BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/SM/AR/2018-19/1142-1147)

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 BY ADJUDICATING OFFICER) RULES, 1995

In respect of:

Mr. Venkatachari Suresh
(PAN: ATNPS3289H)

Mr. R S Ramani
(PAN: AHVPR9966J)

Mr. M V Bhaskar
(PAN: AAHPV8843M)

Ms. T P Saira
(PAN: AAAPZ2960N)

Mr. Gulabchand Pukhraj Surana
(PAN: AINPS9082R)

Mr. Ravi Surana
(PAN: AINPS9085J)

In the matter of

8K Miles Software Services Limited

FACTS OF THE CASE

1. On observing unusual price movement in the scrip of 8K Miles Software Services Limited (hereinafter referred to as '8K Miles'/ 'the Company') on the Bombay Stock Exchange (hereinafter referred to as 'BSE'), Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted a preliminary examination into the dealings in the aforesaid scrip for the period from January 4, 2012 to September 28, 2012. Based on the findings of the

preliminary examination, an interim order dated April 18, 2013 was passed by SEBI and the directions issued by SEBI vide the aforesaid interim order were confirmed by SEBI through a confirmatory order dated December 30, 2013.

2. Pursuant to the interim order dated April 18, 2013, SEBI conducted an investigation into the trading/dealings of Mr. Venkatachari Suresh (hereinafter referred to as '**Noticee 1' / 'Suresh'**), Mr. R S Ramani (hereinafter referred to as '**Noticee 2' / 'Ramani'**), Mr. M V Bhaskar (hereinafter referred to as '**Noticee 3' / 'Bhaskar'**), Ms. T P Saira (hereinafter referred to as '**Noticee 4' / 'Saira'**), Mr. Gulabchand Pukhraj Surana (hereinafter referred to as '**Noticee 5' / 'Gulabchand'**) and Mr. Ravi Surana (hereinafter referred to as '**Noticee 6' / 'Ravi'**) in the scrip of 8K Miles for the period January 04, 2012 to September 28, 2012 (hereinafter referred to as '**Investigation period' / 'IP' / 'relevant period')**. In the context of the present proceedings, Noticees 1 to 6 are also collectively referred to as '**the Noticees'**. All the Noticees were the directors of 8K Miles during the relevant period while Noticee 1, 2 and 3 were also the promoters of the company during the relevant period. The scrip of 8K Miles was listed on BSE during the relevant period.

3. Based on the observations made in the Investigation Report (IR), the following allegations were made against the Noticees :-

   A. It is alleged that Noticee 1, in his capacity as the promoter of the Company, failed to disclose to the Company and the BSE, the details of the shares of the Company held by him that were also encumbered and therefore, it was alleged that Noticee 1 has violated the provisions of Regulation 31(1) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as '**SAST Regulations'**)

   B. It is alleged that Noticees 1, 2 and 3, in their capacity as promoters of the company during the relevant period, failed to disclose to the Company and the BSE, the details of their shareholding in the Company as on March 31,

2012 and therefore, it is alleged that Noticees 1, 2 & 3 have violated the provisions of Regulation 30(2) of the SAST Regulations.

C. It is alleged that Noticees 1 & 2 (as promoters and directors of the Company) and Noticees 4, 5 and 6 (as directors of the Company), failed to disclose to the Company and the BSE, the details of the change in their shareholding in the Company exceeding Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding, during the relevant period and therefore, it is alleged that Noticees 1 & 2 have violated the provisions of Regulations 13(4) and 13(4A) of SEBI (Prohibition Of Insider Trading) Regulations, 1992 (hereinafter referred to as '**PIT Regulations'**) and Noticees 4, 5 and 6 have violated the provisions of Regulation 13(4) of the PIT Regulations.

D. It is alleged that Noticees 4, 5 and 6, in their capacity as directors of the company during the relevant period failed to obtain pre-clearance from the Company w.r.t their transactions done by them in the shares of the Company during relevant period and therefore, it is alleged that Noticees 4, 5 & 6 have violated the provisions of Clause 3.3 of the Code of Conduct adopted by the Company read with Regulation 12(1) of PIT Regulations.

4. In view of the above observations, adjudication proceedings were initiated against the Noticees under the provisions of Sections 15A (b) and 15HB of the SEBI Act, 1992 (hereinafter referred to as 'SEBI Act').

APPOINTMENT OF ADJUDICATING OFFICER

5. The undersigned was appointed as the Adjudicating Officer under Section 15-I of the SEBI Act read with Rule 3 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as 'Adjudication Rules) to inquire into and adjudge under the provisions of Sections 15 A (b) and 15HB of the SEBI Act, the aforementioned alleged violations of the provisions of law by the Noticees., as applicable.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

6. Show Cause Notices ref. A&E/EAD3/SBM-ASR/21337/1/2016 and A&E/EAD3/SBM-ASR/21337/3-8/2016 dated August 08, 2016 (hereinafter referred to as '**SCNs**') were issued to the Noticees in terms of Rule 4 of the Adjudication Rules to show cause as to why an inquiry should not be initiated and penalty, if any, be not imposed on them under the provisions of sections 15A(b) and 15HB of the SEBI Act for the aforesaid alleged contraventions of the provisions of Regulation 31(1) of the SAST Regulations by Noticee 1, Regulation 30(2) of the SAST Regulations by Noticees 1, 2 and 3, Regulation 13(4) of PIT Regulations by Noticees 1, 2, 4, 5 and 6, Regulation 13(4A) of PIT Regulations by Noticees 1 and 2 and Clause 3.3.1 of the Code of Conduct adopted by the Company under Regulation 12(1) of the PIT Regulations by Noticee 4, 5 and 6, during the relevant period.

7. The Noticees made their submissions to the SCN vide letters dated May 15, 2017 and July 3, 2017 and it was observed that the submissions made by the Noticees were more or less similar in its contents. Thereafter, in the interest of natural justice, Noticees were provided with opportunity of personal hearing in the matter on May 24, 2017 and April 13, 2018. Ms. Unnati J. Upadhyay and Mr. Balveer Singh Chaudhary, appeared as authorized representatives (hereinafter referred to as '**ARs'**) on behalf of the Noticees 1 to 3 and Noticee 5 and 6 on May 24, 2017. Ms Unnati J Upadhyay (Authorised Representative– AR) appeared on behalf of Noticee 4 for the hearing on April 13, 2018. The ARs reiterated the submissions made by the Noticees vide their earlier replies to the SCNs. Thereafter, all the Noticees made additional submissions in the matter vide their letters dated June 16, 2017, June 19, 2017 and April 23, 2018 and mainly reiterated their earlier submissions made in response to the SCNs.

CONSIDERATION OF ISSUES AND FINDINGS

8. I have carefully perused the submissions made by the Noticees and the material/documents on record. The issues that arise for consideration in the present case are-

   A. Whether Noticee 1 failed to disclose to the Company and the BSE, the details of the shares of 8K Miles encumbered/ pledged by him under Regulation 31(1) of SAST Regulations?

   B. Whether Noticees 1, 2 and 3, in their capacity as promoters of the company have failed to make continual disclosures to the Company and the BSE, with regard to their shareholding in the Company as on March 31, 2012, under Regulation 30(2) of SAST Regulations?

   C. Whether Noticees 4, 5 and 6 failed to obtain pre-clearance of their trades/transactions done in the scrip of the company during the relevant period, which was required under the provisions of clause 3.3 of the Code of Conduct of the company mandated under the provisions of Regulation 12(1) of the PIT Regulations?

   D. Whether Noticees 1, 2, 4, 5 and 6 failed to disclose to the Company and the BSE, the details of the change in their shareholding in the Company exceeding Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding, during the relevant period, which was required to be made under Regulations 13(4A) and 13(4) of PIT Regulations?

9. Before moving forward, it is pertinent to refer to the relevant provisions of law allegedly violated by the Noticees, details of which are as under:--

   SAST REGULATIONS

   Continual disclosures.

   30 (2) *The promoter of every target company shall together with persons acting in concert with him, disclose their aggregate shareholding and voting*

rights as of the thirty-first day of March, in such target company in such form as may be specified.

30 (3) *The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within seven working days from the end of each financial year to,—*

(a) every stock exchange where the shares of the target company are listed; and

(b) the target company at its registered office.

Disclosure of encumbered shares.

31(1) *The promoter of every target company shall disclose details of shares in such target company encumbered by him or by persons acting in concert with him in such form as may be specified.*

31(3)*The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within seven working days from the creation or invocation or release of encumbrance, as the case may be to,—*

(a) every stock exchange where the shares of the target company are listed; and

(b) the target company at its registered office.

PIT REGULATIONS

Disclosure of interest or holding by directors and officers and substantial shareholders in a listed companies –

Continual Disclosure-*.*

13(4) *Any person who is a director or officer 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 and his dependents (as defined by the company) from*

the last disclosure made under sub-regulation (2) or under this sub-regulation, and the change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.

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 Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.*

12(1) *All listed companies and organisations associated with securities markets including :*

…

shall frame a code of internal procedures and conduct as near thereto the Model Code specified in Schedule I of these Regulations without diluting it in any manner and ensure compliance of the same.

SCHEDULE I [Under regulation 12(1)]

PART A

MODEL CODE OF CONDUCT FOR PREVENTION OFINSIDER TRADING FOR LISTED COMPANIES

3.3 Pre-clearance of trades

3.3.1 *All directors/officers/designated employees of the company and their dependents as defined by the company who intend to deal in the securities of the company (above a minimum threshold limit to be decided by the company) should pre-clear the transaction as per the pre-dealing procedure as described hereunder.*

3.3.2 *An application may be made in such form as the company may notify in this regard, to the Compliance Officer indicating the estimated number of securities that the designated employee/officer/director intends to deal in, the details as to the depository with which he has a security account, the details as to the securities in such depository mode and such other details as may be required by any rule made by the company in this behalf.*

3.3.3 *An undertaking shall be executed in favour of the company by such designated Employee/director/officer incorporating, inter alia, the following clauses, as may be applicable:*

(a) That the employee/director/officer does not have any access or has not received "Price Sensitive Information" upto the time of signing the undertaking.

(b) That in case the employee/director/officer has access to or receives "Price Sensitive

Information" after the signing of the undertaking but before the execution of the transaction he/she shall inform the Compliance Officer of the change in his position and that he/she would completely refrain from dealing in the securities of the company till the time such information becomes public.

(c) That he/she has not contravened the code of conduct for prevention of insider trading as notified by the company from time to time.

(d) That he/she has made a full and true disclosure in the matter.

10. On the basis of the records/material made available on record and having regard to the submissions made by the Noticees during the course of the proceedings, I record my findings/observations hereunder, with regard to the allegations levelled against the Noticees:-

A. Whether Noticee 1 has failed to disclose to the Company and the BSE, the details of the shares of 8K Miles encumbered/ pledged by him during the relevant period, which was required to be disclosed by him under the provisions of Regulation 31(1) of SAST Regulations r/w Regulation 31(3) of SAST Regulations?

B. Whether Noticees no.1, 2 and 3, as promoters of the company have failed to make continual disclosures to the Company and the BSE, with regard to their shareholding in the Company as on March 31, 2012?

11. I find from the material made available that Mr. Suresh Venkatachari (Noticee 1) was the promoter director of the Company during the relevant period. I observe that Noticee 1 had created a pledge in favor of Comfort Intech Ltd (hereinafter referred to as '**CIL**') on January 18, 2012 on his entire shareholding of 35,61,645 shares in the Company against a loan of Rs. 1 Crore which was taken by him from CIL. Therefore, in terms of the requirements stipulated under Regulation 31(1) r/w Regulation 31(3) of SAST Regulations, Noticee 1 (as promoter of the company) was required to make the necessary disclosures to the Company and BSE within seven working days of the creation of pledge/encumbrance in the requisite format w.r.t the aforementioned encumbrance/creation of the pledge of shares with CIL. However, it is observed from the material/records that Noticee 1 has failed to make the necessary disclosures regarding the pledge/encumbrance of his shares (i.e. 35,61,645 shares) with CIL. In this regard, I also note that the Company vide its emails dated October 17, 2014 and November 13, 2014 have confirmed to SEBI that no disclosures were received by it from Noticee 1 regarding the creation of the pledge/encumbrance of shares by Noticee 1 with CIL during the relevant period. Further, the BSE in its email dated September 22, 2014 also confirmed the fact that the stock exchange had not received any disclosure from Noticee 1 under the provisions of Regulation 31(1) r/w Regulation 31(3) of SAST Regulations.

12. I observe from the submissions made by Noticee 1 that he has contended that the pledgee i.e. CIL had already made the relevant disclosures to BSE on January 23, 2012 regarding the pledge/encumbrance of 35,61,645 shares and therefore, the BSE was already made aware of the aforesaid pledge/encumbrance of the shares created by Noticee 1 in favour of the pledgee i.e. CIL. Further, Noticee 1 also contended that since the disclosure regarding the pledge was already made by the pledgee i.e. CIL, the necessary details regarding the pledge/encumbrance of shares was already available in the public domain for the benefit of the shareholders. Noticee 1 also mentioned that there was no malafide intention on his part in not making the necessary disclosures regarding the pledge/encumbrance of shares with CIL. I do not find any merit in the contentions/arguments put forth by Noticee 1, in this regard. I am of the view that Noticee 1, as promoter of the Company, was duty bound to make the necessary disclosures and cannot absolve himself from the statutory responsibility of making the requisite disclosures under the SAST Regulations. I note that Regulation 31(1) r/w Regulation 31(3) clearly obligates the promoter of the company to make the disclosures regarding the pledge/encumbrance of shares and it is on record that Noticee 1 has failed in his obligation to make the necessary disclosures to the company and BSE in terms of the aforementioned Regulations. The contentions of Noticee 1 that there was no malafide intention behind the non-disclosures and investors have not suffered because of such non-disclosure, are not valid grounds to avoid liability. These factors do not obliterate the obligation on the part of Noticee 1 to make the mandatory disclosures required to be made under the SAST Regulations. In view of the above observations, I hold that Noticee 1 has violated the provisions of Regulation 31(1) r/w Regulation 31(3) of SAST Regulations.

13. I also observe that apart from Noticee 1, Noticees 2 and 3 were also the promoter directors of the Company during the relevant period. It is observed that Noticees 1 to 3 put together were holding 39,94,161 shares of the company representing 71.91% of the total share capital of the Company as on March 31,

2012. In terms of the requirements specified under Regulation 30(2) r/w Regulation 30(3) of SAST Regulations, the promoter of the company shall together with persons acting in concert with him, disclose their aggregate shareholding and voting rights as of the thirty-first day of March, in the prescribed format, to the company and the stock exchanges, within seven working days from the end of each financial year. However, it is observed that Noticees 1 to 3 have failed to make continual disclosures pertaining to their said shareholding as on March 31, 2012, as promoters of the Company, to the Company and to BSE. In this regard, I note that SEBI issued letters to the Company seeking confirmation regarding the disclosure made by Noticees 1 to 3 under the provisions of Regulation 30(2) of SAST Regulations. I note that the Company vide its emails dated October 17, 2014 and November 13, 2014 had confirmed to SEBI that no disclosures were received by it from the Noticees 1 to 3 under the provisions of Regulation 30(2) of SAST Regulations.

14. It was contended by Noticees 1 to 3 that non-compliance with Regulation 30(2) of SAST Regulations was unintentional and without any malafide intention. Further, it was contended by Noticees 1 to 3 that the requisite information regarding their shareholding of the Company as on March 31, 2012, and also the shareholding of the promoters/promoter group were already available in the public domain on the basis of shareholding disclosures made by the company to the stock exchanges under the provisions of Clause 35 of the Listing Agreement. I do not find any merit in the above contentions of Noticees 1 to 3. I note that Hon'ble SAT through various judgments has consistently observed that these factors are not valid grounds for not complying with the mandatory disclosure obligations under the SAST Regulations.

15. In E-Ally Consulting (India) Pvt. Ltd & Ors. vs SEBI (Appeal No 203 of 2014 dated August 15, 2014), wherein similar contentions were raised by the appellant in the case relating to violation of Regulations 30(1) and 30(2) of SAST Regulations, 2011, Hon'ble SAT observed " *We see no merit in the above contentions. Obligation to make disclosures under regulation 30(1) and 30 (2)*

read with regulation 30(3) of SAST Regulations, 2011 is mandatory and is independent of the obligation to make disclosures under the listing agreement. Similarly, fact that proper advise was not there or that the delay was unintentional/without any fraudulent intention or there is no complaint from investors, does not absolve appellants from their obligation to make the disclosures under SAST Regulations, 2011" (Emphasis supplied).

16. Similarly, in the matter of Inland Printers Limited Vs SEBI (Appeal No 199 of 2014 decided on October 20, 2015) Hon'ble SAT had observed that "*Argument of the appellant that delay has not prejudicially affected the investors because the information was always available due to reports of shareholding pattern filed with the Exchanges in compliance with Clause 35 of the listing agreement has no merit, because, obligation to make disclosure under Regulation 8(3) of SAST Regulations, 1997 is independent of the obligation under Clause 35 of the listing agreement.*" . Further, in the matter of Akriti Global Traders Limited vs SEBI (Appeal no 78 of 2014 and Order dated September 30, 2014), Hon'ble SAT observed that " *Argument of appellant that the delay was unintentional and that the appellant has not gained from such delay and therefore penalty ought not to have been imposed is without any merit, because, firstly, penal liability arises as soon as provisions under the regulations are violated and that the penal liability is neither dependent upon the intention of the parties nor gains accrued from such delay*" (Emphasis supplied)

In view of the above observations, I hold that Noticees 1 to 3 have violated the provisions of Regulation 30(2) r/w Regulation 30(3) of SAST Regulations, 2011.

C. Whether Noticees 4, 5 and 6 failed to obtain pre-clearance of the transactions from the Company w.r.t their trading in the shares of the Company during the relevant period?

17. It is alleged in the SCN that Noticees 4, 5 and 6, as the directors of the Company, dealt in the shares of the Company during the relevant period without obtaining pre-clearance from the company before their transactions in the scrip

of 8K Miles, which was required to be obtained by them under the provisions of Clause 3.3. of the Code of Conduct of the company stipulated under Regulation 12(1) of PIT Regulations. The details of the transactions in the scrip of 8K Miles executed by Noticees 4, 5 & 6 for which the aforementioned allegations have been made against them in the SCN are as under:

Table - I

Name	Date	Value of trades	No. of Shares
Ravi Surana/ Noticee 6	31/01/2012	11,00,000	20,000
	01/02/2012	4,13,064	7,100
	02/02/2012	17,11,696	29,300
	10/02/2012	8,25,000	15,000
	17/02/2012	11,10,000	20,000
	25/04/2012	22,50,000	45,000
	03/05/2012	2,65,111	5,254
	04/05/2012	16,99,656	35,435
	09/05/2012	210	4
Gulab Chand Pukhraj Surana / Noticee 5	07/01/2012	10,528	255
	17/02/2012	16,67,500	30,000
	23/03/2012	12,16,155	22,000
	13/04/2012	1,74,457	3,304
	16/04/2012	1,53,585	3,000
	18/04/2012	2,56,287	4,907
	25/04/2012	49	1
T.P Saira / Noticee 4	09/02/2012	20,76,934	35,325
	14/02/2012	46,426	830
	15/02/2012	1,42,456	2,514
	16/02/2012	19,570	347
	17/02/2012	13,35,134	24,056
	21/02/2012	57	1
	23/02/2012	1,95,935	3,504
	29/02/2012	2,71,197	4,854
	01/03/2012	2,954	52
	02/03/2012	1,35,910	2,436
	05/03/2012	2,00,299	3,377
	06/03/2012	11,779	202
	07/03/2012	28,378	492
	12/03/2012	5,825	100
	20/03/2012	Off-market	33,014

18. I note from the perusal of Clause 3.3. of the Model Code of Conduct prescribed under Regulation 12(1) of PIT Regulations that it clearly states that "*All directors/officers/designated employees of the company and their dependents*

as defined by the company who intend to deal in the securities of the company (above a minimum threshold limit to be decided by the company) should pre-clear the transaction as per the pre-dealing procedure as described hereunder."
In terms of the above requirement, the Company has also framed the Code of Conduct in terms of Regulation 12 of the PIT Regulations and the relevant provisions of Clause 3.3 was also adopted by the Company w.r.t obtaining pre-clearance of the transactions of its directors/officers/designated employees . During the course of the proceedings, Noticee 4 had submitted a copy of the Code of Conduct adopted by the Company for its directors and mentioned that "*Duly authenticated copy of the code of conduct of the company as per the SEBI (PIT) Regulations, 1992 adopted by the company on August 13, 2011, which was in effect during the investigation period, obtained from the company is attached...Board resolution passed by the Board of Directors in the meeting held on September 03, 2011 for confirming the pre clearance threshold limit under clause 3.3 of the code of conduct for the transactions of the directors/officers, designated employees of the company who intend to deal in the securities of the company at 50,000 equity shares of the company is attached at Annexure D."*

19. Upon perusal of the said Annexure D submitted by Noticee 4, I observe that the said document captioned as "*Approval of threshold limit*" states as under "*Resolved that the minimum threshold limit for the purpose of transactions carried out by all directors/officer/ designated employees in the shares of the company, beyond which the pre clearance as per the pre dealing procedure under clause 3.3.2 shall have to be obtained, be and is hereby fixed at 50,000 (fifty thousand) equity shares of the company in any single transaction*." I observe that the said document is stated to be a certified true copy bearing the Company's seal and also signed by company secretary of the company. I also note that the Investigation Report has not drawn any reference /made observations regarding the minimum threshold limit fixed by 8K Miles w.r.t pre-clearance of trades of its directors/designated employees etc. Therefore, it is

clear that the Company has set the threshold limit for its directors to obtain pre-clearance of their transactions and has fixed a threshold limit of 50,000 shares per transaction for obtaining the pre-clearance. I observe from the transactions executed by Noticees 4, 5 and 6, as brought out in the above mentioned Table that the transactions of the Noticees in the scrip of the company were within the prescribed threshold limit of 50,000 shares which has been fixed by the company in terms of its Code of Conduct under the PIT Regulations. Thus, the Noticees 4, 5 and 6 were not required to obtain pre-clearance of their trades in view of the reasons cited above. Therefore, in view of the above observations, the allegations levelled in the SCN that Noticees 4, 5 & 6 have failed to obtain pre-clearance of their trades in the company during the relevant period and have failed to comply with the provisions of Clause 3.3 of the Code of Conduct prescribed under Regulation 12(1) of the PIT Regulations is not sustainable.

D. Whether Noticees 1, 2, 4, 5 and 6 failed to disclose to the Company and the BSE, the details of the change in their shareholding in the Company exceeding Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding, during the relevant period?

20. As already observed, Noticees 1 & 2 were the promoter directors of the Company and were holding 35,61,645 shares (59.10% of the total share capital of 8K Miles) and 3,95,439 shares (7.12% of the total share capital of 8K Miles) of the Company, respectively, as on March 31, 2012. I note that subsequently on July 05, 2012, 8K Miles made a bonus issue and consequently, additional shares as bonus were allotted to its existing shareholders, including Noticees 1 and 2. As a result of allotment of bonus shares by the Company, Noticee 1 was allotted additional 23,74,430 shares and Noticee 2 was allotted additional 2,63,626 shares. Therefore, consequent to the allotment of the bonus shares to Noticee 1 and 2, as mentioned above, the individual shareholding of Noticees 1 and 2 have changed by more than 25,000 shares in quantity. It is therefore alleged in the SCN that Noticees 1 and 2, who were the promoter directors of 8 K Miles, were under an obligation to make the disclosures to the company and

BSE under Regulations 13(4) and 13(4A) of the PIT Regulations with regard to the change in their shareholdings by more than 25,000 shares in terms of quantity, as mentioned under the PIT Regulations. It is noted that Noticees 1 and 2 have failed to make the necessary disclosures under Regulations 13(4) and 13(4A) of the PIT Regulations to the company and to BSE.

21. As already mentioned above, Noticees 4, 5 and 6 were the directors of the Company during the relevant period. I find from the trading/transaction details of Noticees 4, 5 and 6, as brought out in the Table above (i.e. Table 1) that the individual shareholding of Noticees 4, 5 and 6 have changed on many occasions during the relevant period and such change in individual shareholding were more than Rs. 5,00,000 in value or 25,000 shares in terms of quantity of shares traded. It is alleged in the SCN that Noticees 4, 5 and 6, who were directors of the Company, were under an obligation to make the disclosures to the company and BSE under Regulation 13(4) of the PIT Regulations w.r.t the change in their shareholdings of more than Rs. 5,00,000 in value and/or 25,000 shares in terms of quantity traded, as prescribed under the PIT Regulations.

22. I have perused the transactions done by Noticees 4, 5 and 6 in the scrip of 8K Miles and observe that out of the total transactions done by the aforesaid three Noticees, for the transactions specifically mentioned in the Table II mentioned below, the value of shares traded was more than Rs. 5,00,000 and/or the quantity of shares traded on these dates were in excess of 25,000 shares.

Table - II

Name	Date	Value of trades	No. of Shares
Ravi Surana/ Noticee 6	31/01/2012	11,00,000	20,000
	02/02/2012	17,11,696	29,300
	10/02/2012	8,25,000	15,000
	17/02/2012	11,10,000	20,000
	25/04/2012	22,50,000	45,000
	04/05/2012	16,99,656	35,435
Gulab Chand Pukhraj Surana / Noticee 5	17/02/2012	16,67,500	30,000
	23/03/2012	12,16,155	22,000

Name	Date	Value of trades	No. of Shares
T.P Saira / Noticee 4	09/02/2012	20,76,934	35,325
	17/02/2012	13,35,134	24,056
	20/03/2012	Off-market	33,014

23. Therefore, Noticees 1 and 2 were required to make the disclosures under Regulations 13 (4) and 13(4A) of the PIT Regulations and Noticees 4, 5 and 6 were required to make the disclosures under Regulation 13 (4) of the PIT Regulations for the aforementioned transactions. However, I find from the records/material made available that no such disclosures were made by the Noticees 1, 2, 4, 5 and 6.

24. It is contended by the Noticees that even after allotment of additional shares under bonus issue, there was no change in their shareholding or voting rights in the Company in percentage terms, and therefore, they were not under any obligation to make the required disclosures under PIT Regulations. I am not in agreement with the arguments of the Noticees. A plain reading of the provisions of the Regulations 13(4) and 13(4A) of the PIT Regulations mentions that the disclosure requirements trigger when the shareholding of the promoter or director, as the case may be, changes by more than 25,000 shares in quantity of shares traded or Rs. 5,00,000/- in value or 1% of the total share capital of the target company. In the present matter, the shareholding of the Noticee 1 increased by 23,74,430 shares and Noticee 2 increased by 2,63,626 shares due to allotment of bonus shares, which is well above the threshold of 25,000 shares prescribed under PIT Regulations. Further, from the Table II mentioned above, Noticees 4,5 and 6 (who were the directors of 8 K Miles) had executed transactions in the scrip of the company, which were more than 25,000 shares in terms of quantity and/or more than Rs 5 lakhs in terms of value of shares traded. Therefore, clearly, from the above observations, Noticees 1 & 2 have failed to comply with the provisions of Regulations 13(4) and 13(4A) of the PIT Regulations and Noticees 4, 5 and 6 have failed to comply with the provisions of Regulation 13(4) of the PIT Regulations.

25. In this context, I observe that Hon'ble SAT in its Order dated September 30, 2014, in the matter of Akriti Global Traders Ltd. Vs SEBI had observed that

"*Obligation to make disclosures under the provisions contained in SAST Regulations, 2011 as also under PIT Regulations, 1992 would arise as soon as there is acquisition of shares by a person in excess of the limits prescribed under the respective regulations and it is immaterial as to how the shares are acquired. Therefore, irrespective of the fact as to whether the shares were purchased from open market or shares were received on account of amalgamation or by way of bonus shares, if, as a result of such acquisition/ receipt, percentage of shares held by that person exceeds the limits prescribed under the respective regulations, then, it is mandatory to make disclosures under those regulations."*

26. As the violation of the statutory obligation under SAST Regulations and PIT Regulations has been established, I hold that the Noticees are liable for monetary penalty under Section 15 A (b) of the SEBI Act, which reads as under

Penalty for failure to furnish information, return etc

15 A *-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 thereof in the regulations, fails to file return or furnish the same within the time specified thereof 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.

27. Further, the Hon'ble Supreme Court of India in the matter of SEBI Vs Shri Ram Mutual Fund {2006} 68 SCL 216 (SC) held that "*once the violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established then the penalty is to follow.*"

28. While determining the quantum of penalty, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under :

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

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

a. *the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
b. *the amount of loss caused to an investor or group of investors as a result of the default;*
c. *the repetitive nature of the default"*

29. From the material available on record, the amount of disproportionate gain or unfair advantage to the Noticees or loss caused to the investors as a result of the default committed by the Noticees is not quantifiable. Though it may not be possible to ascertain the monetary loss to the investors on account of the default by the Noticees, the details of the shareholding of the promoters of the Company / change in the shareholdings of the promoters and directors of the Company and timely disclosures thereof, were of significant importance from the point of view of the investors as that would have prompted them to buy or sell shares of the company. The disclosure obligation mandated under the SAST Regulations and PIT Regulations are critical and important component of the legal regime governing substantial acquisition of shares and takeovers and in the context of prevention of insider trading. In the absence of these timely disclosures, the investors will be deprived of the important information at the relevant point of time.

ORDER

30. After taking into consideration all the facts and circumstances of the case, material on record and the submissions of the Noticees, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5

of the Adjudication Rules, hereby impose the penalty on the Noticees under the provisions of Section 15 A (b) of the SEBI Act, as under :-

Noticee No	Name of the Noticee	Violations observed	Penalty
1	Mr. Venkatachari Suresh [ATNPS3289H]	Regulation 30(2) of SEBI (SAST) Regulations, 2011 Regulation 31(1) of SEBI (SAST) Regulations, 2011 Regulations 13(4) and 13(4A) of SEBI (PIT) Regulations, 1992 r/w Regulation 12 of SEBI (Prohibition of Insider trading) Regulations, 2015	Rs 3,00,000/- (Rupees Three Lakh only) under section 15A(b) of the SEBI Act
2	Mr. R S Ramani [AHVPR9966J]	Regulation 30(2) of SEBI (SAST) Regulations, 2011 Regulations 13(4) and 13(4A) of SEBI (PIT) Regulations, 1992 r/w Regulation 12 of SEBI (Prohibition of Insider trading) Regulations, 2015	Rs 1, 50,000/- (Rupees One Lakh and Fifty Thousand only) under section 15A(b) of the SEBI Act
3	Mr. M V Bhaskar [AAHPV8843M]	Regulation 30(2) of SEBI (SAST) Regulations, 2011	Rs 1,00,000/- (Rupees One Lakh only) under section 15A(b) of the SEBI Act
4	Ms T P Saira [AAAPZ2960N]	Regulation 13(4) of SEBI (PIT) Regulations, 1992 r/w Regulation 12 of SEBI (Prohibition of Insider trading) Regulations, 2015	Rs 1,00,000/- (Rupees One Lakh only) under section 15A(b) of the SEBI Act
5	Mr. G.P Surana [AINPS9082R]	Regulation 13(4) of SEBI (PIT)	Rs 1,00,000/- (Rupees One

		Regulations, 1992 r/w Regulation 12 of SEBI (Prohibition of Insider trading) Regulations, 2015	Lakh only) under section 15A(b) of the SEBI Act
6	Mr. Ravi Surana [AINPS9085J]	Regulation 13(4) of SEBI (PIT) Regulations, 1992 r/w Regulation 12 of SEBI (Prohibition of Insider trading) Regulations, 2015	Rs 1,00,000/- (Rupees One Lakh only) under section 15A(b) of the SEBI Act

I am of the view that the said penalty is commensurate with the default committed by the Noticees.

31. The Noticees shall remit / pay the said amount of penalty within 45 days of the 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-

Account No. for remittance of penalties levied by Adjudication Officer	
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

32. The Noticees shall forward the said Demand Draft or the details/ confirmation of penalty so paid through e-payment (in the format given in the table below) to "The Division Chief, Enforcement Department (EFD DRA- I), Securities and Exchange Board of India, SEBI Bhavan, Plot No C-4A,"G" Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051" .

1. Case Name:	
2. Name of Payee:	
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)	

33. In terms of Rule 6 of the Adjudication rules, copies of this order are sent to the Noticees viz, Mr. Venkatachari Suresh, Mr. R S Ramani, Mr. M V Bhaskar, Ms. T. P. Saira, Mr. Gulabchand Pukhraj Surana and Mr. Ravi Surana and also to the Securities and Exchange Board of India.

Place: Mumbai **SURESH B MENON**

Date: July 30, 2018 **ADJUDICATING OFFICER**