

ADJUDICATION ORDER NO. JS/DJ/14/2018-19

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 BY ADJUDICATING OFFICER) RULES, 1995

In respect of:

Sangam Health Care Products Ltd
(CIN – L24230TG1993PLC016731)
205 & 206, Amarchand Sharma Complex,
S. P. Road, Secunderabad – 500003

In the matter of Sangam Health Care Products Ltd

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") noted that Mr. L S Patil acquired 15,86,560 shares and Ms. Padmaja Patil acquired 9,00,000 shares of Sangam Health Care Products Ltd (hereinafter, referred to as "**Noticee**") on June 24, 2007. With respect to above acquisition of shares, SEBI, vide e-mail dated July 31, 2015 to Noticee, inter-alia sought information viz, whether Noticee received disclosures under provisions of Regulation 13 of SEBI(Prohibition of Insider Trading) Regulations, 1992 (hereinafter, referred to as "**PIT Regulations, 1992**") mentioning the date of receipt of disclosure along with proof of said disclosure. Further, in the same e-mail, Noticee was advised to confirm whether it made subsequent disclosures under Regulation 13(6) of PIT Regulations, 1992, the date of receipt of the requisite disclosure along with proof of disclosure. Noticee, vide its e-mail dated September 9, 2015 requested SEBI to take on record the information / disclosure available on the BSE website as it was not able to trace the copies of the disclosures in this regard.
2. Upon query from SEBI, BSE vide its e-mail to SEBI dated August 28, 2015 informed that the disclosure in terms of Regulation 13(6) of the PIT Regulations, 1992 was received from Noticee on July 3, 2007 through fax. As per submission of Noticee in disclosure (allegedly delayed) made to BSE, Noticee received the disclosure from L S Patil and Padmaja Patil on June 24, 2007. However, the subsequent disclosure under regulation 13(6) which was required to be made within 5 working days from the above receipt, was made by Noticee on July 3, 2007 with delay of four days. Thus, it has been alleged that the Noticee has violated Regulation 13(6) of PIT Regulations, 1992.

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI instituted adjudication proceedings and appointed an Adjudicating Officer on January 18, 2018 under section 19 of the SEBI Act, 1992 (hereinafter, referred to as "**SEBI Act**"), read with section 15-I(1) and 15I(2) of the SEBI Act and Rule 3 of SEBI(Procedure for holding inquiry and imposing penalties by adjudicating officer) rules, 1995 (hereinafter, referred to as "**SEBI Adjudication Rules**") to inquire and adjudge under section 15A(b) of the SEBI Act in respect of the Noticee. Consequent to change in Adjudicating Officer in

present matter, SEBI, vide order / communique dated February 28, 2018 appointed undersigned as the Adjudicating Officer to inquire and adjudge in respect of the Noticee under aforesaid provisions.

SHOW CAUSE NOTICE, WRITTEN SUBMISSIONS, PERSONAL HEARING

4. Show Cause Notice No. SEBI/HO/EAD-8/JS/DJ/OW/ P/8643/1/2018 dated March 20, 2018 (hereinafter referred to as “SCN”) was issued to the Noticee under rule 4(1) of the SEBI Adjudication Rules detailing the allegations made against the Noticee and to show cause as to why an inquiry should not be held and penalty be not imposed under section 15A(b) of the SEBI Act for the aforesaid alleged violation of PIT Regulations.

5. Noticee, vide e-mail dated April 14, 2018 acknowledged the receipt of SCN and made following key submissions:

*“1.M/s. Sangam Health Care Products Limited (Company) [L24230TG1993PLC016731] is a public limited company having its registered office at 205 & 206, Amarchand Sharma Complex S.P. Road Secunderabad – 500002, incorporated under the Companies Act, 1956 . Equity Shares of the Company were listed on the BSE Limited ("BSE") and **trading was suspended on 10th September, 2001.***

*2.In the year 2014, former promoters except Boin Medica sold their entire stake of 97,55,240 (65.64%) equity shares at a price of Rs. 0.50/- per share through the open Offer pursuant to Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 given by (i) Mr. Addepalli Bala Gopal, (ii) Mr. Devarakonda Venkata Subramanya Sharma, (iii) Mrs. Ghanakota Padma and (iv) Mrs. Ghanakota Ramana (“Acquirers”). Acquirers acquired 97,55,240 (64.64%) equity shares of face value of Rs.10/- of fully paid-up equity share **which resulted in change in control and management** and SEBI given comments on Open Offer by the Acquirers vide letter reference no.CFD/DCR2/OW/33792/2014 dated November 28, 2014 with a condition that the entire share purchase consideration of Rs.48,77,620 be kept in a separate escrow account with a lien marked and operating rights in the favour of the Merchant Banker, Corporate Professionals as SEBI observed that certain disclosures which ought to have been made by the erstwhile Promoters/ Company under certain provisions of SAST Regulations, 1997, SAST Regulations, 2011 and PIT Regulations, 1992 were not made.*

3.SEBI sent show cause Notice’s vide no: EFD/DR43/OW/20911/2016 dated July 26, 2016 to Company. Company filed settlement application and informed to SEBI that the company is willing to pay an amount of Rs.2,00,000 but the same was not accepted by SEBI, settlement division as a result we have received the above said adjudication proceedings notice.

4.Please take on record that non-compliances as mentioned in the above said adjudication notice was committed during the tenure of old management were due to non-submission of information by the former promoters and not by the new Management.

5.Presently, Company is suffering with working capital requirements and is not able to meet its day to day financial commitments as the Bankers not provided financial support.”

6. Vide e-mail dated April 26, 2018 to the Noticee, opportunity of hearing was granted to Noticee on May 9, 2018. Noticee, vide its e-mail dated May 3, 2018 informed about availing the said opportunity of hearing and provided details of its Authorised Representative for the same.

7. Noticee vide its e-mail dated May 4, 2018 made following additional submissions:

1.Sangam Healthcare Products Limited is a company listed on the BSE but is under suspension since 10.09.2001 and the company has taken necessary steps with BSE for revocating the suspension.

2.The current promoters have taken over the company in the year 2014 by following SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. The violations said to have been committed by the company refer to the years 2007 and prior i.e. the period under the control of erstwhile management where in the present management/promoters do not have any control whatsoever on the running the affairs of the company or ensuing various compliances pertaining to SEBI/ROC/Stock Exchanges etc. Thus, all the violations took place when old management was at the helm of affairs.

3.Sir, for about 17years, the shares of company were under suspension. Till 2014 the old promoters - management were duty bound to have complied with all the related compliances as the affairs of the company were solely managed by them. Had the compliances been submitted timely,the company would not have been subjected to the present SCN. However, under the new management, the company has employed regular secretarial staff and the necessary filings since then are promptly done.

3.At the time of takeover of the Company, the Company's financial condition was in doldrums and the Company had accumulated losses to the tune of 50.29 crores and there was severe pressure on the Company to service its loans taken from banks. Due to excessive finance costs as stated above, the company could not meet its working capital requirements and as a result kept on incurring losses every year. However with the change in management, the Company with the effort of the new management led by Mr. A. Bala Gopal, Managing Director of the Company has initiated several measures to revive the company including infusion of additional funds, restarting the operations and thereby providing employment to 700 persons approximately.

The Company is now able to provide employment to _____ persons and also indirectly to _____ persons which tantamount to contribution of revenue to the exchequer of the Government.

PRAYER: *In this regard we (the current promoters and management) humbly submit that though directly we are not responsible for delay in submission of disclosures in terms of reg. 13(6) of SEBI (Prohibition of Insider Trading) Regulations, 1992, as the company is a going concern, we would accept the responsibility to fulfil the requirement. We further respectfully submit that the investors had not suffered any losses due to delayed submission of these disclosures. The company also has not made any undue gain out of the above said delay in making disclosure to stock exchange. We also submit that the delay is neither intentional nor deliberate, but purely inadvertent and hence we humbly request SEBI to kindly take a lenient view in the matter and pardon us for the delay in submission of disclosures u/r13(6) of SEBI (Prohibition of Insider Trading) Regulations, 1992. We assure SEBI that the company henceforth would exercise due care and caution in ensuring the statutory compliances.*

8. Authorised Representative of the Noticee availed the hearing on May 9, 2018 and reiterated the submissions made in written reply received from Noticee, and requested to consider the mitigating factors mentioned in the said reply and take a lenient view in the matter.

CONSIDERATION OF ISSUES AND FINDINGS

9. Having examined the SCN, the reply of the Noticee, submissions made in the personal hearing, the issues that arise for consideration in the present case are as follows:
- Whether the Noticee has failed to make the requisite disclosure under provisions of regulation 13(6) of the PIT Regulations, 1992?
 - If yes, does the violation attract monetary penalty under Section 15A(b) of the SEBI Act?
 - If yes, what quantum of monetary penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act?

FINDINGS

10. Before going to findings, it would be pertinent to refer to the content of Regulation 13(6) of PIT Regulations, 1992, which reads as follows:

Disclosure by company to stock exchanges.

13(6) Every listed company, 52[within two working days] of receipt, shall disclose to all stock exchanges on which the company is listed, the information received under sub-regulations (1), (2), (3) and (4) 53[in the respective formats specified in Schedule III.]

52 Substituted for the words "within five days" by the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2008 w.e.f. 19-11-2008.

53 Inserted by the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2002, w.e.f. 11-07-2003.

Issue a) - Whether the Noticee has failed to make the requisite disclosure under provisions of regulation 13(6) of the PIT Regulations, 1992?

11. On June 24, 2007, erstwhile promoters Mr. L S Patil acquired 15,86,560 (10.68%) shares and Ms. Padmaja Patil acquired 9,00,000 (6.06%) shares of Noticee. Consequent to above acquisitions, shareholding of Mr. L S Patil increased from 29.57% to 40.25% and shareholding of Ms. Padmaja Patil increased from 15.1% to 21.16%. Hence, there was a total rise of 16.74% in the shareholding of above promoters in the company (Noticee) on June 24, 2018.
12. As per the copy of disclosure (allegedly delayed) made by Noticee to BSE w.r.t the above acquisition of shares, Noticee received the disclosure from L S Patil and Padmaja Patil on June 24, 2007. However, the subsequent disclosure under regulation 13(6) which was required to be made within 5 working days from above receipt, was made by Noticee with delay of four days on July 3, 2007.
13. Noticee, in its replies to SCN has accepted the alleged non-compliance at its end. Noticee in its reply has submitted / requested that *"though directly we are not responsible for delay in submission of disclosures in terms of reg. 13(6) of SEBI (Prohibition of Insider Trading) Regulations, 1992, as the company is a going concern, we would accept the responsibility to fulfil the requirement. We further respectfully submit that the investors had not suffered any losses due to delayed submission of these disclosures. The company also has not made any undue gain out of the above said delay in making disclosure to stock exchange. We also submit that the delay is neither intentional nor deliberate, but purely inadvertent and hence we humbly request SEBI to kindly take a lenient view in the matter and pardon us for the delay in submission of disclosures u/r 13(6) of SEBI (Prohibition of Insider Trading) Regulations, 1992."*
14. Given the above, it is noted that Noticee has failed in making the timely disclosure under Regulation 13(6) of PIT Regulations, 1992, wherein Noticee has made a delay of four days to make the requisite disclosure. Hence, it is established that Noticee has violated the regulation 13(6) of PIT Regulations, 1992.

Issue b) - If yes, does the violation attract monetary penalty under Section 15A(b) of the SEBI Act?

15. It is pertinent to note that the erstwhile promoters Mr. LS Patil and Ms. Padmaja Patil acquired significant quantity of shares adding to over 16% shares of the company / Noticee in their existing shareholding. Having received this important / significant update, Noticee was required to ensure that required onward disclosure is made to Stock Exchange (BSE) expeditiously and at least within prescribed time. Noticee has failed to ensure the same.
16. As regards to contention that the delay is neither intentional nor deliberate, but purely inadvertent the judgement of the Hon'ble Supreme Court of India in the matter of **SEBI Vs. Shri Ram Mutual Fund (Appeal no. 9523-9524)** decided on May 23, 2006, is very clear that *"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..."*.
17. In view of the aforesaid observation and established violation against the Noticee, it is noted that penalty is liable upon the Noticee in the present case under the provision of Section 15A(b) of the SEBI Act, which read as follows:

"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;"*

Issue c) - If yes, what quantum of monetary penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act?

18. While determining the quantum of penalty under section 15A(b), it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

"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."*

19. The available records neither reveals any disproportionate gains/ unfair advantage made by the Noticee and any loss suffered by the investors due to such violations, nor there is any such allegations against the Noticee.
20. It is also noted that at the time of requirement of relevant disclosure, there was no trading taking place in shares of the Noticee at the Stock Exchange (BSE) as it was under suspension.

21. Further there is no information available on records to show that the act of the Noticee was repetitive in nature.
22. Therefore, taking into consideration the facts / circumstance of the case and above factors, a justifiable penalty needs to be imposed upon the Noticee to meet the ends of justice.

ORDER

23. In view of the above, after taking into consideration all the facts and circumstances of the case, violation established as mentioned above, and after considering the factors enumerated in section 15J of the SEBI Act, under provisions of section 15A(b) of SEBI Act, a penalty of Rs.2,00,000/- (Rupees Two Lakh Only) is imposed upon the Noticee viz, Sangam Health Care Products Ltd.
24. The Noticee shall remit / pay the said amount of penalty within 45 (forty five) days of receipt of this order either by way of Demand Draft (DD) in favour of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, or through e-payment facility into Bank Account, the details whereof are as follows:-

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

25. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-1, Division of Regulatory Action-3 [EFD1-DRA-3], SEBI Bhavan, Plot No.C4-A, ‘G’ Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051. The Format for forwarding details / confirmations of e-payments made to SEBI shall be in the form as provided at Annexure A of Press Release No. 131/2016 dated August 09, 2016 shown at the SEBI Website which is produced as under:
 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)
26. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order is being sent to the Noticee and also to the SEBI.

Date: May 15, 2018
Place: Mumbai

Jeevan Sonparote
Adjudicating Officer