

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. EAD-12/ AO/SM/57-72/2017]**

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

In respect of:

S.No	Name	PAN
1.	Stardom Trading Company Pvt. Ltd	AAHCS1332H
2.	Nilesh Krushna Palande	AGLPP8818Q
3.	Hansa Kakubhai Vadera	ABVPV2184L
4.	Rajnee Rajan Gitaye	AWMPG6377L
5.	Neha Bipin Patel	AXGPP4301A
6.	Sonal International Ltd	AACCS1185R
7.	Kirti Kantilal Mehta	AKSPM3939N
8.	Chirag Dineshkumar Shah	CFPPS4835H
9.	Ghanshyam Dayabhai Patel	AOZPP4022N
10.	Yogesh Bhogilal Chouhan	AAGPC7158P
11.	Univeral Credit and Sec Liimited	ACVPJ4679B
12.	Jayshree Shankar Bhosle	AFMPB0449P
13.	Parag Chandrkant Shah	ARRPS2518R
14.	Jigar Mahesh Shah	AVCPS3026K
15.	Dadima Capital (P) Ltd	AABCD2140E
16.	Vaishali Sharad Gawde	AKZPG4168Q

In the matter of M/s. Insta Finance limited (erstwhile SDFC Finance Limited)

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Facts of the Case:

- 1 Securities and Exchange Board of India (“SEBI”) pursuant to examination of the scrip **Insta Finance Limited (IFL)** had observed that Stardom Trading Company Pvt. Ltd (hereinafter referred as ‘Stardom/ Noticee No 1’) had not made disclosure under SEBI (Prohibition of Insider Trading) Regulations, 1992 (PIT 1992) and under Substantial Acquisitions of Shares and Takeover Regulations 2011 (SAST 2011) whereas Nilesh Krushna Palande, Hansa Kakubhai Vadera, Rajnee Rajan Gitaye, Neha Bipin Patel, Sonal International Ltd, Kirti Kantilal Mehta, Chirag Dinesh Kumar Shah, Ghanshyam Dayabhai Patel, Yogesh Bhogilal Chauhan, Univarsal Credit And Sec. Ltd, Jayshree Shankar Bhosle, Parag Chandrkant Shah, Jigar Mahesh Shah, Dadima Capital (P) Ltd, Vaishali Sharad Gawde (noticee No 2-16) had not made disclosure under SAST 2011.
- 2 During the examination it was observed that Noticees were accumulating shares of IFL and their combined shareholding as November 19,2012 was as under

SI No	Names	Holding as % on 01/03/2012	Holding as % as on 19/11/2012
1	Stardom Trading Company Private Limited	0	4.16
2	Dadima Capital (P) Ltd	0	3.67
3	Chirag Dineshkumar Shah	0	3.66
4	Ghanshyam Dayabhai Patel	0	3.28
5	Rajnee RajanGitaye	0.13	2.95
6	Jayshree Shankar Bhosle	0	2.11
7	YogeshBhogilal Chauhan	0	2.06
8	Parag Chandrkant Shah	0	2.02
9	Hansa Kakubhai Vadera	0	1.6
10	Vaishali Sharad Gawde	0.05	1.25

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Sl No	Names	Holding as % on 01/03/2012	Holding as % as on 19/11/2012
11	Kirti Kantilal Mehta	0.01	1.17
12	Neha Bipin Patel	0	0.93
13	Sonal International Ltd	0.11	0.58
14	Univarsal Credit And Sec. Ltd	0	0.34
15	Nilesh Krushna Palande	0.16	0.18
16	Jigar Mahesh Shah	0	0.15
	Total	0.45	30.12

- 3 Noticees being Persons acting in concert (PAC), through continuous acquisition of shares had increased their shareholding in IFL from 0.45% as on March 01, 2012 to 30.12% by November 19, 2012.
 - 4 Among all noticees, Stardom was the major buyer of the IFL shares and it was holding 4.16% of the total share capital of IFL as on November 19, 2012. Hence, Stardom was considered as the acquirer (under Regulation 2(1)(a) of SAST 2011) of the IFL shares along with the PAC.
 - 5 Upon analysis of bank statement of Stardom (Axis Bank A/c no 910020030325900 for the period from January 01, 2012 to December 31, 2012), it was alleged that there were financial transactions between Stardom and 14 noticees viz Nilesh Krushna Palande, Hansa Kakubhai Vadera, Rajnee Rajan Gitaye, Neha Bipin Patel, Sonal International Ltd, Kirti Kantilal Mehta, Chirag Dinesh kumar Shah, Ghanshyam Dayabhai Patel, Yogesh Bhogilal Chauhan, Univarsal Credit And Sec. Ltd, Jayshree Shankar Bhosle, Parag Chandrkant Shah, Jigar Mahesh Shah and Vaishali Sharad Gawde during the period of investigation when noticees were acquiring the shares of IFL. It was alleged that Stardom had transferred Rs. 20.83 crores to above mentioned 14 noticees and it had received Rs. 0.64 crores from 10 noticees Viz. Nilesh Krushna Palande, Hansa Kakubhai Vadera, Rajnee Rajan Gitaye, Kirti Kantilal Mehta, Ghanshyam Dayabhai Patel, Yogesh Bhogilal
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Chauhan, Univarsal Credit And Sec. Ltd, Jayshree Shankar Bhosle, Jigar Mahesh Shah, Vaishali Sharad Gawde. The details of financial transactions executed between Stardom and below mentioned noticees, is as follows

SI No.	Particulars	Amount transferred by Stardom (in Rs.)	Amount transferred to Stardom(in Rs.)
1	NileshKrushnaPalande	6,405,000	(540,000)
2	HansaKakubhaiVadera	13,416,000	(230,000)
3	RajneeRajanGitaye	19,650,000	(240,000)
4	NehaBipin Patel	17,486,000	-
5	Sonal International Ltd	9,493,000	-
6	KirtiKantilal Mehta	29,814,000	(670,000)
7	ChiragDineshkumar Shah	40,371,064	-
8	GhanshyamDayabhai Patel	17,543,000	(675,000)
9	YogeshBhogilal Chauhan	15,303,648	(760,000)
10	Univarsal Credit And Sec. Ltd	540,000	(735,000)
11	Jayshree Shankar Bhosle	19,895,339	(360,000)
12	ParagChandrkant Shah	12,778,622	-
13	Jigar Mahesh Shah	5,683,000	(1,315,000)
14	VaishaliSharadGawde	3,000	(940,000)
	Total	208,381,673	(6,465,000)

6 In addition to the above mentioned 14 noticees who were having financial transactions during the period of investigation with Stardom, Noticee 15 (Dadima Capital (P) Ltd) was also considered as PAC since it was having off-market transactions with Stardom.

7 All Noticees (being PAC) were acquiring shares of IFL, however, it was alleged that they did not make disclosure as specified under Regulation 29(1), 29(2) of SEBI (SAST) Regulation, 2011. Instances of the same are as follows:

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Date when the SAST Regulations 2011 was triggered	Name of the PAC entity	Cumulative holding of the PAC on the date of regulation triggered	Change from last disclosure required to be made
11-Jun-12	Dadima Capital (P) Ltd .	5.25%	5.00%
17-Aug-12	ParagChandrkant Shah	7.33%	2.08%
27-Aug-12	Jayshree Shankar Bhosle	9.51%	2.17%
30-Aug-12	Jigar Mahesh Shah	12.08%	2.57%
04-Sep-12	Jigar Mahesh Shah	14.20%	2.12%
12-Sep-12	ParagChandrkant Shah	16.39%	2.19%
17-Sep-12	ParagChandrkant Shah	19.01%	2.62%
26-Sep-12	Jayshree Shankar Bhosle	21.12%	2.11%
12-Oct-12	KirtiKantilal Mehta	23.35%	2.23%
19-Oct-12	ParagChandrkant Shah	25.52%	2.17%
30-Oct-12	ChiragDineshkumar Shah	27.73%	2.21%
19-Nov-12	NehaBipin Patel	30.12%	2.39%

8 It was further alleged that Stardom had crossed trigger limit of 5% shareholding in IFL for first time on September 24, 2012 during the Investigation period and on October 09, 2012 Stardom's shareholding in IFL was changed by more than 2%, however Stardom had not made required disclosures in the following instances in terms of Regulation 13(1) and Regulation 13(3) read with Regulation 13(5) of PIT Regulation 1992 read with Regulation 12(2) of PIT Regulation 2015.

Date when the Regulation 1992 was triggered	Cumulative holding after the Change
24-Sep-12	5.02%
09-Oct-12	2.27%

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- 9 SEBI had sought confirmation from IFL about the aforesaid non disclosures by the noticees. IFL in its reply dated December 20, 2014 had confirmed that it had not received any disclosures from any of its shareholders during the period from March 01, 2012 to November 30, 2012.
- 10 SEBI had also sought information from BSE in the matter, on which BSE in its reply dated November 20, 2014 had confirmed that no disclosures were received in the scrip IFL during the period February 01, 2012 to November 30, 2012.
- 11 Hence it was alleged that Stardom had failed to make the required disclosure to the company and BSE and hence violated Regulation 13(1) and 13(3) read with Regulation 13(5) of SEBI (Prohibition of Insider Trading) Regulations, 1992 read with Regulation 12(2) of PIT Regulations 2015 and Regulation 29(1) and 29(2) read with 29(3) of SAST Regulations, 2011.
- 12 Noticees viz, Nilesh Krushna Palande, Hansa Kakubhai Vadera, Rajnee Rajan Gitaye, Neha Bipin Patel, Sonal International Ltd, Kirti Kantilal Mehta, Chirag Dinesh Kumar Shah, Ghanshyam Dayabhai Patel, Yogesh Bhogilal Chauhan, Univarsal Credit And Sec. Ltd, Jayshree Shankar Bhosle, Parag Chandrkant Shah, Jigar Mahesh Shah, Dadima Capital (P) Ltd, Vaishali Sharad Gawde have violated Regulation 29(1) and 29(2) read with 29(3) of SAST Regulations, 2011.

Appointment of Adjudicating Officer

- 13 SEBI had initiated adjudication proceedings against above mentioned noticees and appointed the undersigned as Adjudicating Officer vide order dated July 17,2017 under Section 15 I of SEBI Act read with Rule 3 of the SEBI AO Rules to inquire into and adjudge under Section 15A(b) of the SEBI Act for the alleged violation of SAST Regulations and PIT 1992 read with PIT 2015

Show Cause Notice, Reply and Personal Hearing

- 14 Based on the findings made during the examination, Show Cause Notice dated July 25, 2017("SCN") was issued to all noticees. SCN was delivered to noticee No

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2,3,4,7,8,11,12,13,14 and 15, however SCN was undelivered to noticee No.1, 5, 6,9,10 and 16 and subsequently undelivered SCN were affixed at the last known address of these noticees. None of the noticee submit any reply to SEBI

- 15 In order to conduct an inquiry in the matter, a personal hearing was granted to all noticees on September 13, 2017. Hearing noticee was delivered to noticee No 2, 3, 7,8,13 and 14. For the remaining noticees, Hearing notice was affixed at their last known address. At the utmost caution, details of SCN and Hearing notice was also published in national daily 'Times of India –Mumbai Edition and Loksatta –Mumbai Edition on September 05, 2017. All the unserved noticees were also hosted on SEBI website.
- 16 I note that SCN and hearing notices are duly served as per AO Rules. Only Noticee No 7 and Noticee Number 14 appeared before me and did not make any written submissions.
- 17 One more opportunity of hearing was granted to remaining noticees on October 23, 2017. None of the noticees appeared before me on this hearing as well.
- 18 I note enough opportunity has been provided to noticees and hence I proceed further based on material available and *ex-parte* in the matter of noticee 1-6,8-13 and 15-16.

Hearing

- 19 Noticee 7 , Shri Kirti Kantilal Shah appeared before me and informed that he is a senior citizen. He has informed that he was promised additional income of Rs 2000 per month hence he had provided his documents to be used for Share trading.
- 20 Noticee No 14 , Shri Jigar Mahesh Shah appeared before me on September 14, 2017 and informed that he is completely unaware of the transactions that happened in his account and has not received any benefits out of it. He has also informed that one of his relative has insisted him for providing his documents and therefore he had given his documents for opening bank and trading account.

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Consideration of Issues, Evidence and Findings

21 I have carefully perused the charge levelled against all Noticees in the SCN and all the documents available on record. In the instant matter, the following issues arise for consideration and determination in respect of :

21.1 Whether Stardom had failed to make the required disclosure to the company and BSE and violated Regulation 13(1) and 13(3) read with Regulation 13(5) of SEBI (Prohibition of Insider Trading) Regulations, 1992 read with Regulation 12(2) of PIT Regulations 2015 and Regulation 29(1) and 29(2) read with 29(3) of SAST Regulations, 2011

21.2 Noticee 2-16 have violated Regulation 29(1) and 29(2) read with 29(3) of SAST Regulations, 2011.

21.3 Does the violation, if any, on the part of Noticees attract monetary penalty under Section 15 A (b) of the Act?

21.4 If so, what would be the quantum of monetary penalty that can be imposed on Noticees taking into consideration the factors mentioned in Section 15J of the Act?

22 Before proceeding further, I would like to refer to the relevant provisions of the PIT 1992, PIT 2015 and SAST regulations which read as under:

PIT 1992

13. (1) Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company in Form A, the number of shares or voting rights held by such person, on becoming such holder, within 2 working days of :—
(a) the receipt of intimation of allotment of shares; or
(b) the acquisition of shares or voting rights, as the case may be.

Continual disclosure.

(3) Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company in Form C the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-

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regulation; and such change exceeds 2% of total shareholding or voting rights in the company.

(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.

PIT 2015

Repeal and Savings.

(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.

SAST

Disclosure of acquisition and disposal.

29. (1) Any acquirer who acquires shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, aggregating to five per cent or more of the shares of such target company, shall disclose their aggregate shareholding and voting rights in such target company in such form as may be specified.

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

(3) The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within two working days of the receipt of intimation of allotment of shares, or the acquisition of shares or voting rights in the target company to,—

- (a) Every stock exchange where the shares of the target company are listed; and
- (b) the target company at its registered office.

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Whether noticees have violated the provision as mentioned above?

- 23 By not making desired disclosures about their shareholding, all noticees as mentioned above have violated Regulation 29(1) read with 29(3) of SAST and additionally Noticee 1 has violated Regulation 13(1) and 13(3) read with Regulation 13(5) of SEBI (PIT) 1992 read with Regulation 12(2) of PIT Regulations 2015. The non-compliance has been confirmed by IFL and Exchange and is on the record. Hence violations as alleged stand established against the noticees
- 24 I note that none of the Noticees have filed their written reply. In this regard I refer to *Hon'ble SAT order in the matter of Sanjay Kumar Tayal & Ors. Vs. SEBI (in appeal No. 68/2013) decided on February 11, 2014 wherein SAT has observed that "....., appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices"*.

Whether noticees are liable for penalty under under Section 15 A (b) of the SEBI Act.

The relevant portion of the sections of penalty are as under:

Section 15A (b) of the SEBI Act) reads as under:

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,-*

(a) to furnish any document, return or report

(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 there for 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.

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- 25 The Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri Ram Mutual Fund (2006) 68 SCL 216(SC) held that "In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant.

If so, what would be the quantum of monetary penalty that can be imposed on noticees taking into consideration the factors mentioned in Section 15J of the Act?

- 26 While determining the quantum of penalty under Section 15A(b) of SEBI Act and, it is important to consider the factors stipulated in Section 15J of SEBI Act which read as under:-

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

Explanation

For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

- 27 In view of the charges as established, the facts and circumstances of the case, the quantum of penalty would depend on the factors referred in Section 15J of the SEBI Act stated as above. No quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of such default by the noticees. Further, no monetary loss to investors has been brought on record and it may not be possible to ascertain the

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exact monetary loss, if any, to the investors on account of default by the noticees. I also note from the documents available on record that the violations are not of repetitive nature. Correct and timely disclosures requirements are the hallmark of SAST Regulations and are an essential part of the proper functioning of the securities market; failure to make disclosures on time results in preventing investors from taking well informed decisions.

ORDER

- 28 In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under Section 15-I of SEBI Act and Rule 5 of SEBI AO Rules, I hereby impose the monetary penalty of Rs 4,00,000 (Rs four lakhs only) on noticee No-1 and Rs 2,00,000 (Rs two lakhs only) each on noticee 2-16
- 29 Noticees shall remit/pay the said amount of penalty shall be paid within 45 days of receipt of this order either by way of demand draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or or by e-payment facility into Bank account the details of which are given below:

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

- 30 The said demand draft or forwarding details and confirmation of e-payment made in the format as given in table below should be forwarded to " The Division Chief (Enforcement Department - DRA- III), Securities and Exchange Board of India, SEBI

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Bhavan, Plot no C- 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), 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)	

- 31 In terms of Rule 6 of the Rules, copies of this order are sent to the Noticee and also to the Securities and Exchange Board of India.

Date: October 30, 2017

SAHIL MALIK

Place: Mumbai

ADJUDICATING OFFICER

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