

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. Order/AN/SM/2025-26/31487-31493**

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

Noticee No.	Noticee Name	PAN
1	Mr. Madan Lal	ACGPL1521K
2	Mr. Joginder Singh	AFTPS0654Q
3	Mr. Sahil Puri	ARGPP3422J
4	Ms. Sakshi Puri	AMCPP4688F
5	Mr. Satnam Singh	ARFPS9342F
6	Mr. Sanjeev Kumar Puri	AKIPK4541Q
7	Mr. Shiv Kumar Puri	ABOPP9466E

In the matter of City Gold Credit Capital Limited.

A. BRIEF BACKGROUND

1. Securities and Exchange Board of India (hereinafter also referred to as 'SEBI') inter alia while examining the Draft Letter of Offer ("DLOF") dated June 01, 2023, with regard to Open Offer for acquisition of shares of City Gold Credit Capital Limited ('target company'/ 'TC' / 'Company') in terms of (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, observed certain non compliances under SEBI SAST Regulations. Accordingly, pursuant to its examination, SEBI initiated Adjudication Proceedings under Section 15-I of the SEBI Act, 1992 (hereinafter also referred to as 'SEBI Act') in respect of Mr. Madan Lal (Noticee 1), Mr. Joginder Singh (Noticee 2), Mr. Sahil Puri (Noticee 3), Ms. Sakshi Puri (Noticee 4), Mr. Satnam Singh (Noticee 5), Mr. Sanjeev Kumar Puri (Noticee 6) and Mr. Shiv Kumar Puri (Noticee 7) (hereinafter aforesaid Noticee 1-7 are collectively referred to as 'Noticees') in the subject matter for the alleged violations of Regulation 29(2) and Regulation 3(1) of SEBI (Substantial

Acquisition of Shares and Takeovers) Regulations, 2011 {'SEBI (SAST) Regulations, 2011' / 'SEBI SAST Regulations, 2011' / 'SAST Regulations, 2011' / 'SAST Regulations' in short}.

B. APPOINTMENT OF ADJUDICATING OFFICER

2. Whereas, the Competent Authority was prima facie of the view that there were sufficient grounds to adjudicate upon the alleged violations by the Noticees, as stated above and therefore, in exercise of the powers conferred under Section 19 read with Section 15 I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter also referred as "**Adjudication Rules**"), the Competent Authority appointed the undersigned as Adjudicating Officer ("**AO**") vide order dated March 28, 2024 to inquire into and adjudicate under Section 15A(b) and 15H of the SEBI Act, 1992 for the alleged violations by the Noticees. The said proceeding of appointment was communicated to the undersigned vide Communique dated April 01, 2024.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

3. A Show Cause Notice No. SEBI/EAD5/P/OW/2024/16860/1-7 dated May 14, 2024 (hereinafter also referred to as 'SCN' / 'SCN dated May 14, 2024' in short) was issued to Noticees in terms of Section 15-I of the SEBI Act, 1992, Rule 4 of SEBI Adjudication Rules, 1995 to show cause as to why an inquiry should not be held against them and why penalty be not imposed under Section 15A(b) and 15H of SEBI Act, 1992 for the aforesaid alleged violations. The SCN was duly served on the Noticees through Digitally Signed Email dated May 14, 2024 and Speed Post Acknowledgement Due (SPAD). In this regard, copy of the India Post Tracking Details dated May 21, 2024 and email delivery receipt dated May 14, 2024 have been placed in file.

4. In this regard, following was inter alia observed and alleged in respect of the Noticees:

“ ...

1. *Non-disclosure under Regulation 29(2) of the SAST Regulations (4 instances of non-compliances).*
2. *Failure to comply with obligation to make an open offer under Regulation 3(1) of the SAST with respect to acquisition of shares resulted in increase in shareholding of Acquirers along with PACs from 22.03% to 26.47%. (FY 2018-19)*

...

In view thereof, it is alleged that Noticees have violated Regulation 29(2) of the SEBI (SAST) Regulations, 2011 and Regulation 3(1) of the SEBI (SAST) Regulations, 2011

...”

5. In this regard Noticees made their preliminary submissions vide their common letter dated May 25, 2024 inter alia also seeking inspection of documents. Vide email dated June 06, 2024, Noticees were given an opportunity of inspection of relied upon documents on June 13, 2024. On the scheduled date of inspection, Noticees availed the inspection of relied upon documents through common Authorised Representatives (ARs) viz. Dr. Keyur Shah (Advocate) and Mr. Meit Vipul Shah (Advocate). Vide email dated July 07, 2024, Noticees were provided with copies of Examination Report and Annexure B to the SCN, as sought by ARs during the Inspection. Noticees submitted their common reply to the SCN vide letter dated July 09, 2024. Key submissions of the Noticees as reply to the SCN are as under:
6. The key preliminary submissions made by Noticees vide their letter dated May 25, 2024 are brought out as under:

“ ...

1. *The present preliminary submissions are filed by Mr. Madan Lal (Noticee No. 1), Mr. Joginder Singh (Noticee No. 2), Mr. Sahil Puri (Noticee No. 3), Ms. Sakshi Puri (Noticee No. 4), Mr. Satnam Singh (Noticee No. 5), Mr. Sanjeev Kumar Puri (Noticee No. 6) and Mr. Shiv Kumar Puri (Noticee No. 7) (“we/Noticees/us”).*

2. During the said examination, SEBI has observed certain non-compliances under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SAST Regulations").
3. On perusal of the SCN, it is understood that we have allegedly violated the following:
 - (i) Non-Disclosure under Regulation 29(2) of SAST Regulations (4 instances of alleged non-compliances).
 - (ii) Failure to comply with obligation to make an open offer under Regulation 3(1) of SAST Regulations in respect of acquisition of shares which resulted in increase in shareholding of Acquirers along with PAC's from 22.03% to 26.47% (FY 2018-19).
4.
5. The present matter of the captioned SCN pertains to a period which is around 6-8 years old from the date of transactions. Hence, there is an inordinate delay in present proceedings by SEBI. In this regard, we would like to draw your kind attention to the following Orders:
 - (i) Order dated 09.08.2021 passed by Hon'ble Securities Appellate Tribunal ("Tribunal") in the matter of Garware Polyester Ltd & Ors Vs. SEBI (Appeal no. 187 of 2021). For ready reference relevant paragraph has been reproduced below:
- "7. We are of the view that there has been an inordinate delay on the part of the respondent in initiating the proceedings against the appellants for the alleged violations. Much water has flown since the alleged violations and, at this belated stage, the appellants cannot be penalized.
-
14. In view of the aforesaid, the impugned orders passed against the appellants by the AO cannot be sustained and are quashed on account of the inordinate delay in the initiation of the proceedings by issuance of the show cause notice which culminated into a penalty order. The show cause notice and the impugned orders passed by the AO are quashed. All the appeals are allowed with no order as to costs."
- (ii) Order dated 12.11.2020 passed by Hon'ble Tribunal in the matter of Parag Sarda Vs. SEBI (Appeal no. 279 of 2020). For ready reference relevant paragraph has been reproduced below:
- "6. However, we note that there is no legitimate explanation given in the impugned order as to why it took 5 years to issue a show cause notice even after SEBI admittedly came to know of the violation in the year 2014.
6. Given the above facts and circumstances, we are of the considered view that an inordinate delay has happened in this matter for initiating proceedings and serving a show cause notice. Therefore, the impugned order suffers from laches and our orders in Sanjay Soni & Ors. (Supra) and Mr. Rakesh Kathotia & Ors. (Supra) squarely applies to the matter."
- (iii) Order dated 22.08.2019 passed by Hon'ble Tribunal in the matter of Ashok Shivlal Rupani & Anr. vs. SEBI (Appeal No. 417 of 2018). For ready reference relevant paragraph has been reproduced below:
- "6. Having considering the matter, we are of the view that there has been an inordinate delay on the part of the respondent in initiating proceedings against the appellants for alleged violations. Much water has flown since the alleged violations and at this belated stage the appellants cannot be penalized. It is alleged that disclosure under PIT Regulations was not made but similar disclosure was made by the appellant under SAST Regulations. Therefore, information was available on the Stock Exchange and therefore it cannot be said that the respondents were unaware of the alleged violations. Further, the purpose of disclosure was to make the market aware of the change of shareholding of the shareholders. When a disclosure was made by the company under SAST Regulations the investors became aware of the change in the shareholding. The non-compliance of Regulation 13 if any becomes technical in nature."
7. and 8. ...
9. As a result, without going into the merits of the case, we are of the opinion that on account of inordinate delay the initiation of proceedings by issuance of the show cause notice which culminated into a penalty order cannot be sustained. The show cause notice and the impugned orders passed by the AO are quashed. Both the appeals are allowed."
6. We also submit that City Gold was regularly filing shareholding pattern as required under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("LODR Regulations") and appropriate disclosures were filed by City Gold, whereby the public shareholders were made aware of the changes in our shareholding in City Gold. Hence, it is denied that there was any non-disclosure about our shareholding and/or change of shareholding in City Gold. Hence, the information w.r.t. our shareholding was in public domain and no non-disclosure can be alleged on our part. We, therefore, submit and reiterate that we did not have any intention to conceal or hide our shareholding in City Gold from anyone. Hence, the said disclosures were already in public domain and there was no malafide intention.

..."

Noticees further submissions as common reply to the SCN vide letter dated July 09, 2024:

..."

1. The present Written submissions are filed by Mr. Madan Lal (Noticee No. 1), Mr. Joginder Singh (Noticee No. 2), Mr. Sahil Puri (Noticee No. 3), Ms. Sakshi Puri (Noticee No. 4), Mr. Satnam Singh (Noticee No. 5), Mr. Sanjeev Kumar Puri (Noticee No. 6) and Mr. Shiv Kumar Puri (Noticee No. 7) ("we/Noticees/us").
2. The captioned SCN is issued after examination of Draft Letter of Offer, based on submissions from the Manager to open offer i.e. Swaraj Shares and Securities Private Limited ("Merchant Banker"). During the said examination, SEBI has observed certain non-compliances under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SAST Regulations").
3. On perusal of the SCN, it is understood that we have allegedly violated the following:
 - (iii) Non-Disclosure under Regulation 29(2) of SAST Regulations (4 instances of alleged non-compliances).
 - (iv) Failure to comply with obligation to make an open offer under Regulation 3(1) of SAST Regulations in respect of acquisition of shares which resulted in increase in shareholding of Acquirers along with PAC's from 22.03% to 26.47% (FY 2018-19).
4. It has been alleged in the said SCN that we were required to make disclosures w.r.t. to acquiring shares which resulted in change of promoter shareholding in City Gold to more than 2%. The details of which have been provided in the SCN. It has been alleged that we have failed to make required disclosures as stipulated under SAST Regulations. Further, it also alleged that we failed to make an open offer when our aggregate shareholding crossed 25%.
5. At the outset and without prejudice to anything stated hereinafter, we deny all the allegations and findings made against us in the said SCN except to the extent specifically admitted by us. Nothing contained in the said SCN may be deemed to be admitted by us by reason of non-traverse or otherwise, save and except what is expressly admitted herein. We deny all the statements, submissions, contentions, allegations and averments contained in the said SCN that are contrary to and/or inconsistent with what is stated herein below.
6. The present SCN is issued after a gap of almost 6 to 8 years from the date of alleged trades in City Gold. However, no reasons have been mentioned in the SCN for belatedly initiating present proceedings after an unexplained delay of almost 6 to 8 years. It is also pertinent to mention that the persons handling the subject matter of the present proceedings are no more associated with the Company. Hence, the present reply is being filed based on only bare minimum material/information/record available with us. Thus, the inordinate delay and absence of records/information is causing great prejudice to us in defending ourselves in present proceedings. Hence, we state that considering the aforesaid, the SCN should be disposed of at the threshold itself. In this regard, I would like to draw your kind attention to the following Orders:
 - (i) Order dated 09.08.2021 passed by Hon'ble Securities Appellate Tribunal ("Tribunal") in the matter of Garware Polyester Ltd & Ors Vs. SEBI (Appeal no. 187 of 2021). For ready reference relevant paragraph has been reproduced below:

"7. We are of the view that there has been an inordinate delay on the part of the respondent in initiating the proceedings against the appellants for the alleged violations. Much water has flown since the alleged violations and, at this belated stage, the appellants cannot be penalized.

8. to 13.

14. In view of the aforesaid, the impugned orders passed against the appellants by the AO cannot be sustained and are quashed on account of the inordinate delay in the initiation of the proceedings by issuance of the show cause notice which culminated into a penalty order. The show cause notice and the impugned orders passed by the AO are quashed. All the appeals are allowed with no order as to costs."
 - (ii) Order dated 12.11.2020 passed by Hon'ble Tribunal in the matter of Parag Sarda Vs. SEBI (Appeal no. 279 of 2020). For ready reference relevant paragraph has been reproduced below:

"6. However, we note that there is no legitimate explanation given in the impugned order as to why it took 5 years to issue a show cause notice even after SEBI admittedly came to know of the violation in the year 2014.

6. Given the above facts and circumstances, we are of the considered view that an inordinate delay has happened in this matter for initiating proceedings and serving a show cause notice. Therefore, the impugned order suffers from laches and our orders in Sanjay Soni & Ors. (Supra) and Mr. Rakesh Kathotia & Ors. (Supra) squarely applies to the matter."
 - (iii) Order dated 22.08.2019 passed by Hon'ble Tribunal in the matter of Ashok Shivlal Rupani & Anr. vs. SEBI (Appeal No. 417 of 2018). For ready reference relevant paragraph has been reproduced below:

"6. Having considering the matter, we are of the view that there has been an inordinate delay on the part of the respondent in initiating proceedings against the appellants for alleged violations. Much water has flown since the alleged violations and at this belated stage the appellants cannot be penalized. It is alleged that disclosure under PIT Regulations was not made but similar disclosure was made by the appellant under SAST Regulations. Therefore, information was available on the Stock Exchange and therefore it cannot be said that the respondents were unaware of the alleged violations. Further, the purpose of disclosure was to make the market aware of the change of shareholding of the shareholders. When a disclosure was made by the company under SAST Regulations the investors became aware of the change in the shareholding. The non-compliance of Regulation 13 if any becomes technical in nature."

7. and 8. ...

9. As a result, without going into the merits of the case, we are of the opinion that on account

of inordinate delay the initiation of proceedings by issuance of the show cause notice which culminated into a penalty order cannot be sustained. The show cause notice and the impugned orders passed by the AO are quashed. Both the appeals are allowed."

- (iv) Order dated 27.05.2019 passed by Hon'ble Tribunal in the matter of Mr. Rakesh Kathotia vs. SEBI (Appeal No. 07 of 2016). For ready reference relevant paragraph has been reproduced below:

"23. It is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the adjudication proceedings. The Supreme Court in Government of India vs. Citedal Fine Pharmaceuticals, Madras and Others, [AIR (1989) SC 1771] held that in the absence of any period of limitation, the authority is required to exercise its powers within a reasonable period. What would be the reasonable period would depend on the facts of each case and that no hard and fast rule can be laid down in this regard as the determination of this question would depend on the facts of each case. This proposition of law has been consistently reiterated by the Supreme Court in Bhavnagar University v. Palitana Sugar Mill (2004) Vol.12 SCC 670, State of Punjab vs. Bhatinda District Coop. Milk P. Union Ltd (2007) Vol.11 SCC 363 and Joint Collector Ranga Reddy Dist. & Anr. vs. D. Narsing Rao & Ors. (2015) Vol. 3 SCC 695. The Supreme Court recently in the case of Adjudicating Officer, SEBI vs. Bhavesh Pabari (2019) SCC Online SC 294 held:

"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."

- (v) Hon'ble Securities Appellate Tribunal, in an order passed in the case of H B Stockholdings (SAT Appeal no. 114 of 2012) observed that:

- Human memory has a short shelf life and allowing matters to go on for years together serves no purpose rather it risks loss of evidence such as important documents may get destroyed while the issue gathers dust.
- In some situations the reputation of the innocent entities gets tarnished as they wait for the wheels of justice to turn a bit faster than the pace at which they seem to be going.
- Inordinate delay in conducting inquiries hangs like Damocles' sword on market players and has a rather demoralizing effect on them when they are ultimately exonerated of all the charges.

- (vi) In the case of Khandwala Securities Ltd. (referred to in the order of H B Stockholding), the Hon'ble Tribunal took cognizance of the delay of 12 years on the part of SEBI as a mitigating factor and held that punishment was not in consonance with the violation. It further observed that proceedings before SEBI require finalization within a reasonable period of time.

- (vii) In case of State of Gujarat v/s Patel Raghav Natha (AIR 1969 SC 1297), the Apex Court opined that when suo moto powers are vested in an authority, the same needs to be exercised within a reasonable period of time.

Our reply to the said SCN is as under:-

7. We state that we are/were the promoters of City Gold and the Company has regularly been filing the shareholding pattern as required under the relevant provision of law and that our shareholding was disclosed under the heading 'Statement showing shareholding pattern of the Promoter and Promoter Group' for the quarter ending June 2016, September 2016, December 2016, March 2017, September 2017, March 2018, June 2018, September 2018 and December 2018, wherein changes in our shareholding is being properly reflected and the same was also in public domain. I state that appropriate disclosure under 31(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements), 2015 (LODR Regulations) was filed by City Gold, wherein shareholding pattern of the promoters of City Gold was disclosed, whereby the public shareholders were made aware of the changes in our shareholding in the Company. Hence, it is denied that there was any non-disclosure on our part.
8. Further, w.r.t. allegation of non-disclosure under Regulation 29(2) of SAST Regulations, we submit that promoter shareholding was always available on public domain and changes in promoter shareholding were properly reflected in the shareholding patterns filed by City Gold. In support of our aforesaid submissions, we herein below submit in tabular data the transactions which are alleged to have triggered disclosure requirement and corresponding shareholding pattern filed by City Gold reflecting the changes in our shareholding.

Sr. No.	Name of the Promoter	Date of transaction	% shareholding before transaction	No. of shares acquired	% after acquisition of Shares	Reflected in Quarter ending Shareholding Pattern
Instance No. 1						
1.	Madan Lal	05.07.2016	7.91%	20,000	8.53%	30.09.2016
2.	Joginder Singh	18.08.2016	0.94%	25,000	1.72%	30.09.2016
3.	Madan Lal	18.08.2016	8.53%	25,000	9.31%	30.09.2016
Instance No. 2						
4.	Madan Lal	19.09.2016	9.31%	18,000	9.87%	30.09.2016

5.	Madan Lal	12.12.2016	9.87%	20,000	10.50%	31.12.2016
6.	Shiv Kumar Puri	13.12.2016	2.32%	20,000	2.94%	31.12.2016
7.	Sanjeev Kumar Puri	13.12.2016	1.25%	35,000	2.35%	31.12.2016
Instance No. 3						
8.	Shiv Kumar Puri	30.03.2017	2.94%	46,000	4.38%	31.03.2017
9.	Shiv Kumar Puri	01.09.2017	4.38%	18,500	4.96%	30.09.2017
Instance No. 4						
10.	Sahil Puri	23.04.2018	1.25%	25,000	2.03%	30.06.2018
11.	Sakshi Puri	03.11.2018	0.94%	45,000	2.34%	31.12.2018
12.	Satnam Singh	03.11.2018	0.31%	25,000	1.09%	31.12.2018
13.	Sanjeev Kumar Puri	03.11.2018	2.35%	47,100	3.82%	31.12.2018

In support of our aforesaid submissions, we enclose the relevant extract of Shareholding pattern of promoter and promoter group filed by City Gold for Quarter Ended 30.09.2016, 31.12.2016, 31.03.2017, 30.09.2017, 30.06.2018 and 31.12.2018 is hereto annexed and marked as Annexure – 1, Annexure – 2, Annexure – 3, Annexure – 4, Annexure – 5 and Annexure – 6 respectively. From the aforesaid, we humbly submit that we did not have any intention to conceal or hide our shareholding in City Gold from anyone.

9. In addition to what is stated aforesaid, we would like to submit as under:
 - (i) The promoter's shareholding in City Gold was always properly disclosed.
 - (ii) Further, City Gold has been regularly filing Annual Disclosures as required under Regulation 30 of SAST Regulations, wherein Promoter shareholding is properly conveyed to the Exchange and informed to public at large.
 - (iii) It is pertinent to note that Sanjeev Kumar Puri for transaction dated 03.11.2018, Sakshi Puri for transaction dated 03.11.2018 and Satnam Singh for transaction dated 03.11.2018 have filed relevant disclosure under SEBI (Prohibition of Insider Trading) Regulations, 2015 ("PIT Regulations"). A copy of disclosures filed by Sanjeev Kumar Puri, Sakshi Puri and Satnam Singh under PIT Regulations is hereto annexed and marked as Annexure – 7. Therefore, no non-disclosure can be alleged against the aforesaid promoters.
 - (iv) The promoters whenever statutorily required are filing disclosures under Regulation 29(2) of the SAST Regulations.
 - (v) All the shares as mentioned in the SCN are acquired by off market.
 - (vi) Additionally, we would like to submit that in the alleged transactions as mentioned in the SCN, none of the promoters individually have acquired more than 2% in a single transaction. Therefore, no adverse inference be drawn against us in this regard.
10. Our submissions w.r.t. allegation of failure to make an open offer under Regulation 3(1) of the SAST Regulations
 - (i) It is alleged that pursuant to acquisition of shares made on 23.04.2018 and 03.11.2018, the aggregate shareholding of acquirers along with PACs had increased from 22.03% to 26.47%, triggering obligation to make an open offer under Regulation 3(1) of the SAST Regulations.
 - (ii) In this regard, we submit that on 23.04.2018, Sahil Puri had acquired 25,000 (0.78%) shares of City Gold, on 03.11.2018, Ms. Sakshi Puri had acquired 45,000 (1.41%) shares of City Gold, on 03.11.2018, Mr. Satnam Singh had acquired 25,000 (0.78%) shares of City Gold and on 03.11.2018, Mr. Sanjeev Kumar Puri had acquired 47,100 (1.47%) shares of City Gold. Thereafter, the total shareholding of promoter and promoter group in City Gold increased to 26.47%. All the aforesaid shares were acquired via off market.
 - (iii) It is pertinent to note that Mr. Sanjeev Kumar Puri had on 03.11.2018 acquired 30,500 Shares from his son viz. Mr. Kapil Puri and 16,600 shares from his daughter viz. Divya Puri.
 - (iv) Mr. Kapil Puri and Ms. Divya Puri fall under the definition of immediate relatives as per Regulation 2(I) of SAST Regulations.
 - (v) From the aforesaid, it can be seen that 47,100 shares (1.47%) was acquired by Mr. Sanjeev Kumar Puri from his immediate relatives.
 - (vi) It is pertinent to note that the aforesaid acquisition of shares by Mr. Sanjeev Kumar Puri from his immediate relatives (son and daughter) is exempted from obligation of making an open offer under Regulation 3 of SAST Regulations.

For ready reference, relevant Regulation 10(1)(a)(i) of SAST Regulations is reproduced herein below:

"General exemptions.

10. (1) The following acquisitions shall be exempt from the obligation to make an open offer under regulation 3 and regulation 4 subject to fulfillment of the conditions stipulated therefor,—

(a) acquisition pursuant to inter se transfer of shares amongst qualifying persons, being,—

(i) immediate relatives;

...."

(vii) From the aforesaid General Exemption provided under Regulation 10(1)(a)(i) of the SAST Regulations, it can be seen that the transaction between Mr. Sanjeev Kumar Puri and his

- immediate relatives viz. Mr. Kapil Puri (son) and Ms. Divya Puri (daughter) is exempted from the obligation of making an open offer.
- (viii) Further, as the aforesaid transaction is exempted from making an open offer, then there is no obligation on promoters of City Gold to make an open offer as the threshold for making an open offer is not breached.
 - (ix) Therefore, we submit that no open offer was required by the promoters and we have not violated Regulation 3(1) of the SAST Regulations.
 - (x) Without prejudice to what is stated aforesaid, we state that Mr. Nitin Minocha had come out with an open offer in the scrip of City Gold for acquisition of 8,32,130 shares. This means that apart from the aforesaid alleged transaction which triggered an open offer, there was subsequent open offer. Therefore, no adverse inference be drawn against us.
 - (xi) Further, as on date the shareholding percentage of promoter group continues to remain the same as it was in 31.12.2018.
11. Further, we would like to submit as under:
- (a) We would like to invite your kind attention to Order dated 02.02.2017 passed by Hon'ble Whole Time Member, SEBI in the case of Refex Industries Limited (formerly known as Refex Refrigerants Limited), wherein Hon'ble Whole Time Member did not issue any directions against the promoter and director and inter-alia held that:
 "13 ...
 • ...
 • that the violation is un-intentional and not for consolidation;
 • that the violation is technical and venial in nature; and
 • that there are clear mitigating circumstances in the form of subsequent amendments to the takeover regulations which further lessens the gravity of the violation"
12. We submit that non- disclosure, if any, was technical in nature and due to inadvertence, devoid of any malafide intention. Further, no harm has been caused to any investor nor any loss has occurred due to our non- disclosure as the details regarding the changes in promoter shareholding was disclosed in the shareholding pattern filed by City Gold.
13. Legal Submissions:
- (a) Case of Reliance Industries Ltd. v SEBI (Appeal No. 39/2002) –
 The company failed to make relevant disclosure in time under Regulation 7(1) of Takeover Regulations, and then Hon'ble Tribunal observed that "The High Court in Cabot's case has pronounced that if a breach was merely technical and unintentional, it does not merit penal consequence. It ultimately depends on the facts of each case."
 - (b) Akbar Badrudin Badrudin Jiwani V. Collector of Customs, Bombay AIR 1990 SC 1579
 It is noteworthy to mention wherein the Hon'ble Court had stated that :-Para 61:"We refer in this connection the decision of Merck Spares v. Collector of Central Excise & Customs, New Delhi, 1983 ELT 1261, Shama Engine Valves Ltd., Bombay v. Collector of Customs, Bombay (1984) 18 ELT 533 and Madhusudhan Gordhandas & Co. v. Collector of Customs, Bombay, (1987) 29 ELT 904, wherein it has been held that in imposing penalty the requisite mens rea has to be established.
 - (c) Hindustan Steel Ltd., v State of Orissa, (1970) 1 SCR 753; (AIR 1970 SC 253)
 The Court held that:- "The discretion to impose a penalty must be exercised judicially. A penalty will ordinarily be imposed in cases where the party acts deliberately in defiance of law, or is guilty of contumacious or dishonest conduct, or acts in conscious disregard to its obligation; but not, in cases where there is a technical or venial breach of the provisions of the Act or where the breach flows from a bona fide belief that the offender is not liable to act in the manner prescribed by the statute".
14. In view of the aforesaid, we deny that we have violated SAST Regulations.
15. We submit and say that we have always followed all the procedures as stipulated by any regulatory authority, followed all Rules/Regulations/instructions etc. issued by any government agency and our intention has never been to conceal any information. We have never been penalized by any regulatory authority and have got clean track record till date. Further, we submit and reiterate that in present case also our intention was not to conceal any information/detail. As already explained above, the details of promoter shareholding were already in public domain. It was a procedural lapse, if any, on our part to not to disclose the information in formats specified under said Regulations.
16. In addition to what is stated aforesaid, we submit that we have been regularly filing disclosures under SAST Regulations both annual as well as on continual disclosures.
17. In view of the above circumstances, we submit as follows:
- (a) We did not have any intention to conceal the information and nor we have concealed any information.
 - (b) No unfair advantage or gain has occurred to us and also no harm or loss has been caused to any shareholders.
 - (c) Violations, if any, are merely technical in nature.
 - (d) We have been continuously making disclosures under SAST Regulations as and when required.
18. Conclusion
 We would like to submit that we are law abiding citizen and we have always complied with Rules/Regulations governing securities market. In case penalty is imposed by a reputed and credible organization like SEBI, it shall cause loss of goodwill, credibility, market standing and reputation which

has been built over past many years. Thus, we humbly request that we may be discharged from present proceedings at the earliest.

19. *Prayer:*

Your honor is kindly requested to take a lenient view in the matter and penalty stipulated under Section 15 A (b) and 15H of SEBI Act, 1992 may not be imposed. It is further requested that the present proceedings under Show Cause Notice dated 14.05.2024 may be dropped and we should be discharged from the same and no penalty be imposed on us.

...

7. Having regard to the principles of natural justice, vide Hearing Notice dated July 08, 2024, an opportunity of personal hearing was provided to the Noticees on July 16, 2024.
8. On the Scheduled date of hearing, Noticees appeared through common Authorised Representatives (ARs) viz. Dr. Keyur Shah (Advocate) and Mr. Meit Vipul Shah for the hearing held in person. During the hearing, the ARs for Noticees relied upon and reiterated the common submissions made by Noticees vide letters dated May 25, 2024 and July 09, 2024. Further, the ARs inter alia submitted that there were no further/additional submissions to be made and the submissions made vide letter dated May 25, 2024 and July 09, 2024 be taken as final and complete submissions in the matter.

D. CONSIDERATION OF ISSUES AND FINDINGS

9. The issues that arise for consideration in the instant matter are as following:

- | | |
|-----------------------|--|
| Issue No. I: | Whether the Noticees have violated the provisions of SEBI SAST Regulations, 2011, as alleged? |
| Issue No. II: | If yes, whether the Noticees are liable for imposition of monetary penalty under Section 15A(b) and 15H of SEBI Act, 1992? |
| Issue No. III: | If yes, what should be the monetary penalty that can be imposed upon the Noticees? |

10. In this regard, I note that Noticees have raised certain technical contentions. Accordingly, before proceedings with the matter on merits, it would be

pertinent to first deal with the technical contentions raised by the Noticees which are being dealt hereunder:

11. I note that Noticees as part of their submissions as reply to the SCN vide letters dated May 25, 2024 and July 09, 2024 (hereinafter reply dated May 25, 2024 and July 09, 2024 collectively referred to as 'Replies' / 'Submissions') have inter alia contended that there was inordinate delay in issuance of SCN.

In this regard the Noticees have relied upon on various Orders passed by the Hon'ble SAT viz Garware Polyester Ltd & Ors Vs. SEBI, Parag Sarda Vs. SEBI, Ashok Shivilal Rupani & Anr. vs. SEBI, Mr. Rakesh Kathotia vs. SEBI, H B Stockholdings, Khandwala Securities Ltd and State of Gujarat v/s Patel Raghav Natha.

12. In this regard I note that while the Noticees have relied upon on various Orders passed by the Hon'ble SAT viz Garware Polyester Ltd & Ors Vs. SEBI, Parag Sarda Vs. SEBI, Ashok Shivilal Rupani & Anr. vs. SEBI, Mr. Rakesh Kathotia vs. SEBI, H B Stockholdings, Khandwala Securities Ltd and State of Gujarat v/s Patel Raghav Natha, however, Noticees did not bring out how the facts and circumstances in the orders cited by the Noticees in this regard were applicable in the instant matter.

In this regard, it would be relevant to state that whether a delay in a particular case is justified or not depends on the facts and circumstances of each case. I note from material available on record that in the instant matter the examination pursuant to which SEBI inter alia observed non compliances pertains to mid /later part of year 2023 and action in respect of which was approved during March 2024 following which undersigned was appointed as the Adjudicating Officer ("AO") vide order dated March 28, 2024, communication of the order appointing AO being dated April 01, 2024 and the Show Cause Notice in the matter having been issued on May 14, 2024. Hence, I note that there is no inordinate delay in issuance of the SCN in the instant proceedings.

13. Further, in this regard, I also note that initiation of adjudication proceedings under the appropriate provisions of SEBI Act is a regulatory prerogative of SEBI depending upon the outcome of the fact finding exercise, which is the examination done in this case, and just because the alleged violation was committed in a distant past cannot be a ground to vitiate initiation of the proceedings. In this regard, reliance is placed on the Hon'ble Supreme Court in *Adjudicating Officer, Securities and Exchange Board of India v. Bhavesh Pabari* dated February 28, 2019, wherein it was inter alia observed by Hon'ble Supreme Court that delay in issue of the SCN itself would not exonerate the defaulters from the default. Further, reliance is also placed to order dated July 11, 2022 of the Hon'ble Supreme Court in the matter of **SEBI v. Sunil Krishna Khaitan and Ors** on the aspect of delay and its impact on proceedings in the context of SEBI. The Hon'ble Supreme Court while referring to its earlier decision in the matter of *Bhavesh Pabari* (supra) inter alia held:

“...
 “81. This Court in the judgment authored by one of us (Sanjiv Khanna, J.) in *Bhavesh Pabari* (supra) had examined the question of delay and laches in initiating proceedings under Chapter VI-A of the Act and the principle of law that when no limitation period is prescribed proceedings should be initiated within a reasonable time and what would be reasonable time would depend upon facts and circumstances of each case. In this regard, it was held as under:
 “35. The Appellants have also contended that in the absence of any prescribed limitation period, SEBI should have issued show-cause notice within a reasonable time and there being a delay of about 8 years in issuance of show-cause notice in 2014, the proceedings should have been dropped. This contention was not raised before the adjudicating officer in the written submissions or the reply furnished. It is not clear whether this contention was argued before the Appellate Tribunal. There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created, etc. The show-cause notice in the present case had specifically referred to the respective dates of default and the date of compliance, which was made between 30-8-2011 to 29-11-2011 (delay was between 927 days to 1897 days). Only upon compliance being made that the defaults had come to notice. In the aforesaid background, and so noticing the quantum of fine/penalty imposed, we do not find good ground and reason to interfere.
 ...”

14. In this regard, reliance is also placed on order dated January 07, 2022 of Hon'ble SAT in the matter of *Hemant Sheth and Ors. vs. SEBI*, Appeal No. 521 of 2021 wherein it was inter alia held:

“9. Insofar as the delay is concerned we find that after the observation made by the WTM in its order of May 10, 2013 SEBI took action and appointed the AO dated July 4, 2013. No doubt the show cause

notice was issued in January 2016 but the delay in the issuance of the show cause notice in the instant case will not vitiate the proceedings initiated against the appellants in the peculiar facts and circumstances of the case. Consequently, we are not inclined to quash the proceedings only on the ground of inordinate delay as asserted by the learned counsel for the appellant."

15. Further in this regard, I also note that no limitation period is prescribed in SEBI Act or Regulations for issuance of SCN or for completion of the Adjudication proceedings. In this regard, reliance is placed on 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 had inter alia held:

"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".

16. In view thereof, the contention of the Noticees in this regard about inordinate delay is devoid of merit and hence cannot be accepted.
17. I now proceed to deal with the matter having regard to the submissions of the Noticees on merits:

Issue No. I: Whether the Noticees have violated the provisions of SEBI SAST Regulations, 2011, as alleged?

I note that Noticees have made common submissions as their reply to the SCN vide common letter /email dated May 25, 2024 and July 09, 2024. In this regard I note that save for being differently worded broadly speaking the submissions made are common. Hence the same have been dealt with conjointly and references drawn, if any, are to the text per either of the letters and submissions dealt with accordingly.

18. I note from material available on record that the following was inter alia observed and alleged in respect of the Noticees:

18.1. Non-disclosure under Regulation 29(2) of the SAST Regulations (4 instances of non-compliances).

18.1.1. In this regard, it was inter alia observed by SEBI that Mr. Madanlal (date of transaction- 05/07/2016 and 18/08/2016) and Mr. Joginder Singh (date of transaction- 18/08/2016) ("Acquirers") had acquired shares in the Company viz., City Gold Credit Capital Limited. Acquirers along with PACs were already holding 14.92% shares and there was a change of 2.18% in shareholding of Acquirers along with PACs post acquisition by Mr. Madanlal on 18/08/2016, which triggered disclosure requirement under Regulation 29(2) of the SAST. However, SEBI observed that no disclosure was received by Stock Exchange (MSEI) in this regard.

18.1.2. Further, it was observed by SEBI that Mr. Madanlal, (date of transaction- 19/12/2016 and 12/12/2016) Mr. Shiv Kumar Puri (date of transaction- 13/12/2016), Mr. Sanjeev Kumar Puri (date of transaction- 13/12/2016) ("Acquirers") had acquired shares in the Company viz., City Gold Credit Capital Limited. Acquirers along with PACs were already holding 17.10% shares and there was a change of 2.89% in shareholding of Acquirers along with PACs post acquisition by Mr. Sanjeev Kumar Puri on 13/12/2016, which triggered disclosure requirement under Regulation 29(2) of the SAST. However, SEBI observed that no disclosure was received by Stock Exchange (MSEI).

18.1.3. Further, it was observed by SEBI that Mr. Shiv Kumar Puri ("Acquirer" in short) had acquired shares in the Company viz., City Gold Credit Capital Limited on 30/03/2017 and 01/09/2017. Acquirer

along with PACs was already holding 20.01% shares and there was a change of 2.02% in shareholding of Acquirers along with PACs post acquisition by Mr. Shiv Kumar Puri on 01/09/2017, which triggered disclosure requirement under Regulation 29(2) of the SEBI (SAST) Regulations. However, SEBI observed that no disclosure was received by Stock Exchange (MSEI).

18.1.4. SEBI further observed that Mr. Sahil Puri (date of transaction - 23/04/2018), Ms. Sakshi Puri (date of transaction - 03/11/2018), Mr. Satnam Singh (date of transaction - 03/11/2018) and Mr. Sanjeev Kumar Puri (date of transaction - 03/11/2018) ("Acquirers") had acquired shares in the Company. Acquirers along with PACs were already holding 22.03% shares and there was a change of 4.44% in shareholding of Acquirers along with PACs post acquisition by Sanjeev Kumar Puri on 03/11/2018, which triggered disclosure requirement under Regulation 29(2) of the SAST. However, SEBI observed that no disclosure was received by Stock Exchange (MSEI) under Regulation 29(2) of the SEBI (SAST) Regulations.

18.1.5. Here it would be pertinent to draw reference to the text of the provisions alleged to have been violated. The relevant text of provision alleged to have been violated is reproduced below:

Regulation 29(2) of the SAST Regulations, 2011:

"...
(2) Any person, 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 the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below five per cent, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds two per cent of total shareholding or voting rights in the target company, in such form as may be specified.
..."

18.1.6. In this regard, I note that Noticees as part of their submissions have inter alia contended that *"none of the promoters individually have acquired more than 2% in a single transaction"*

In this regard, from plain reading of the text of the provision, I note that the requirement of disclosure under Regulation 29(2) of SEBI SAST Regulation 2011 is with respect to any person, together with persons acting in concert with him. In this regard, I note that in the instant case Noticees have not denied or disputed that either of them was not part of promoters and /or persons acting in concert. Further in this regard, I also note that in terms of provisions of Regulation 2(1)(q) persons inter alia falling under category of 'promoters and members of the promoter group', shall be deemed to be persons acting in concert. In this regard, from the annual reports relating to years 2016, 2017, 2018, 2019, as available on the website of MSEI (<https://www.msei.in/corporates/corporate-securities-information/annual-reports?symbol=citygold&company=city+gold+credit+cap.+ltd>), I note that Noticees are indicated as Promoters in all the said annual reports. In view thereof, contention of the Noticees in this regard is out of context and devoid of merit and hence cannot be accepted.

18.1.7. In this regard, I note from material available on record that Noticees have neither denied nor disputed that there was change in aggregate shareholding as person acting in concert (PAC) as observed by SEBI and mentioned in the SCN. Further, in this regard I note that Noticees have neither denied nor disputed the allegation that they had not intimated within two working days of the receipt of acquisition of shares in the target company to the stock exchange and the target company at its registered office nor have they demonstrated to the contrary. Instead Noticees submission as part of reply to the SCN during the instant proceedings are in nature of admission in so far as Noticees had inter alia submitted, “ *... that non- disclosure, if any, was technical in nature and due to inadvertence, devoid of any malafide intention ...* ”.

18.1.8. Further, I note from material available on record that Noticees vide their common reply have submitted that “*promoter shareholding was always available on public domain and changes in promoter*

shareholding were properly reflected in the shareholding patterns filed by City Gold”, and that “..... that appropriate disclosure under 31(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements), 2015 (LODR Regulations) was filed by City Gold, wherein shareholding pattern of the promoters of City Gold was disclosed, whereby the public shareholders were made aware of the changes in our shareholding in the Company....”.

18.1.9. In this regard, firstly I note that the instant proceedings inter alia relate to alleged violation with regard to Non Disclosure under Regulation 29(2) of SEBI (SAST) Regulations, 2011 by the Noticees and not about shareholding patterns filed by the company. Accordingly, the contention and submissions of the Noticee in this regard are out of context.

18.1.10. In any case, having regard to the aspect of timeliness viz., that shareholding patterns required to be filed on quarterly basis and that too within 21 days from the end of each quarter while disclosure under Regulations 29(2) are inter alia required to be made within two working days, the contentions of the Noticee in this regard are devoid of merit. Accordingly, the contentions of the Noticees in this regard are out of context and devoid of merit and accordingly not acceptable.

18.1.11. I note from material available on record that in respect of each of the four instances of non-disclosure under Regulation 29(2) of the SEBI (SAST) Regulations, 2011, the Noticees shareholding in City Gold Credit Capital Limited was exceeding five percent and there was change of shareholding exceeding two per cent viz., change of 2.18% on 18.08.16 prior to which Noticees held 14.92%, change of 2.89% on 13.12.16 prior to which Noticees held 17.10%, change of 2.02% on 01.09.17 prior to which Noticees held 20.01% and change of 4.44% on 03.11.18 prior to which Noticees held 22.03%, as brought out in detail under Para 19.1.1 to 19.1.4, and in respect of

which Noticees had not made any disclosures under Regulations 29(2) of SEBI (SAST) Regulations, 2011 within the stipulated time, as required and which has not been denied or disputed by the Noticees nor demonstrated to the contrary, as dealt with and brought out in the foregoing.

In view thereof, the allegation as regards the Noticees with respect to Non-disclosure under Regulation 29(2) of the SAST Regulations (4 instances of non-compliances), stands established. Accordingly, I hold that Noticees had violated provisions of Regulation 29(2) of SEBI (SAST) Regulations, 2011.

18.2. Failure to comply with obligation to make an open offer under Regulation 3(1) of the SAST with respect to acquisition of shares resulted in increase in shareholding of Acquirers along with PACs from 22.03% to 26.47%. (FY 2018-19).

18.2.1. In this regard, it was inter alia observed and alleged by SEBI that Mr. Sahil Puri (date of transaction - 23/04/2018), Ms. Sakshi Puri (date of transaction - 03/11/2018), Mr. Satnam Singh (date of transaction - 03/11/2018) and Mr. Sanjeev Kumar Puri (date of transaction - 03/11/2018) ("Acquirers") had acquired shares in the Company viz., City Gold Credit Capital Limited. Pursuant to the acquisitions made on aforesaid dates viz., 23/04/2018 and 03/11/2018, the aggregate shareholding of Acquirers along with PACs had increased from 22.03% to 26.47%, triggering obligation to make public announcement of open offer under Regulation 3(1) of the SAST. However, it was observed that the Acquirers along with PACs had failed to make an open offer under Regulation 3(1) of the SAST with respect to instant acquisition. In this regard, details of aforesaid transaction are given in the table below:

Regulation/ Sub- Regulation under SAST Regulations	Name of the Promoter/ Promoter Group	Date of transaction	% Shareholding of promoter and promoter group before transaction	% of shares acquired	% Sharehold- ing of promoter and promoter group After transaction	% change in sharehol- ding of person(s) along with PACs	Due Date for compliance as per SAST Regulations	Actual date of compliance	Status of compliance with Takeover Regulations As per MB submission	Status of compliance with Takeover Regulations As per MSEI
29(2)	Madan lal	-	10.50	0	10.50	4.44	07/11/2018	-	-	-
29(2)	Joginder Singh	-	1.72	0	1.72		07/11/2018	-	-	-
29(2)	Sahil Puri	23/04/2018	1.25	0.78	2.03		07/11/2018	-	-	Not complied
29(2)	Sakshi Puri	03/11/2018	0.94	1.41	2.35		07/11/2018	06/11/2018	Complied	Not complied
29(2)	Satnam Singh	03/11/2018	0.31	0.78	1.09		07/11/2018	-	Not Complied	Not complied
29(2)	Sanjeev Kumar puri	03/11/2018	2.35	1.47	3.82		07/11/2018	06/11/2018	Complied	Not complied
29(2)	Shiv Kumar puri	-	4.96		4.96		07/11/2018	-	-	-
	Total	-	22.03	4.44	26.47					

18.2.2. In this regard, the text of relevant provisions which are alleged to have been violated are reproduced below:

Regulation 3(1) of the SEBI (SAST) Regulations, 2011

“ ...

Substantial acquisition of shares or voting rights.

3. (1) No acquirer shall acquire 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, entitle them to exercise twenty-five per cent or more of the voting rights in such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations.

...”

18.2.3. In this regard, I note that the aggregate shareholding of Noticees had increased from 22.03% to 26.47% from quarter ending on June 2018 to December 2018, which has not been denied or disputed by the Noticees.

18.2.4. However, I note that Noticees in their common reply to the SCN had submitted that “...It is pertinent to note that Mr. Sanjeev Kumar Puri had on 03.11.2018 acquired 30,500 Shares from his son viz. Mr. Kapil Puri and 16,600 shares from his daughter viz. Divya Puri. Mr. Kapil Puri and Ms. Divya Puri fall under the definition of immediate

relatives as per Regulation 2(l) of SAST Regulations. From the aforesaid, it can be seen that 47,100 shares (1.47%) was acquired by Mr. Sanjeev Kumar Puri from his immediate relatives. It is pertinent to note that the aforesaid acquisition of shares by Mr. Sanjeev Kumar Puri from his immediate relatives (son and daughter) is exempted from obligation of making an open offer under Regulation 3 of SAST Regulations.... as the aforesaid transaction is exempted from making an open offer, then there is no obligation on promoters of City Gold to make an open offer as the threshold for making an open offer is not breached....”

18.2.5. In this regard, it would be pertinent to draw reference to relevant provisions SEBI (SAST) Regulations, 2011 including Regulation 10 of SEBI (SAST) Regulations, 2011 pertaining to ‘General Exemptions’, as also cited by the Noticees, which read as under:

“ ...

General exemptions.

10. (1) The following acquisitions shall be exempt from the obligation to make an open offer under regulation 3 and regulation 4 **subject to fulfillment of the conditions stipulated therefor,—**

- (a) acquisition pursuant to inter se transfer of shares amongst qualifying persons, being,—
 - (i) immediate relatives;

.....

Provided that for purposes of availing of the exemption under this clause,—

- (i) If the shares of the target company are frequently traded, the acquisition price per share shall not be higher by more than twenty-five per cent of the volume-weighted average market price for a period of sixty trading days preceding the date of issuance of notice for the proposed inter se transfer under sub-regulation (5), as traded on the stock exchange where the maximum volume of trading in the shares of the target company are recorded during such period, and if the shares of the target company are infrequently traded, the acquisition price shall not be higher by more than twenty-five percent of the price determined in terms of clause (e) of sub-regulation (2) of regulation 8; and
- (ii) **the transferor and the transferee shall have complied with applicable disclosure requirements set out in Chapter V.**

.....
”

- 18.2.6. In this regard firstly I note that even for arguments sake, if it were to be assumed that the Noticees qualified for exemption under Regulation 10(1)(a) of SAST Regulations, then the related pertinent issue to be determined would be whether the conditions stipulated as proviso to the said regulation were also fulfilled by Noticees.
- 18.2.7. It is noted that the first proviso to Regulation 10(1)(a) of SEBI SAST Regulations requires fulfilment of pricing condition in the inter-se transfer of shares between persons qualifying for exemption. I note that in the instant proceedings, the Noticees have not produced any evidence or record to indicate that they had complied with the first condition pertaining to the acquisition price of shares, enabling them for exemption under Regulation 10(1)(a) of SAST Regulations, assuming they were qualified persons under the regulation. Since the onus is on Noticees to demonstrate compliance of the conditions for availing exemption, absence of the same in their submissions, therefore, makes it evident that Noticees have not fulfilled the first overriding condition to avail exemption under Regulation 10(1)(a) of SAST Regulations.
- 18.2.8. Further in this regard I note that the second condition in the proviso to Regulation 10(1)(a) of SAST Regulations obligates the transferor and the transferee to comply with applicable disclosure requirements as set out in Chapter V of SAST Regulations. I note that Chapter V of SEBI SAST Regulations, 2011 pertaining to disclosures of shareholding and control inter alia relates to disclosures under Regulation 29(2). In this regard I note that, that Noticees had failed to make required disclosures under Regulation 29(2) of the SAST Regulations on four occasions has already been brought out and dealt with in detail in the foregoing.
- 18.2.9. Further in this regard, I also note that provisions of Regulation 10(5), 10(6) and 10(7) under Para pertaining to 'General Exemptions', inter alia read as under:

“

.....

(5) In respect of acquisitions under clause (a) of sub-regulation (1) ...
..... the acquirer shall intimate the stock exchanges where the shares of
the target company are listed, the details of the proposed acquisition in
such form as may be specified, at least four working days prior to the
proposed acquisition,

(6) In respect of any acquisition made pursuant to exemption provided
for in this regulation, the acquirer shall file a report with the stock
exchanges where the shares of the target company are listed, in such
form as may be specified not later than four working days from the
acquisition,

“(7) In respect of any acquisition of or increase in voting rights pursuant
to exemption provided for in clause (a) of sub-regulation (1) the
acquirer shall, within twenty-one working days of the date of acquisition,
submit a report in such form as may be specified along with supporting
documents to the Board giving all details in respect of acquisitions,
along with a non-refundable fee of rupees *[one lakh fifty thousand]
**[by way of direct credit in the bank account through
NEFT/RTGS/IMPS or any other mode allowed by RBI or] by way of a
banker’s cheque or demand draft payable in Mumbai in favour of the
Board.”

.....

”

** [Substituted by the SEBI (Payment of fees) (Amendment) Regulations, 2014 w.e.f. 23-05-2014, for the words “twenty five thousand.”]*

***[Inserted by the SEBI (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017, w.e.f. 6-3-2017]*

18.2.10. As regards the submissions of the Noticees inter alia contending that the acquisition of shares by Mr. Sanjeev Kumar Puri from his immediate relatives (son and daughter) was exempted from obligation of making an open offer and hence there was no

obligation on promoters of City Gold to make an open offer, from plain reading of the provisions of the SEBI SAST Regulations 2011, I note that exemption in this regard is subject to fulfilment of certain conditions and not automatic. In other words the exemption is contingent upon satisfaction of certain prerequisites.

18.2.11. In this regard, I note that Noticees have neither provided relevant details nor demonstrated, along with documents in support, of having complied with the extant applicable provisions relating to General Exemption i.e., inter alia with regard to provisions of Regulation 10(5), 10(6), 10(7), as otherwise applicable for the impugned acquisition to be exempt from the obligation to make an open offer. Accordingly the contention of the noticee with respect to general exemption under Regulation 10(1)(a)(i) of the SAST Regulations, in my view, is devoid of merit as conditions precedent for claiming exemption viz. requirements stipulated under Regulation 10(5), 10(6) and 10(7) of the SAST Regulations have not been demonstrated to have been fulfilled. In this regard, based on response received from the Stock Exchange viz., MSEI, SEBI has also confirmed that the requirements stipulated under Regulation 10(5), 10(6) and 10(7) of the SAST Regulations had not been fulfilled by the noticee. Accordingly, the contention of the Noticees that the acquisition of shares by Mr. Sanjeev Kumar Puri from his immediate relatives (son and daughter) was exempted from obligation of making an open offer and hence there was no obligation on promoters of City Gold to make an open offer, is devoid of merit and hence not acceptable.

18.2.12. I note that Noticees as part of their submissions have inter alia contended that, ' ... Mr. Nitin Minocha had come out with an open offer in the scrip of City Gold for acquisition of 8,32,130 shares. This means that apart from the aforesaid alleged transaction which triggered an open offer, there was subsequent open offer. ...'. In this regard, I note from pre-offer advertisement and corrigendum to the

detailed public statement dated July 27, 2024 that the same inter alia read as follows, ‘ ... *During the financial year 2018-19, pursuant to acquisition through off market transaction, the shareholding of promoter and promoter group had been increased from 22.03% to 26.47% and an open offer was triggered as per Regulation 3(1) of SEBI (SAST) Regulations, which mandated a Public Announcement to have been made. However, the present promoter and promoter group failed to make Public Announcement in this regard. As no public announcement had been made by the present promoter and promoter group, the Acquirer made this Offer, with an Offer Price of Rs. 16.50/- (Rupees Sixteen and Fifty Paise Only) per Offer Share being calculated considering the interest factor at the rate of 10.00% (Ten Percent) per annum from the Financial Year 2018-19, in accordance with the provisions of Regulation 18(11A) of the SEBI (SAST) Regulations ...*’.

18.2.13. In view thereof, I find that as the Noticees, having failed to fulfil the pre-conditions in terms of provisions of Regulation 10(1)(a), 10(5), 10(6), 10(7) of SAST Regulations, as brought out and dealt with in detail in the foregoing, were under an obligation to make open offer in terms of Regulation 3(1) of SAST Regulations pursuant to increase in their shareholding from 22.03% to 26.47% as acquirers along with PACs. However, available records show that no public announcement for open offer was made by the Noticees as mandated under Regulation 3(1) of SAST Regulations. This has not been disputed and denied by the Noticees.

18.2.14. In this regard I would like to draw reference to and place reliance on order of the Hon'ble Supreme Court of India in the matter of Swedish Match AB & Anr. Vs SEBI dated August 25, 2004 (CA No. 2361 of 2003) wherein it was inter alia held, “... Indisputably, the purport and object of which a regulation is made must be duly fulfilled. Public announcement is at the base of Regulations 10, 11 and 12. Except

in a situation which would bring the case within one or the other 'exception clause', the requirement of complying with the mandatory requirements to make public announcement cannot be dispensed with... .".

18.2.15. Further in this regard, reference is drawn to the order dated September 08, 2011 of Hon'ble Securities Appellate Tribunal in the matter of Nirvana Holdings Private Limited vs Sebi wherein it had inter alia been stated that, " ... The primary object of the takeover code is to provide an exit route to the public shareholders when there is substantial acquisition of shares or a takeover. This right to exit is an invaluable right and the shareholders cannot be deprived of this right lightly. ...'.

In view thereof, the allegation that there was failure to comply with obligation to make an open offer under Regulation 3(1) of the SAST with respect to acquisition of shares resulted in increase in shareholding of Acquirers along with PACs from 22.03% to 26.47%. (FY 2018-19), stands established. Accordingly, I hold that the Noticees had violated provisions of Regulation 3(1) of the SEBI (SAST) Regulations, 2011.

Issue No. II: If yes, whether the Noticees are liable for imposition of monetary penalty under Section 15A(b) and 15H of SEBI Act, 1992?

19. It has been established in the foregoing paragraphs that Noticees had violated provisions of SEBI (SAST) Regulations, 2011.

20. In this regard, it is noted that the Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) inter alia 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 ”

21. Therefore, for the above violations, as brought out in the foregoing paragraphs, I find that the Noticees are liable for monetary penalty under Section 15A(b) and 15H of the SEBI Act, 1992, which reads as under:

Securities and Exchange Board of India Act, 1992

**⁶²[CHAPTER VIA
PENALTIES AND ADJUDICATION**

“

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 ⁶⁶[or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to ⁶⁷[a penalty ⁶⁸[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]];

... ”

“

Penalty for non-disclosure of acquisition of shares and takeovers.

15H. If any person, who is required under this Act or any rules or regulations made thereunder, fails to,—

(i) disclose the aggregate of his shareholding in the body corporate before he acquires any shares of that body corporate; or

(ii) make a public announcement to acquire shares at a minimum price; or

⁹⁹[(iii) make a public offer by sending letter of offer to the shareholders of the concerned company; or

(iv) make payment of consideration to the shareholders who sold their shares pursuant to letter of offer.] he shall be liable to a penalty ¹⁰⁰[which shall not be less than ten lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher].

... ”

(Note: for detailed/ complete text of the provisions, relevant Acts etc., may please be referred.)

Issue No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticees?

22. While determining the quantum of penalty, it is important to consider the factors as stipulated in Section 15J of the SEBI Act, which reads as under: -

SEBI Act

“ ...

Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or 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 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.

...”

23. In the instant case, I note that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of such non-compliance by the Noticees. Further from the material available on record, it is not possible to ascertain the exact monetary loss to the investors on account of non-compliance by the Noticees, nor has it been alleged by the SEBI. Further, there is nothing on record to show that the violation committed by the Noticees are repetitive in nature. I note that Noticees as part of their submissions have inter alia contended that there was subsequent open offer, therefore no adverse inference be drawn against us. However, I cannot ignore that compliance with extant applicable provisions of SEBI SAST Regulations, 2011, as cited in the instant matter in this regard, was obligatory upon Noticees, which they failed to comply with then.

In my opinion in a disclosure based regime, the essence inter alia is about full, accurate and timely disclosures, which, if compromised with, may pose threat to orderly functioning of the securities markets and loss of investor confidence in the integrity of the securities market etc. In the instant case,

the non compliances inter alia related to four instances of failure to make disclosures within the time stipulated under Regulation 29 of the SEBI (SAST) Regulations, 2011 and having failed to comply with obligation to make an open offer under Regulation 3(1) of the SEBI (SAST) Regulations, 2011, as brought out and dealt with in the foregoing, and such non-compliances accordingly need to be dealt with suitable penalty.

E. ORDER

24. After taking into consideration the facts and circumstances of the case, material available on record, submissions made by the Noticees and also the factors mentioned in the preceding paragraphs, in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI Adjudication Rules, I hereby impose penalty as per details in table below for the aforementioned violation, as discussed in this order. In my view, the said penalty will be commensurate with the violation committed by the Noticees in this case.

Name of Noticees	Penalty Under Provisions	Penalty Amount (Rs.)
1. Mr. Madan Lal	Section 15A(b) of SEBI Act, 1992.	5,00,000*
2. Mr. Joginder Singh		
3. Mr. Sahil Puri		
4. Ms. Sakshi Puri	Section 15H of SEBI Act, 1992.	10,00,000*
5. Mr. Satnam Singh		
6. Mr. Sanjeev Kumar Puri		
7. Mr. Shiv Kumar Puri		
		TOTAL: 15,00,000* (Fifteen Lakhs Only) *Joint and Several

25. The Noticees shall remit /pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW

26. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.
27. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

PLACE: MUMBAI
DATE: June 26, 2025

AMAR NAVLANI
ADJUDICATING OFFICER