

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**[ADJUDICATION ORDER NO. Order/MC/HP/2020-21/8752]**

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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) **Sital Leasing and Finance Limited (PAN: AAHPJ8940K)** having its address - 555, Double Storey, New Rajinder Nagar, New Delhi, India-110060.  
Email Id – sitalleasing83@gmail.com

In the matter of trading activities in the scrip of *Sital Leasing and Finance Limited*

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**BACKGROUND**

1. Securities and Exchange Board of India (hereinafter referred to as, '**SEBI**'), initiated adjudication proceedings under section 15A(b) of SEBI Act, 1992 (hereinafter referred to as, the '**SEBI Act**') against **Sital Leasing and Finance Limited** (hereinafter be referred to as, **Noticee/Company/SLFL**), for the alleged violations of Regulation 7(2)(b) of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter be referred to as, '**PIT Regulations, 2015**') pursuant to investigation in the matter of trading activity of certain entities in the scrip of SLFL.

**APPOINTMENT OF ADJUDICATING OFFICER**

2. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as '**AO**') vide order dated April 03, 2019 to inquire into and adjudge under section 15A(b) of SEBI Act, the aforesaid alleged violation against the Noticee. The appointment of the AO was communicated vide order dated April 12, 2019.

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

3. Show Cause Notice No. EAD5/MC/HP/1487/2020 dated January 10, 2020 (hereinafter referred to as '**SCN**'), was issued to the Noticee in terms of Rule 4 (1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**'), to show cause as to why an inquiry should not be held and penalty not be imposed against the Noticee in terms of Section 15A(b) of the SEBI Act for the aforesaid alleged violation.
4. The allegations levelled against the Noticee in the SCN are summarized as below:
5. It was alleged in the SCN that Noticee failed to make the required disclosure to the stock exchange, information received from the promoters of the company viz. Surendra Kumar Jain and Rajesh Kumar Mishra for inter-se transfer of 1,27,500 shares.
6. It was observed that Surendra Kumar Jain had received 1,27,500 shares on June 20, 2016 for an amount of Rs 1,01,04,375 (valued on the closing price of June 13, 2016) through off market from Rajesh Kumar Mishra. It was also observed that SEBI sought confirmation from Surendra Kumar Jain and Rajesh Kumar Mishra with respect to the required disclosures to the Noticee for aforesaid transaction. Further, SEBI sought confirmation from the Noticee about receipt of required disclosures from Surendra Kumar Jain and Rajesh Kumar Mishra and whether the Noticee had made the disclosure to the stock exchange within stipulated time as required under Regulation 7(2)(b) of PIT Regulations, 2015.
7. Surendra Kumar Jain and Rajesh Kumar Mishra confirmed the required disclosures to the Noticee within stipulated time and Noticee also confirmed the receipt of such disclosures from Surendra Kumar Jain and Rajesh Kumar Mishra.

8. Further, it was observed that Noticee has claimed to have submitted the aforesaid disclosures to MSEI (stock exchange) through a letter dated June 21, 2016. Noticee has also submitted a copy of Airway Bill Number (AWB: 817124620) dated June 21, 2016. Subsequently, SEBI sought confirmation from the stock exchange about receipt of the disclosure from the Noticee with respect to the aforementioned transaction. It was observed that the stock exchange denied the receipt of any disclosures in this regard from the Noticee. The exchange further informed that it had coordinated with the courier company but they were not able to provide any proof of delivery in this regard. Further, the exchange submitted to SEBI that the exchange tracked the airway bill number 817124620 on the website of the courier company and found that the airway bill number pertains to August-2016 and no such disclosure was received in August-2016 at their end. During the course of investigation SEBI also cross checked the submission of the exchange with respect to courier bill from the courier's website and the same was found to be true.
9. In view of the above, it was alleged that Noticee failed to make the required disclosure to the stock exchange, of disclosure received from the promoters of the company viz. Surendra Kumar Jain and Rajesh Kumar Mishra for inter-se transfer of 1,27,500 shares and thus violated Regulation 7(2)(b) of PIT Regulations, 2015. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under Section 15A(b) of the SEBI Act.
10. In response to the SCN, Noticee filed its reply dated July 06, 2020. An opportunity of hearing was provided to the Noticee *vide* hearing notice dated March 11, 2020. Noticee, *vide* its reply dated March 31, 2020 requested for adjournment and re-scheduling of hearing in the fourth week of April 2020 or thereafter on account of lockdown and travel restrictions due to Covid-19. Accordingly, second opportunity of hearing was provided to the Noticee on July 14, 2020 *vide* hearing notice dated June 23, 2020. Noticee, *vide* its email dated July 08, 2020 requested for inspection of documents relied upon in the SCN and also requested to provide a period of 4

weeks to submit the reply to the SCN after completion of Inspection of documents. Subsequently, *vide* email dated July 09, 2020, scanned copy of relevant documents were provided to the Noticee and third opportunity of hearing was provided to the Noticee on August 11, 2020. Hearing on August 11, 2020 was attended by Mr. Deepak Dhane, Advocate, the Authorised Representative of the Noticee (AR). AR of the Noticee reiterated the submissions made in its reply dated July 06, 2020.

11. The submissions made by the Noticee in response to the SCN are summarized as below:

12. With respect to the information about the company, Noticee *inter alia* stated that,

- i. SLFL was incorporated in the year 1983 and pursuant to IPO in August 1991, its shares were listed for trading on the Delhi Stock Exchange (DSE).
- ii. On 29th May 2012, the Hon'ble Delhi High Court passed an Order for the Merger of "Sital Holdings Private Limited" with the SLFL.
- iii. On 25th May 2013, SLFL came out with a RIGHTS ISSUE which was listed on 10th September 2013 at DSE.
- iv. After a bonus issue on 2<sup>nd</sup> Jan 2014, the share capital of the company became 6,12,57,375 and the book value of SLFL became Rs. 158/- as on 31st March 2014. These shares were listed on DSE in February 2014.
- v. The company applied for the listing of its shares on the Metropolitan Stock Exchange of India (MSEI) and got listing and trading approval on 18th March 2015 for 6,12,57,375 equity shares of Rs. 10/- each.
- vi. The Fair Market Price of the shares at the time of trade has been decided by the MSEI and the first trading price which took place on 20th April 2015 was Rs. 720/-. This traded price of Rs. 720/- was decided and determined by the MSEI as per the book value of the company shares

which was 4.5 times of the book value, while at the same relevant time the shares of other NBFCs traded during that time was 7 to 8 times of their book value.

- vii. Thereafter, on 5th October 2015 (w.e.f. 14th October 2015), the shares of SLFL had been split in the ratio of 1:10 due to split the face value of the share of Rs. 10/- per share has been converted to Rs. 1/-per share and post split the share of Rs.1/- has been traded to Rs. 73/- approx.

13. With respect to SPOS and establishing price of the scrip, Noticee submitted that Sanwar Mal Nai and Bharat Bhushan are not connected to SLFL. Noticee further submitted that the value/price of the share in the year 1991 should not be compared with the value/price of the share in the year 2015.

14. With respect to the allegations made against it, the Noticee submitted that a copy of the Investigation Report has not been provided to it though the SCN relied upon the same.

15. Noticee submitted that the alleged violation of PIT Regulations pertains to June 2016 and the present SCN was issued in the year 2020, hence, on account of delay in issuance of the present SCN, Noticee was not in a position to comprehensively answer the allegations levelled against it and therefore, such a belated action is against the principles of natural justice. Noticee stated that delay in the present matter is of serious consequence and same has substantially prejudiced its defense, because broadly there is a dispute with respect to a disclosure couriered/dispatched by it to MSEI, which after several years is claimed to have not been received by MSEI. On account of this delay, Noticee is not in a position to inquire and properly answer the whereabouts of the said courier and its delivery to MSEI.

16. Noticee submitted that its Promoter Mr. Surendra Kumar Jain received 1,27,500 shares on June 20, 2016 through off market from Mr. Rajesh Kumar Mishra

(another promoter of SLFL) and SLFL was informed about the same by Mr. Surendra Kumar Jain and Mr. Rajesh Kumar Mishra on June 20, 2016. Further, upon receipt of the said disclosures, Noticee *vide* letter dated June 21, 2016 made a necessary disclosure to MSEI and same was sent to MSEI through a courier firm namely Shree Balaji Courier Service, New Delhi *vide* consignment No. Airway Bill number (AWB: 817124620) on June 21, 2016. Noticee submitted the copy of the said letter dated June 21, 2016 along with the disclosure and AWB slips.

17. Noticee further submitted that SLFL has always diligently made required disclosures, which is clear from the disclosure data available on the MSEI website. Therefore, SLFL had no reason not to make the subject disclosure. Noticee submitted the screen shots of numerous disclosures made to MSEI.

18. Noticee submitted that MSEI never informed, whether they have received the disclosure within the stipulated time or not, nor they have communicated to the Noticee regarding the same in any of its communications. It submitted that the disclosure sent by the Noticee on June 21, 2016 through Shree Balaji Courier Service, New Delhi *vide* consignment number Airway Bill number (AWB: 817124620) did not come back/returned back to the Noticee and therefore, the only presumption which can be drawn is that the same has been delivered to MSEI. Further, as per the email of MSEI to SEBI, it is clear that when MSEI inquired with the courier company, the courier company did not deny the AWB No. 817124620, but stated that they are not able to provide any proof of delivery. Noticee has re-dispatched the required disclosure for the transaction in question, through the registered speed post to the MSEI *vide* Speed Post Tracking number ED456669035IN on March 06, 2020, and same has been received by MSEI on March 09, 2020. Noticee submitted the copy of the said disclosure along with its dispatch and delivery proof.

19. Noticee further submitted that, *vide* its letter dated March 16, 2020, Noticee once again enquired regarding the delivery status of the aforesaid Airway Bill No.

817124620, however, same was returned on March 20, 2020, with a remark "left without address". While further inquiring about the courier company, it was learnt that the said courier company (Shree Balaji Courier Service) has closed down its office and as on today a new courier company named "Maruti Air Couriers and Cargo" operates from the same place. Noticee further stated that if the consignment number Airway Bill number (AWB: 817124620) has not reached MSEI, same appears to be some error on part of the courier company.

20. Noticee submitted that the aforesaid transfer of shares was admittedly between the promoters (an inter-se promoter transfer) and therefore there was no change in control over the Company and the said transfer was within the promoter category itself. Therefore, assuming (without admitting) the disclosure sent by the Noticee was not delivered to MSEI within the stipulated time, same was merely a procedural and a technical lapse. Further, Noticee has regularly from time to time filed its shareholding with MSEI and the subject interse promoter transfer/holding clearly reflects in the said filings. It is clear from the shareholding filed by the Company as on March 31, 2016 that Mr. Surendra Kumar Jain was holding 10,20,000 shares and Mr. Rajesh Kumar Mishra was holding 1,27,500 shares, both under the promoter category. Thereafter, as per the shareholding filed by the Company as on June 30, 2016 the shareholding of Mr. Surendra Kumar Jain was 11,47,500 shares (which clearly showed an increase by 1,27,500 shares) and the holding of Mr. Rajesh Kumar Mishra which was 1,27,500 shares as on March 31, 2016 was shown NIL as on June 30, 2016. The said shareholdings filed by the Company as on March 31, 2016 and as on June 30, 2016 were disseminated by MSEI on its website. Therefore, the information relating to the said transfer of 1,27,500 shares by Mr. Rajesh Kumar Mishra to Mr. Surendra Kumar Jain, between the promoters, was available in the public domain. Noticee submitted the copies of the shareholdings filed with MSEI as on March 31, 2016 and June 30, 2016 alongwith the screenshots of its dissemination on the MSEI website.

21. Noticee further submitted that assuming (without admitting) the disclosure sent, was not delivered to MSEI, Noticee did not have any intention to hide any facts from any Regulators and there was no reason not to make the disclosure with MSEI. It is not even SEBI's case that there was any suppression on part of the Noticee.
22. Noticee denied the violation of Regulation 7(2)(b) of the PIT Regulations, 2015. Noticee further submitted that while imposing a monetary penalty, provisions of section 15J of the SEBI Act, 1992 has to be considered, wherein it is to be seen whether Noticee had taken any unfair advantage or made any gain out of it, or the investors have suffered any loss, or the default is repetitive in nature. Further, it is not even case in the SCN that on account of such default, Noticee had taken unfair advantage or made any gain, or has caused any loss to the investor, or the default is of repetitive nature. Noticee further stated that it always had complied with all the Rules and Regulations prescribed by any Regulator, and that no investor or shareholder has filed any complaint or raised any grievance with respect to the subject disclosure
23. Finally, Noticee requested that considering the aforesaid submissions, present Adjudication Proceeding may be disposed off against the Noticee. Noticee further requested that the inadvertent delay in making of disclosure may be condoned and a lenient view may be taken by non imposition of penalty.

## **CONSIDERATION OF ISSUES AND FINDINGS**

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

<b>Issue No. I</b>	<b>Whether the Noticee has violated Regulation 7(2)(b) of PIT Regulations, 2015</b>
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**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 has violated Regulation 7(2)(b) of PIT Regulations, 2015**

25. Before going into the merits of the case, I note that Noticee has stated that a copy of Investigation Report has not been provided to it. In this regard, I note that the allegations against the Noticee are clearly brought out in the SCN and all the relevant documents that have been relied upon in the SCN have been provided to the Noticee as Annexures to the SCN. Further, a copy of relevant portion of Investigation Report has also been provided to the Noticee.

26. Hence, I note that the Noticee has been provided with all information considered relevant for the purpose of the allegations levelled against the Noticee in the SCN which is sufficient for filing an efficacious reply in the matter.

27. Noticee has further stated that on account of delay in issuance of the present SCN, Noticee is not in a position to comprehensively answer the allegations levelled against it and therefore, such a belated action is against the principles of natural justice. In this regard, I note that no limitation is prescribed in SEBI Act or Regulations for issuance of SCN or for completion of the Adjudication proceedings.

28. In this respect, reference may be made to the order passed by Hon'ble SAT in the matter of Metex Marketing Pvt. Ltd. vs. SEBI (order dated June 4, 2019) wherein Hon'ble SAT held that: *"This Tribunal has consistently held that in the absence of any specific provision in the SEBI Act or in the Takeover Regulations, the fact that there was a delay on the part of SEBI in initiating proceedings for violation of any provision of the Act cannot be a ground to quash the penalty imposed for such violation"*.
29. As all relevant information relied upon for the allegations levelled against the Noticee has been provided to the Noticee, the contention of the Noticee that delay in proceedings is against the principles of natural justice or it has prejudiced its defence is not tenable in the present matter.
30. It is an admitted fact that Mr. Surendra Kumar Jain received 1,27,500 shares on June 20, 2016 through off market from Mr. Rajesh Kumar Mishra on June 20, 2016. Noticee has confirmed that the said transaction was disclosed by Mr. Surendra Kumar Jain and Mr. Rajesh Kumar Mishra on June 20, 2016 to the Noticee. Noticee has contended that upon receipt of the said disclosures, it made a necessary disclosure to MSEI, *vide* letter dated June 21, 2016, sent to MSEI through a courier firm namely Shree Balaji Courier Service, New Delhi *vide* consignment No. Airway Bill number (AWB: 817124620) on June 21, 2016.
31. On the face of it, the submission of a valid airway bill evidencing despatch is sufficient to establish that the Noticee took the necessary action for making the disclosures. However, as MSEI has denied the receipt of any disclosures in this regard from the Noticee, it is important to consider efforts for tracking of the airway bill made by MSEI. MSEI upon tracking the AWB number on the website of the courier company found that the airway bill number pertains to August-2016. The exchange further stated that, no such disclosure was received by it in August-2016. The fact that the airway bill number was found on the courier company website

establishes dispatch of communication through the number under reference. However, as the disclosure is claimed to be made by the Noticee in June 2016, its reference on the courier company website as the AWB number pertaining to the month of August 2016 creates doubt as to the timeliness of the disclosure.

32. I take note of the Noticee's submission that the shareholding details as on March 31, 2016 and June 30, 2016 were disseminated by MSEI on its website whereby the information relating to the shareholding post interse transfer of 1,27,500 shares by Mr. Rajesh Kumar Mishra to Mr. Surendra Kumar Jain, was available in the public domain. I further note that the said information was disseminated on MSEI website on July 21, 2016.

33. In view of the ambiguity regarding the status of the airway bill as brought out above, I find that the evidence presented by the Noticee of despatch of required disclosure through courier cannot be accepted as proving timely compliance of the disclosure requirement as prescribed in Regulation 7(2)(b) of PIT Regulations, 2015, which are reproduced as under;

**PIT Regulations, 2015**

*7. (2) Continual Disclosures.*

***(b) Every company shall notify the particulars of such trading to the stock exchange on which the securities are listed within two trading days of receipt of the disclosure or from becoming aware of such information.***

34. In view of the above, I find that Noticee has failed to make the disclosures of inter-se transfer between two promoters to the exchange within stipulated time. in violation of Regulation 7(2)(b) of PIT Regulations, 2015.

<b>Issue No. II</b>	<b>If yes, whether the failure, on the part of the Noticee would attract monetary penalty under Section 15A(b) of the SEBI Act.</b>
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*Adjudication Order in the matter of trading activities of certain entities in the scrip of Sital Leasing and Finance Limited*

and

**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?**

35. Since the violation of Regulation 7(2)(b) of PIT Regulations, 2015 has been established, the Noticee is liable for monetary penalty under Section 15A(b) of the SEBI Act which reads as follows.

**SEBI Act:**

***Penalty for failure to furnish information, return, etc.***

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

*(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;*

36. 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:

***Factors to be taken into account by the adjudicating officer***

**15J.** *While adjudging quantum of penalty under Section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*

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

37. The material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticee. I note that the Noticee has been compliant in making several other disclosures under PIT Regulations around the same time as the impugned transaction and has made promoter shareholding disclosure in its quarterly shareholding for quarter ended June 2016. Based on the various submissions by the Noticee, I am inclined to agree with the submission of the Noticee that the lapse was merely a procedural and a technical lapse on its part.

38. In view of the above, I am of the view that a penalty of ₹1,00,000/- under Section 15A(b) of SEBI Act will be commensurate with the violations committed by the Noticee.

## **ORDER**

39. After taking into consideration all the facts and circumstances of the case, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose the penalty of ₹1,00,000/- (Rupees One Lakh only) on the Noticee viz. Sital Leasing and Finance Limited for violation of Regulation 7(2)(b) of PIT Regulations, 2015.

40. The Noticee 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 online payment facility available on the SEBI website [www.sebi.gov.in](http://www.sebi.gov.in) on the following path, by clicking on the payment link

**ENFORCEMENT → Orders → Orders of AO → PAY NOW**

41. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid to the Enforcement Department – Division of Regulatory Action – IV of

SEBI. The Noticee shall provide the following details while forwarding DD/ payment information:

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

42. Copy of this Adjudication Order is being sent to the Noticee and also to SEBI in terms of Rule 6 of the Adjudication Rules.

**DATE: AUGUST 27, 2020**

**PLACE: MUMBAI**

**MANINDER CHEEMA**

**ADJUDICATING OFFICER**