

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**ADJUDICATION ORDER NO. Order/BD/VS/2019-20/7400**

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**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:**

**Ms. Swarnakumari**  
**PAN: AGZPS7160C**  
No. 354, 13<sup>th</sup> Cross, 5<sup>th</sup> Main,  
RMV 2<sup>nd</sup> Stage,  
HIG Colony, Bangalore – 560 094

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**In the matter of M/s Centum Electronics Limited**

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**BACKGROUND**

1. National Stock Exchange of India Ltd (hereinafter referred to as “**NSE**”) and BSE Ltd. (hereinafter referred to as “**BSE**”) forwarded a joint examination report in the trading activities of Bharat Patel Group in certain scrips on the basis of alerts generated by surveillance system and complaint received from Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”). On receipt of the aforesaid joint examination report and referral by ISD, an investigation was carried out by SEBI to ascertain whether there was any violation of the provisions of Section 12A of SEBI Act, 1992, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003, SEBI (substantial acquisition of shares and takeover) Regulations, 2011 (hereinafter referred to as “**SEBI (SAST) Regulations, 2011**”) and SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as “**SEBI (PIT) Regulations, 1992**”) by the trading activities of Bharat Patel Group in the scrip of Centum Electronics Limited (hereinafter referred to as ‘**Centum**’/ ‘**Company**’) during the period between December 15, 2011 to October 09, 2014 (hereinafter referred to as “**Investigation Period**”). However, wherever deemed necessary, reference was also made outside the Investigation Period.
2. Based on the findings of the investigation, following are *inter alia* the observations with respect to the Noticee:

**Examination of violation of disclosure requirements under the provisions of SEBI (PIT) Regulations, 1992.**

**Promoter entities**

3. On analysis of the change in shareholding of the promoter entities and the disclosures requirements under SEBI (PIT) Regulations, 1992 and SEBI (SAST) Regulations, 2011, it was observed as under:
  - a) During the period from April 11, 2012 to December 31, 2012, MS Swarnakumari (hereinafter referred to as **Noticee**) had acquired 3,147 shares (0.03%) of Centum. During the quarter ended on March 2013, she further acquired 5452 shares (0.04%) taking the total to 8,559 shares (0.07%). In the following quarter ended June 2013, she further acquired 5,084 shares (0.04%) taking her overall holding to 13,683 shares (0.11%) in the listed entity. It was observed that she was shown as a promoter entity from the quarter ended March 2013 onwards. However, she had failed to make disclosures as required under Regulation 13 (2A) of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015 upon becoming a part of the promoter group.
4. From the above, it was alleged that the Noticee had violated the provisions of Regulation 13(2A) of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015.

**APPOINTMENT OF ADJUDICATING OFFICER**

5. The undersigned has been appointed as the Adjudicating Officer ('AO') vide order dated May 29, 2019 under section 15 I of SEBI Act, 1992 to inquire into and adjudge the alleged violation of Regulation 13(2A) of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015 by the Noticee.

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

6. A Show Cause Notice bearing number EAD/BJD/VS/2564/2/2020 dated January 20, 2020 (hereinafter referred to as '**SCN**') was issued to the Noticee with respect to the

aforesaid allegations mentioned at para above calling upon the Noticee to show cause why an inquiry should not be held against her in accordance with Rule 4 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Inquiry Rules**”) and penalty be not imposed under Section 15A(b) of the SEBI Act, 1992 . The SCN issued to the Noticee was duly served on her as noted from the record. In response to the same, one Mr. Nagaraj K V, the compliance officer of Centum vide his letter dated February 17, 2020 and February 19, 2020 acknowledged the receipt of SCN and sought further time to submit reply on behalf of the Noticee. Considering that more than 30 days had passed since the service of SCN and no reply was received from the Noticee, it was opined based on the facts and circumstances of the case to hold an inquiry in the matter. Accordingly vide email dated February 24, 2020, the Noticee was granted with additional time to submit her reply along with an opportunity of hearing on March 20, 2020. The same was acknowledged by the Compliance officer of Centum vide their email dated February 26, 2020. Further vide their email dated March 17, 2020, M/s Keystone Partners (hereinafter referred to as “**ARs**”) submitted the letter of Authorization dated February 26, 2020 by the Noticee in their favour and submitted the reply dated March 17, 2020 on behalf of the Noticee. Vide their reply, AR primarily submitted as under:

- a) That the Noticee is a senior citizen aged 73 years and has been staying in Canada since the past 13 years and that she is not familiar with the trading norms of India
- b) That the lapse in disclosure was inadvertent and far from being deliberate.
- c) That the Noticee held a minuscule shares of 0.07% of Centum in the year 2012 to 2013
- d) That in April 3, 2013, one of the promoters of Centum i.e. Mr. Apparao V Mallavarapu who is also the brother of Noticee disclosed the Noticee as one of the promoters of Centum vide his filing of disclosure dated April 3, 2013 under Regulation 30(2) of SEBI (SAST) Regulations, 2011 to NSE and BSE
- e) Further that Centum vide its quarterly disclosure for the quarter ending on March 31, 2013 had disclosed the individual shareholding of the Noticee to the exchanges. The same was also disclosed to the exchanges by Centum vide its disclosure dated February 8, 2014.
- f) Based on the above, it was submitted that the information that with respect to the shareholding of Noticee was always in the public domain.

7. Further, considering the prevailing circumstances, vide email dated March 19, 2020, the Noticee was communicated that the hearing would be granted by way of Whatsapp Call in lieu of personal hearing which was agreed to by the ARs. Accordingly on March 20, 2020, a hearing in the matter was held and the AR reiterated their submissions dated March 17, 2020 over the Whatsapp video call. The hearing proceedings were concluded therewith.

### **CONSIDERATION OF ISSUES AND FINDINGS**

8. After perusal of the material available on record, I have the following issues for consideration, viz.,
- I. Whether the Noticee has violated the provisions of Regulation 13(2A) of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015?
  - II. Whether the Noticee is liable for monetary penalty under section 15A (b) of the SEBI Act, 1992?
  - III. If so, what quantum of monetary penalty should be imposed on the Noticee?

### **FINDINGS**

9. On perusal of the material available on record and giving regard to the facts and circumstances of the case, I record my findings hereunder.

#### ***Issue I: Whether the Noticee has violated the provisions of Regulation 13(2A) of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015?***

10. I note that the allegation against the Noticee is that he has failed to make disclosures as per the provisions of Regulation 13(2A) of SEBI(PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015 during the examination period which reads as under:

#### **SEBI (PIT) Regulations, 1992**

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

#### ***13. (1).....***

....

*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.*

**SEBI (PIT) Regulations, 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*

11. From the provision of the aforementioned Regulations, I note that any person who is a promoter or a part of the promoter group of a company is under an obligation to disclose in Form B to the said company, 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. In the instant case, I note from the record that the Noticee is shown to be a promoter entity from the quarter ended March 2013 onwards of Centum. I note that the Noticee has not disputed the fact that the disclosure in terms of Regulation 13(2A) of SEBI(PIT) Regulations, 1992 was failed to be made by her. However, it is the primary submission of the Noticee that she has been residing in Canada since 13 years and that she was not aware of the trading norms of India and that the failure to disclose was an inadvertent act of her. In this regard, I note that it is a settled law that ignorance of law cannot be accepted as a justification for the act of default as in the instant case. Further, I

also note that the Noticee has bought the shares of Centum in 2012 and 2013 and has been made a part of the promoter group from March 2013 which signifies that she was active as a trader during that period contrary to the submissions of the Noticee.

12. Further, the Noticee has contended that though the disclosure was not made by her in the individual capacity, the information pertaining to her being the promoter and her shareholding in Centum was always in the public domain as her brother Mr. Apparao V. Mallavarapu, one of the promoters of Centum had disclosed the shareholding of the Noticee at the requisite time. In support of the same, the Noticee has submitted vide her reply dated March 17, 2020 a copy of letters dated April 8, 2013 (i.e. 5 days after the Noticee became a part of the promoter group) by Centum vide which the company had filed the quarterly disclosures with BSE and NSE for the quarters ending on March 31, 2013 in terms of Clause 35 of the Listing Agreement. I have perused the aforesaid documents submitted before me by the Noticee. On perusal of the same I note that the individual shareholding of the Noticee in the capacity of being a promoter were disclosed in the aforesaid disclosure filed. Further, another disclosure filed by Centum on February 8, 2014 to the stock exchanges has also been submitted before me by the Noticee which further stated the shareholding of the Noticee in Centum. From the aforesaid documents, I find merit in the submission of the Noticee. Especially considering the fact that immediately after the Noticee was made a part of the promoter group, Centum had within 5 days disclosed the promoter shareholding to the exchanges as a part of its quarterly disclosures. Therefore, in the said facts and circumstances, though the Noticee failed to submit the disclosures in individual capacity, Centum filing the disclosures immediately as stated above has set aside any disparity of information with respect to the promoter shareholding of Centum on a new promoter being added to the group.
13. In addition to the above, I also take into consideration that no prior default or action against the Noticee has been taken in the past and that in the facts and circumstances of the case as mentioned above, the Noticee's defaults has not jeopardized any investor as the information was immediately disclosed in the public domain by Centum through her brother. In view of all the above, I am of the opinion that the case warrants a lenient view in favour of the Noticee. Accordingly, I conclude that the allegation that Noticee violated the provisions of Regulation 13(2A) of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015 does not stand established.

***ISSUE II. Whether the Noticee is liable for monetary penalty under section 15A (b) of the SEBI Act, 1992?***

14. In view of the conclusion arrived at para 13 above, I conclude that the instant issue doesn't survive for consideration.

***ISSUE III. If so, what quantum of monetary penalty should be imposed on the Noticee?***

15. Since the Noticee is not liable for monetary penalty in the instant matter, this issue deserves no consideration.

**ORDER**

16. In view of my findings noted in the preceding paragraphs, I hereby dispose of the Adjudication Proceedings initiated against MS Swarnakumari in the matter of M/s Centum Electronics Limited vide Show Cause Notice bearing number EAD/BJD/VS/2564/2/2020 dated January 20, 2020.

17. In terms of the provisions of Rule 6 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules 1995, a copy of this order is being sent to MS Swarnakumari at her address on record and also to the Securities and Exchange Board of India, Mumbai.

**March 30, 2020  
Mumbai**

**B J Dilip  
Adjudicating Officer**