

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**[ADJUDICATION ORDER NO. MC/CB/2/2018]**

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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 –

**Himabindu K (PAN ASVPM4978L)** having address at – 8-3-988/34/7/2/1&2, Kamlapuri Colony, Srinagar Colony, Main Road, Hyderabad – 500 073 (Telangana)

In the matter of *Objectone Information Systems Limited*

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**BACKGROUND**

1. Securities and Exchange Board of India (hereinafter be referred to as, the “**SEBI**”) conducted examination in the scrip of Objectone Information Systems Limited (hereinafter be referred to as, the “**Company**”), a company listed on the BSE Limited (hereinafter be referred to as, the “**BSE**”) for the period June 01, 2013 to October 10, 2014 (hereinafter be referred to as, the “**Examination Period**”). Examination *prima facie* revealed violation of Regulation 13(4) & 13(4A) read with 13(5) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter be referred to as, the “**PIT Regulations**”) by Ms. Himabindu K (hereinafter be referred to as, the “**Noticee**”).

**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 July 21, 2016 to inquire into and adjudge under Section 15A (b) of the SEBI Act against the Noticee for the alleged violation of aforesaid provisions of PIT Regulations. Subsequent to superannuation of Mr. Suresh Gupta, the undersigned was appointed as the Adjudicating Officer on May 10, 2018 which was communicated vide order dated June 19, 2018.

### SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice No. EAD/SG/DP/2741/2018 dated January 25, 2018 (hereinafter be referred to as, the “**SCN**”) was served upon the Noticee 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 alleged violations of Regulation 13(4) & 13(4A) read with 13(5) of the PIT Regulations.
4. The allegations levelled against the Noticee in the SCN are summarized as below:
  - a) The shareholding of the Noticee, a Promoter and a Director of the Company, reduced from 11.75% (as on the financial quarter April – June 2013) to 9.65% (as on April – June 2014) of the total share capital of the Company.
  - b) As a result of such reduction, the Noticee was required to submit disclosure to the Company and the BSE under Regulation 13(4) & 13(4A) read with 13(5) of the PIT Regulations. However, the Noticee, allegedly, failed to submit disclosure to the BSE under Regulation 13(4) & 13(4A) read with 13(5) of the PIT Regulations.
  - c) The BSE, *vide* e-mail dated June 18, 2015 and March 06, 2017 confirmed that no disclosures were received from the Noticee under the Regulation 13(4) & 13(4A) read with 13(5) of the PIT Regulations in relation to the reduction in shareholding of the Noticee during the Examination Period.
  - d) It was alleged that the aforesaid non-disclosure regarding reduction in the shareholding of the Noticee was in violation of Regulation 13(4) & 13(4A) read with 13(5) of the PIT Regulations, text of which is reproduced as below:

***SEBI (Prohibition of Insider Trading) Regulations, 1992***

***“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.***

- (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.*
- (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.”*

5. It was stated in the SCN that the aforesaid alleged violations, if established, would make the Noticee liable for monetary penalty under Section 15A (b) of the SEBI Act.
6. In response to the SCN, the Noticee filed a reply dated February 22, 2018. The submissions of the Noticee are summarized as below:
- a) The Noticee submitted that she had submitted disclosures i.e. Form D required under Regulation 13(4), 13(4A) and 13(6) of the PIT Regulations to the Company and under Regulation 29(2) read with 29(3) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 (hereinafter be referred to as, the “**SAST Regulations**”) to the Company as well as the BSE.
- b) The Noticee also provided copies of disclosures submitted to the Company and the BSE and the courier receipts available with the Noticee along with a request of considering the same.
7. After perusing the reply of the Noticee and considering the facts and circumstances of the case, an opportunity of hearing was granted to the Noticee by the undersigned on July 16, 2018 *vide* Notice of Hearing dated June 29, 2018.
8. The hearing scheduled on July 16, 2018 was attended by the authorized representative of the Noticee. During the course of hearing, the authorized

representative of the Noticee reiterated written submissions dated February 22, 2018 submitted by the Noticee.

9. Thereafter, *vide* letter dated July 19, 2018, the Noticee further furnished copies of disclosure furnished to the Company and to the BSE for the transactions carried out during the Examination Period along with the notarized true copies of courier receipts.
10. Since inquiry / hearing in the instant matter is concluded, keeping into account the allegations levelled in the SCN, submissions of the Noticee towards the SCN and material available on record, I hereby proceed to decide the case on merit.

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

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

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

**Issue No. II** If yes, whether the failure, on the part of the Noticee 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?

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

12. Regulation 13(4) of the PIT Regulations requires any director / officer of a listed company and Regulation 13(4A) of the PIT Regulations requires any promoter or person part of promoter group of a listed company, to disclose the change in shareholding or voting rights if there has been a change exceeding Rs. 5 lakhs in value or 25,000 shares or 1% of the total shareholding or voting rights in such holdings of such person from the last disclosure. Under the aforesaid regulations read with Regulation 13(5) of the PIT Regulations, such disclosures are to be made to the company and the stock exchanges where the securities of the company are listed in *Form D* within 2 working days of receipt of intimation of allotment of shares or acquisition or sale of shares or voting rights as the case maybe.

13. I note that the details relating to change in the shareholding of the Noticee in the scrip of the Company as alleged in the SCN are not in dispute in the reply received from the Noticee. However, the Noticee submitted that relevant disclosures under Regulation 13 of the PIT Regulations in Form D were filed by the Noticee to the Company and to the BSE and similarly, she had also filed relevant disclosures under Regulation 29 of the SAST Regulations to the Company as well as the BSE.
14. I also note from the Annexure D of the SCN that the BSE had confirmed non-receipt of disclosures under Regulations 13(4), 13(4A) read with 13(5) of the PIT Regulations from the Noticee for change in her shareholding in the scrip of the Company during the Examination Period.
15. In order to ascertain whether the Noticee had made any disclosure under relevant provisions of the PIT Regulations, I have perused disclosures received in the scrip of the Company during the Examination Period which are available on the website of the BSE and I note that disclosures for the change in shareholding of the Noticee during the Examination Period were made to the BSE within 2 days of change in such shareholding, albeit under Regulation 13(6) of the PIT Regulations. I have also perused the copies of disclosures under Regulation 13 of the PIT Regulations furnished in Form D by the Noticee to the Company and the certified true copies of the courier receipts of the disclosures furnished to the BSE by the Company. Thus, I am of the view that the Noticee had forwarded disclosures under Regulation 13(4) and 13(4A) read with 13(5) of the PIT Regulations to the Company, which in turn forwarded the received disclosures to the BSE. I have also perused the copies of the disclosures furnished by the Noticee and am of the view that all the aforesaid disclosures for the change in shareholding of the Noticee were forwarded to the BSE in Form D by the Company.
16. I am also inclined to refer to the order of the Securities Appellate Tribunal in the matter of **Reliance Industries Limited v. Securities and Exchange Board of India** (Appeal No. 39 of 2002 dated August 31, 2004) wherein it held, “*We do not think that the appellant had deliberately suppressed the information with ulterior motive. The appellant can, at best, be held to have made a technical lapse. .... In this case, the breach was bona fide and the appellant was under the impression since it had already made a disclosure earlier it was not necessary to make a fresh disclosure once again.*”

*This, in our view, is an error of judgment and, at best, an error of understanding the law. Ignorance of law is no excuse but an erroneous interpretation is a mitigating factor especially if such interpretation is honest and bona fide to the knowledge of the appellant.”*

**17.** From the facts of the case and material available on record, I am of the opinion that the Noticee had, at best, made an error of judgment by forwarding the disclosures in Form D to the Company only instead of to both, the Company and the BSE. In any case, the Company forwarded the disclosure to the BSE and the information was made available to the investors within the timeframe provided under the PIT Regulations. Hence, I am of the opinion that the object of PIT Regulations was not violated by the Noticee.

**18.** Keeping the aforesaid in mind, I am of the view that the Noticee had not failed to make disclosures required under Regulation 13(4), 13(4A) read with 13(5) of the PIT Regulations which were required upon change in her shareholding in the Company and thereby, had not violated the same.

**Issue No. II                      If yes, whether the failure, on the part of the Noticee 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?**

**19.** Since it has been concluded on considering the facts and circumstances of the case and also taking into account the material available on record that the violations of Regulation 13(4), 13(4A) read with 13(5) of the PIT Regulation against the Noticee do not stand established for reasons as discussed above, the subsequent Issues II & III do not require any further examination.

## **ORDER**

**20.** Accordingly, taking into account the aforesaid observations and in exercise of powers conferred upon me under Section 15 of the SEBI Act read with Rule 5 of the Adjudication Rules, I am of the view that no penalty is warranted to be imposed upon the Noticee in the instant matter and the SCN is disposed off accordingly.

**21.** Copies of this Adjudication Order are being sent to the Noticee and also to SEBI in terms of Rule 6 of the Adjudication Rules.

**Date : August 30, 2018**

**Place : Mumbai**

**(Maninder Cheema)**

**Adjudicating Officer**