to Noticee No. 2 on June 30, 2018, through Speed Post Acknowledgement Due (SPAD). I note that at paragraph 10 of the SCN, the Noticees were advised “to furnish their reply, if any, towards the SCN within 14 days of its receipt, failing which, it shall be presumed that the Noticees has no reply to submit and the matter will be proceeded on the basis of the material available on record”. However, no reply was received from the Noticees in respect of the SCN.

7. An opportunity of personal hearing was provided to the Noticees on September 17, 2018 *vide* Notice of Hearing dated August 27, 2018 by way of SPAD. Notice sent to Noticee No. 1 on August 27, 2018 at the address, M/s Meritorious Reality Pvt Ltd, 14, Keshavji Naik Road, Mira Bhuvan, Terrace Room, Mumbai – 400009, returned undelivered by the Postal Department with remarks, “Not Known”. Hearing Notice dated August 27, 2018, was also communicated / served to Noticee No. 1, through email dated August 28, 2018 at email IDs: [meritorioupvtld@gmail.com](mailto:meritorioupvtld@gmail.com) (as available from website of Ministry of Corporate Affairs (MCA)) and [meritoriouspvtld@gmail.com](mailto:meritoriouspvtld@gmail.com) (as available from transaction statement submitted by Central Depository Services (India) Limited (CDSL)) and Noticee No. 2, through email dated August 27, 2018 at email IDs: [csspeciality@gmail.com](mailto:csspeciality@gmail.com), which was duly digitally signed by the undersigned.
8. It is relevant to point out that as the Noticee had not submitted their replies towards the said SCN, in the said hearing notice issued on August 27, 2018, Noticees were asked to file their reply on or before September 12, 2018 and it was also communicated that if no appearance is made or no reply is furnished by the Noticee, the matter would be decided on the basis of evidence available on record in terms of Rule 4(7) of the Adjudication Rules. Noticee No. 2 filed its reply *vide* email dated September 12, 2018, however, no reply has been received from the Noticee No. 1 in respect of the SCN.

9. In response to the SCN, the Noticee No. 2 submitted its reply vide email dated September 12, 2018, as mentioned below:-

- a) In this connection, kindly accept our sincere apologies for the delayed reply. We would wish to inform your goodself that back in 2014, the non-disclosure as mentioned under regulation 13(6) of SEBI (Prohibition of Insider Trading) Regulations, 1992, was made due to the non-receipt of information from M/s Meritorious Reality Pvt Ltd.
- b) We had seen all the attachments, Annexures that you had given in this. We had no knowledge of any transaction with the mentioned company M/s Meritorious Reality Pvt Ltd. All the Annexures and disclosures which were attached are forged and company's director have not signed any documents and also we had not submitted any disclosure to BSE, which was enclosed by you in this notice. Its not signed and submitted by us.
- c) Our Company is inoperative since 5 years and there were no compliance officer or professionals in the company, therefore we didn't have any knowledge regarding this transaction in between. Now presently the Company is starting Business and all Compliances are done on an regular basis and also company has appointed compliance officer.
- d) Also, we assure you that all the future disclosures and compliances will be made on time to time basis as per the applicable laws and regulations. We would further like to extend our sincere gratitude for your patience and also providing us the ample amount of time to reply for the said charges.
- e) M/s Meritorious Reality Pvt. Ltd has indulged in unlawful transactions and non-disclosure to us as well as BSE, we request you to consider the same and not penalize us.
- f) We therefore request your goodself to kindly consider the circumstances and gravity of situation at our end and kindly have a lenient view into the subject matter.

10. Hearing on September 17, 2018 was attended by the Authorised Representative of the Noticee No. 2 (AR). AR of the Noticee reiterated submissions made in its reply dated September 12, 2018 and submitted that it will submit Original compliances made by the company during the said examination period in support of its contention on the next date of hearing on September 26, 2018. However, no one appeared on behalf of the Noticee No. 1 on the given date i.e. September 17, 2018.

11. Hearing on September 26, 2018 was attended by the Authorised Representative of the Noticee No. 2 (AR). AR of the Noticee submitted the signature verification done from the bank and also showed the Original PAN Card and certain disclosures filed to BSE. AR of the Noticee submitted that with regard to the letter dated August 31, 2015 wherein they had accepted that the disclosures were received from Noticee 1 and were belatedly filed with BSE by the Noticee, they will revert back with clarification by September 27, 2018. In this regard, vide email dated September 27, 2018, Noticee No. 2 requested time till October 9, 2018 to file its reply.

12. Noticee vide email dated October 13, 2018 submitted its reply, which is mentioned below;

- a) In this connection, kindly accept our sincere apologies for the delayed reply. We would wish to provide a further explanation to your good self, with regard to our erstwhile letter dated August 31, 2015.
- b) We would like to inform your good self that back in 2015, when we received your notice we didn't have the professional and competent staff with even a minimal background of the subject matter and neither was company in good financial state to hire a specific professional to handle the matter. We replied to you in hastiness just to comply your notice. One of our staff member i.e. Part-time accountant at that time searched on BSE (Bombay Stock Exchange) website and also viewed some public documents of Company and based on documents he found he had prepared a reply to your notice. I myself being a non back ground individual to the subject matter believed the reply prepared to be correct and I signed the reply of your notice.
- c) Ever since your fresh show cause notice was received by us, we went through all the attachments and annexure. In the Annexures that you had attached, we went through it and we would like to inform you that in our knowledge of all the communications mentioned with M/s Meritorious Reality Pvt Ltd we hadn't received any letter or communication from them. We strongly believe that all the Annexures and disclosures which were attached seemed to be forged and are not authenticated and company's director have not signed any documents also we had not submitted any disclosure to BSE, which was enclosed by your good self in this notice.
- d) To prove our stand we got the signature verification done from the bank and also the same can be verified with the PAN Card of the director sent to yourself and certain disclosure filed to BSE. In this subject matter we are in process of taking legal action against M/s Meritorious Reality Pvt Ltd of unlawful transaction and non-disclosure to us as well as BSE & SEBI.



- e) Our Company is inoperative since 5 years and there was no compliance officer in the company, therefore we didn't have any knowledge regarding this communication in between, Now presently the Company is starting Business and all Compliances are done on an regular basis and also company has appointed compliance officer.
- f) We plead your good self to kindly look into this matter and consider the same and not penalize us. All compliances are upto date of the company with Bombay Stock Exchange /Ministry of Corporate Affairs.

13. In case of Noticee No. 1, I note that the SCN and the Notice of Inquiry has been duly served to the Noticee No. 1 through affixture at the last known address / digitally signed email. I am of the view that sufficient time has been provided to the Noticee No. 1 to submit reply, which the Noticee No. 1 had failed to make and also failed to appear for hearing. At this juncture, I find it relevant to refer to the observation of the Hon'ble SAT in the matter of **Dave Harihar Kiritbhai v. Securities and Exchange Board of India** (Appeal No. 181 of 2014 dated December 19, 2014), wherein, it observed, "*...further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal...*". Keeping the aforesaid in mind, the adjudication proceedings against the Noticee No. 1 are undertaken *ex-parte* on the basis of material available on record.

## CONSIDERATION OF ISSUES AND FINDINGS

14. The issues that arise for consideration in the instant matter are:

- Issue No. I** Whether the Noticee No. 1 had failed to make mandated disclosures under the PIT Regulations and SAST Regulations as alleged in the SCN?

**Issue No. II** Whether the Noticee No. 2 had failed to make mandated disclosures under the PIT Regulations as alleged in the SCN?

**Issue No. III** If yes, whether the failure, on the part of the Noticees would attract monetary penalty under Section 15A(b) of the SEBI Act?

**Issue No. IV** If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

**Issue No. I** **Whether the Noticee No. 1 had failed to make mandated disclosures under the PIT Regulations and SAST Regulations as alleged in the SCN?**

15. The details relating to change in the shareholding of the Noticee as alleged in the SCN are not in dispute in absence of any reply from the Noticee. The details of change in shareholding of the Noticee in the scrip of the Company, as provided to the Noticee by way of SCN, are as follows:

Date	Credit	Debit	Holding after trasaction	Share capital	% of share capit al	Triggered disclosure requirement under PIT and SAST Regulations
Holding as on 16-05-2014			0			
28/05/2014	17169000	0	17169000	156164136	10.99	13(1) of PIT & 29(1) of SAST
Holding as on 15-07-2014			17119000	156164136		
21/07/2014	900000	4000000	14019000	156164136	8.98	13(3) r.w 13(5) of PIT & 29(2) r.w 29(3) of SAST
Holding as on 12-09-2014			11564000	156164136	7.41	
15/09/2014	0	3000000	8564000	156164136	5.48	13(3) r.w 13(5) of PIT & 29(2) r.w 29(3) of SAST
Holding as on 16-09-2014			8064000	156164136	5.16	
18/09/2014	0	5000000	3064000	156164136	1.96	13(3) r.w 13(5) of PIT & 29(2) r.w 29(3) of SAST
19/09/2014	14100000	0	17164000	156164136	10.99	13(1) of PIT & 29(1) of SAST
Holding as on 23-09-2014			14664000	156164136	9.39	
26/09/2014	0	1500000	13164000	156164136	8.43	13(3) r.w 13(5) of PIT & 29(2) r.w 29(3) of SAST

16. I note that Noticee had acquired and sold shares on July 21, 2014 and sold shares on September 15, 2014, September 18, 2014 and September 26, 2014 which had resulted in change in shareholding. The Noticee had not disclosed

the change in shareholding to BSE as well as to the company. BSE vide its e-mail dated September 22, 2014 and December 4, 2014 and Speciality (Company) also confirmed vide its letter dated November 14, 2014 and August 31, 2015 that no disclosures were received for the aforesaid transactions under PIT Regulations and SAST Regulations in the scrip of Speciality from Noticee No. 1.

17. I note that as per BSE website, Noticee No. 1 had not disclosed the change in shareholding to BSE as well as to the company in respect of the aforesaid 4 transactions. The Noticee shareholding change exceeded 2% of total shareholding or voting rights on July 21, 2014, September 15, 2014, September 18, 2014 and September 26, 2014, which triggered disclosure requirements under of Regulation 13(3) read with Regulation 13(5) of PIT Regulations and Regulation 29(2) read with Regulation 29(3) of SAST Regulations.

18. In view of the aforesaid, it is established that the Noticee No. 1 had failed to make disclosures as required under of Regulation 13(3) read with Regulation 13(5) of PIT Regulations and Regulation 29(2) read with Regulation 29(3) of SAST Regulations to company as well as to BSE.

**Issue No. II      Whether the Noticee No. 2 had failed to make mandated disclosures under the PIT Regulations as alleged in the SCN?**

19. It was alleged in the SCN that Noticee No. 1 had made disclosure to Noticee No. 2 under PIT Regulations and SAST Regulations for the transactions done on May 28, 2014 and September 19, 2014 on May 29, 2014 and September 22, 2014 respectively. However, Noticee No.2 had made the said disclosure to BSE under regulation 13(6) of PIT Regulations for the aforesaid transactions with delay only on December 5, 2014 and December 4, 2014 respectively as per BSE website.

20. I note that Noticee No. 2 had confirmed to SEBI vide letter dated August 31, 2015 (signed by N J Gala – Director of Noticee No.2), that it had filed the disclosure under Regulation 13(6) of PIT with BSE on December 4, 2014 for the transaction dated September 19, 2014 and also submitted the copy of the disclosure made by Noticee No. 1 on September 22, 2014. Further, Noticee No. 2 had also provided to SEBI vide letter dated November 14, 2014 (signed by N J Gala – Director of Noticee No.2), the copy of the disclosure made by Noticee No. 1 for the transaction dated May 28, 2014 on May 29, 2014.
21. Noticee No. 2 in its reply dated September 12, 2018 and October 13, 2018 submitted, that it had seen all the attachments, Annexures that were part of SCN and had no knowledge of any transaction with the mentioned company M/s Meritorious Reality Pvt Ltd. It further stated that all the Annexures and disclosures which were attached are forged and company's director have not signed any documents and also had not submitted any disclosure to BSE, which was enclosed in the SCN and that it was not signed and submitted by them. Noticee No. 2 stated that as they did not have competent staff in 2015, they had replied to SEBI in haste by downloading the copies of disclosure made by Noticee No.1 from BSE website. Authorized representative of the Noticee No. 2 submitted the signature verification obtained from the bank of N J Gala, the signatory on the documents.
22. I note that the all recent filings and letters by the Noticee No. 2 which are signed by N J Gala carry the authenticated signature of N J Gala, which is different from the signature on the two delayed filings. However, I also note that many of the filings made with BSE by Noticee 1 during 2014 carry a different signature of N J Gala, who is signing as Authorised Signatory. The filings made relating to the delayed disclosures of transactions of Noticee No. 2 carry this different signature, which is claimed to be forged. Upon verification with BSE, BSE vide email dated September 19, 2018 submitted the disclosures received from Noticee No. 2 during this period, wherein it was noted that disclosure filings under Regulation 13(6) of transactions by certain other shareholders, namely,

Iris Mediaworks Limited and Akansha Media and Entertainment Pvt Ltd also carry the signature which has been claimed to be forged.

23. Upon perusal of the disclosures made by the entities Meritorious (Noticee No.1), Iris Media works and Akansha Media, it emerges that 2 of the 6 transactions impugned in this notice have taken place between these three entities. On May 28, 2014, Iris Medaiworks transferred 10.99% shareholding to Meritorious. On Sep 19, 2014, Akansha Media transferred 9.03% shareholding to Meritorious. These are the two trasnactions which are disclosed on December 02, 2014 under letter head of Specialty Papers to BSE under compliance with Regulations 13(1) and 13(3) of PIT Regulations and Regulation 29(1) and 29(2) of SAST Regulations. However, there is no covering letter or evidence that these transactions were reported to the Company (Noticee No.2) within 2 days of date of transaction. Moreover, the disclosure under Regulation 29(1) and 29(2) of SAST Regulations was also required to be made by these entities to BSE. However, it is seen from the BSE website that no such disclosures have been made to BSE under Regulation 29(1) and 29(2) of SAST Regulations by any of the three entities including Noticee No.1.
24. In view of the above, I am inclined to accept the contention of the Noticee No.2 that they did not receive any disclosure filings under Regulation 13(1) and 13(3) of PIT Regulations or under 29(1) and 29(2) of SAST Regulations from Noticee No. 1 and that the disclosures made to BSE on Decmber 02, 2014 are not under the authenticated signatures of N J Gala, the signatory on the disclosure forms. Hence, as Noticee No. 2 did not receive the disclosures made by Noticee No.1 they could not have made these disclosures to BSE.
25. In view of the aforesaid, I note that Noticee No. 2 did not violate Regulation 13(6) of PIT Regulations for the transactions on May 28, 2014 and September 19, 2014.

**Issue No. II**      **If yes, whether the failure, on the part of the Noticees would attract monetary penalty under Section 15A(b) of the SEBI Act? &**

**Issue No. III**      **If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?**

26. Failure of the Noticee No. 1 in making disclosures to the Company and to BSE under Regulation 13(3) read with Regulation 13(5) of PIT Regulations and Regulation 29(2) read with Regulation 29(3) of SAST Regulations is established in respect of 4 transactions. Further, it is also established that, Noticee No. 1 did not make any disclosure to BSE under Regulation 29(1) and 29(3) in respect of two other transactions. Hence, I am of the view that imposition of monetary penalty under Section 15A(b) of the SEBI Act is warranted on the Noticee.

27. Having found that Noticee No. 2 (M/s Specialty Papers Ltd) had not violated the provisions of PIT Regulations, no penalty is warranted in respect of Noticee No. 2.

28. The penalty is to be levied in terms of the penal provisions as reproduced below:

**SEBI Act**

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

*.....*

*(b) to file any return or furnish any information, books or other documents within the time specified therefore in the regulations, fails to file return or furnish the same within the time specified therefore 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.”*

29. While determining the quantum of penalty under Section 15A(b) of the SEBI Act, the following factors stipulated in Section 15J of the SEBI Act, have to be given due regard:

- 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.

30. I have perused the statement of shareholding pattern of the Company, available on the website of the BSE for the financial quarters ending June 2014 and September 2014. I have noted that the information regarding the shareholding of Noticee No. 1 was reflected as 1,66,19,000 shares (10.64% of holding) and 1,31,64,000 shares (8.43% of holding) as on quarter ending June 2014 and September 2014 respectively, which was in public domain by June 2014 and September 2014.

31. While it is established that the Noticee No. 1 did not make timely disclosures to Company as well as to BSE under Regulation 13(3) read with Regulation 13(5) of PIT Regulations and Regulation 29(2) read with Regulation 29(3) of SAST Regulations is established, I have taken note of the fact that relevant information of shareholding of the Noticee 1 was available in public domain by quarter end. I also note that no quantifiable figures are available on record to assess disproportionate gain made or loss caused to investors by the aforesaid violation

32. Therefore, taking into account the facts and circumstances of this matter, and the mitigating factors, I am of the view that a penalty of ₹6,00,000/- (Rupees Six Lakh only) upon the Noticee No. 1 will be commensurate with the violations committed.

## **ORDER**

33. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15I (2) of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a penalty of

₹6,00,000/- (Rupees Six Lakh only) upon the Noticee No. 1, i.e. M/s Meritorious Reality Pvt Ltd under Section 15A(b) of the SEBI Act for violation of Regulation 13(3) read with Regulation 13(5) of PIT Regulations and Regulation 29(2) read with Regulation 29(3) of SAST Regulations; and dispose off proceedings against Noticee No. 2, i.e. M/s Speciality Papers Ltd, without imposing penalty.

34. The Noticee No. 1 shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, OR through e-payment facility into Bank Account the details of which are given below:

<b>Account No. for remittance of penalties levied by Adjudication Officer</b>	
Bank Name	State Bank of India
Branch	Bandra-Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No.	31465271959

35. The Noticee No. 1 shall forward said Demand Draft or the details / confirmation of penalty so paid to the Enforcement Department – Division of Regulatory Action – I of SEBI. The Noticees shall provide the following details while forwarding DD/ payment information:

- Name and PAN of the entity (Noticee)
- Name of the case / matter
- Purpose of Payment – Payment of penalty under AO proceedings
- Bank Name and Account Number
- Transaction Number

36. Copies of this Adjudication Order is being sent to the Noticees and also to SEBI in terms of Rule 6 of the Adjudication Rules.

**DATE: OCTOBER 30, 2018**

**PLACE: MUMBAI**

**MANINDER CHEEMA**

**ADJUDICATING OFFICER**