

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/AK/JR/2025-26/31357)**

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995.

**Gyscoal Alloys Limited
PAN: AAEC6731M
(Currently known as Shah Metacorp Limited)**

In the matter of Gyscoal Alloys Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') received a complaint against Mr. Viral Shah, one of the promoters of Gyscoal Alloys Limited (hereinafter referred to as '**the Company**'/'**GAL**'/ '**Noticee**'), alleging that certain disclosures were not made in the Letter of Offer for rights issue of the Company. SEBI examined the complaint and observed that the Noticee has, prima facie, violated provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations**") and SEBI circulars.

APPOINTMENT OF ADJUDICATING OFFICER

2. Upon being satisfied that there were sufficient grounds to inquire into and adjudicate upon the violations of provisions of LODR Regulations by the Noticee, SEBI, in exercise of powers u/s 19 r/w sub-section (1) of section 15-I of the Securities and Exchange Board of India Act, 1992, (hereinafter referred to as "**SEBI Act**") and rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing

Penalties) Rules, 1995 (hereinafter referred to as the “**Adjudication Rules**”) appointed Smt. Barnali Mukherjee as Adjudicating Officer (**AO**), vide order dated November 28, 2023, to inquire into and adjudge the alleged violations by the Noticee. On transfer of the matter, the undersigned was appointed as the AO in the matter, vide order dated November 22, 2024.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice Ref. No. SEBI/EAD-3/BM/JR/50584/1/2023 dated December 15, 2023 (hereafter referred to as “**SCN**”) was issued to the Noticee in terms of the provisions of rule 4(1) of the Adjudication Rules r/w section 15-I of SEBI Act requiring the Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed on it under section 15A(b) of SEBI Act for the alleged violation stated in the SCN.
4. The brief of alleged violations by the Noticee as per the SCN is given hereunder;
 - 4.1 Noticee failed to disclose to the stock exchanges that one of the promoters, Mr. Viral Shah was arrested pursuant to the filing of FIR dated December 8, 2021. The same is allegedly in non-compliance of clause 6 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations and SEBI circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015 and SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2019/140 dated November 21, 2019.
 - 4.2 Insolvency proceedings with respect to State Bank of Patiala and State Bank of Bikaner and Jaipur (hereinafter referred to as “**SBI**”)
 - On July 28, 2015 and December 28, 2015, the Company had defaulted the repayment of loan availed from SBI. SBI had filed an application dated June 10, 2020 with NCLT in this regard. Thereafter, the Company entered into a one-time settlement (“**OTS**”) on November 25, 2020 and repaid the amount in full, consequent to which State Bank of India issued a no due certificate dated July 23, 2021 to the Company on July 24, 2021. Accordingly, NCLT had passed an Order dated August 2, 2021, allowing the parties to withdraw the application. However, no disclosure regarding

default in repayment of debt towards SBI (on December 28, 2015) was made to BSE and NSE. Therefore, GAL is alleged to be non-compliant with clause 6 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations and SEBI circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015 and SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2019/140 dated November 21, 2019.

- Further, no disclosure regarding NCLT application dated June 10, 2020 filed by SBI against GAL was made to BSE and NSE. Therefore, GAL is alleged to be non-compliant with clause 16 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations.
- Disclosure with respect to OTS arrangement entered with SBI on July 23, 2021, received by Company on July 24, 2021, was made to BSE and NSE on July 26, 2021 i.e. with a delay of 1 day (24 hours), with no explanation on said delay. Therefore, GAL is alleged to be non-compliant with clause 10 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations.
- No disclosure regarding NCLT Order dated August 2, 2021 with respect to application filed by SBI against GAL was made to BSE and NSE. Therefore, GAL is alleged to be non-compliant with clause 16 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations.

4.3 Insolvency proceedings with respect to Bajrang Refractories Private Limited (hereinafter referred to as “**BRPL**”)

- On October 21, 2015, the Company had defaulted on the loan availed from BRPL. BRPL had filed an application with NCLT on March 22, 2018. Thereafter, the Company entered into a one-time settlement and repaid the amount in full to BRPL on September 12, 2019, consequent to which NCLT has passed an Order dated August 14, 2019, allowing the parties to withdraw the application. However, no disclosure regarding NCLT application dated March 22, 2018 filed by BRPL against GAL was made to BSE and NSE. Therefore, GAL is alleged to be non-compliant with clause

16 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations.

- Further, no disclosure regarding OTS arrangement entered with BRPL on September 12, 2019 was made to BSE and NSE. Therefore, GAL is alleged to be non-compliant with clause 10 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations and SEBI circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015.
- No disclosure regarding NCLT Order dated August 14, 2019 with respect to application filed by BRPL against GAL was made to BSE and NSE. Therefore, GAL is alleged to be non-compliant with clause 16 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations.

4.4 Insolvency proceedings with respect to Omkara Asset Reconstruction Limited (hereinafter referred to as “**Omkara**”)

- In May 2016, the Company had defaulted on the secured loan availed from UCO Bank, which was disclosed in its Annual Report for FY 2016-17 and all subsequent FYs. Consequently, the loan was assigned by UCO Bank in favour of Omkara Asset Reconstruction Limited (“Omkara”) pursuant to a deed of assignment. The Company entered into a one-time settlement with Omkara on May 20, 2022, which was disclosed to stock exchanges on September 24, 2022. In order to honour the one-time settlement, the Company had proposed to use the proceeds of the Rights Issue and make full and final payment to Omkara. However, no disclosure regarding default in repayment of debt towards UCO Bank (now assigned to Omkara) was made to BSE and NSE. Therefore, GAL is alleged to be **non-compliant** with clause 6 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations and SEBI circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015 and SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2019/140 dated November 21, 2019.
- Disclosure with respect to OTS arrangement entered with Omkara on May 20, 2022 (payment pending as on date of letter of offer) was made to BSE and NSE on September 24, 2022 i.e. with a delay of 126 days (3024

hours). Further, details as required under SEBI circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015, have not been provided in the said disclosure. Therefore, GAL is alleged to be non-compliant with clause 10 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations and SEBI circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015.

5. As no reply was received from the Noticee, in the interest of natural justice, an opportunity of personal hearing was given to the Noticee, vide notice dated January 25, 2024, to appear before the erstwhile AO on February 5, 2024. Vide email dated February 2, 2024, Noticee sought adjournment of the personal hearing. Acceding to its request another opportunity of personal hearing was given to the Noticee to appear before the erstwhile AO on February 13, 2024, vide email dated February 2, 2024. Once again, vide email dated February 2, 2024, Noticee sought time to file reply and appear for hearing. Accordingly, another opportunity of personal hearing was given to it to appear on February 20, 2024, vide email dated February 5, 2024. Vide letter dated February 12, 2024, the Noticee informed that it has filed settlement application in the matter. Vide email dated February 13, 2024, the Noticee was advised to appear for personal hearing on February 20, 2024. Vide letter dated February 19, 2024, the Noticee, inter alia, submitted that as “there is no pressing urgency in the matter” and it has already filed for settlement, the adjudication matter may be kept in abeyance. Further, vide letter dated March 8, 2024, it sought inspection of certain documents. Vide email dated November 8, 2024, it was informed that the Noticee has withdrawn its settlement application. Vide email dated November 8, 2024, the Noticee was given opportunity to inspect the documents on November 11, 2024. Vide email dated November 8, 2024, Noticee sought for another date for inspection of documents. Accordingly, another opportunity of inspection of documents was given on November 26, 2024. The Authorised Representative (hereinafter referred to as “AR”) appeared on the scheduled date and inspected the documents.

6. The Noticee, vide letter dated January 4, 2025, replied to the SCN stating, inter alia, the following:

- *Admittedly, the certain allegations pertain to the period 2015 and 2019. The present Notice has been issued on December 15, 2023 (i.e. after almost 5 to 8 years after the alleged violations). The aforesaid inordinate delay has severely prejudiced us. The said inordinate delay has not been explained by SEBI. On this ground alone the Notice proceedings need to be and ought to be discontinued and Notice needs to be dropped.*
- *The alleged belated disclosures, if any, were neither deliberate nor intentional. Same was an honest mistake, primarily due to significant changes within the compliance team. During the period from 2015 to 2019 there was a turnover of key personnel, including the departure and resignation of several employees within the compliance department. This transition period is reflected in the Annual Reports from 2015 to 2019, which document the changes in the compliance officers. These factors contributed to the delays, and it is important to highlight that they were not due to any misconduct or willful neglect.*
- *As a result of the alleged lapses, there has been no impact on the interests of any shareholders and investors. Their financial positions have remained unaffected, and no harm has been caused to their investments. It is important to emphasize that these lapses were not intentional or deliberate in nature, and there have been no allegations or evidence suggesting any malicious intent or purposeful wrongdoing on the part of the Company.*
- *In any event, once the alleged lapses were brought to the Company's attention, it took immediate action and rectified all the alleged non-compliances by filing all required disclosures with the stock exchanges, though admittedly, the filings were made later than the prescribed timeline.*

7. An opportunity of a personal hearing was granted to the Noticee on January 21, 2025, vide hearing notice dated January 7, 2025. Noticee appeared through its AR and reiterated the submissions made vide letter dated January 4, 2025. Vide

letter dated January 22, 2025, Noticee made further submissions stating, inter alia, the following:

- *It was pointed out by the Ld. Counsel appearing for the Company that in the complaint of Mr. Chirag Barot, only non-disclosure regarding the arrest of Mr. Viral Shah and the one-time settlement arrived at with Omkara Asset Reconstruction Limited ("Omkara"), were mentioned. The other alleged non-disclosures specifically relating to default in repayment of loans to State Bank of India (SBI) and Bajrang Refractories Private Limited, were unrelated to the Rights Issue.*
- *It is pertinent to note that the Company immediately upon receiving the complaint of Mr. Barot through its Merchant Banker, M/s Fedex Securities Private Limited, issued a corrigendum to the Rights Issue Offer Document, which was published in leading newspapers on February 01, 2023, wherein there was a disclosure regarding the arrest of Mr. Viral Shah and gave an option to the subscribing shareholders to withdraw their application for the issuance of shares, pursuant to the said disclosure.*
- *In addition to the above, it is also pertinent to note that even before the filing of the complaint by Mr. Barot with SEBI and the Merchant Banker, the Company had also issued a corrigendum to the rights issue dated January 10, 2023, which was published in a leading national newspaper regarding the OTS reached by the Company with its creditors for an amount of Rs. 17.50 crores.*
- *It is submitted that in view of the above, the shareholders of the company and subscribers to the Rights issue were completely aware of all the material facts and information regarding the Company and its promoters, including regarding the allegations made in the complaint of Mr. Barot.*
- *Additionally, the shareholders were also given the option to withdraw their application if the shareholders perceived any material effect on the financials of the Company pursuant to the aforesaid disclosures much before the allotment date of February 06, 2023.*
- *In view of the above, it is submitted that no material facts were at any point in time before the closing of the Rights Issue, concealed from the shareholders/subscribers of the Rights Issue.*

- *Further as submitted during the hearing, it is a settled position of law that violation of procedural and venial nature should be subjected to leniency and minimum or no penalty should be levied.*

CONSIDERATION OF ISSUES AND FINDINGS

8. I have taken into consideration the submissions of the Noticee, facts, and material available on record. The issues that arise for consideration in the present case are as follows:

ISSUE No. I: Whether the Noticee violated various provisions of LODR Regulations and various circulars, as alleged in the SCN?

ISSUE No. II: Do the violations, if any, attract monetary penalty u/s 15A(b) of SEBI Act?

ISSUE No. III: If so, what should be the monetary penalty that should be imposed upon the Noticee, after taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

9. Before moving forward, it is pertinent to refer to the relevant provisions which are alleged to have been violated by the Noticee. The said provisions of LODR Regulations are reproduced hereunder:

30. Disclosure of events or information

(6) The listed entity shall first disclose to the stock exchange(s) all events or information which are material in terms of the provisions of this regulation as soon as reasonably possible and in any case not later than the following:

(i) thirty minutes from the closure of the meeting of the board of directors in which the decision pertaining to the event or information has been taken;

(ii) twelve hours from the occurrence of the event or information, in case the event or information is emanating from within the listed entity;

(iii) twenty-four hours from the occurrence of the event or information, in case the event or information is not emanating from within the listed entity;

Provided that disclosure with respect to events for which timelines have been specified in Part A of Schedule III shall be made within such timelines:

Provided further that in case the disclosure is made after the timelines specified under this regulation, the listed entity shall, along with such disclosure provide the explanation for the delay.

SCHEDULE III

PART A: DISCLOSURES OF EVENTS OR INFORMATION: SPECIFIED SECURITIES

A. Events which shall be disclosed without any application of the guidelines for materiality as specified in sub-regulation (4) of regulation (30)

6. Fraud or defaults by a listed entity, its promoter, director, key managerial personnel, senior management or subsidiary or arrest of key managerial personnel, senior management, promoter or director of the listed entity, whether occurred within India or abroad:

For the purpose of this sub-paragraph:

(i) 'Fraud' shall include fraud as defined under Regulation 2(1)(c) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

(ii) 'Default' shall mean non-payment of the interest or principal amount in full on the date when the debt has become due and payable.

Explanation 1- In case of revolving facilities like cash credit, an entity would be considered to be in 'default' if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than thirty days.

Explanation 2- Default by a promoter, director, key managerial personnel, senior management, subsidiary shall mean default which has or may have an impact on the listed entity.

10. One-time settlement with a bank.

16. The following events in relation to the corporate insolvency resolution process (CIRP) of a listed corporate debtor under the Insolvency Code:

a) Filing of application by the corporate applicant for initiation of CIRP, also specifying the amount of default;

- b) Filing of application by financial creditors for initiation of CIRP against the corporate debtor, also specifying the amount of default;*
- c) Admission of application by the Tribunal, along with amount of default or rejection or withdrawal, as applicable;*
- d) Public announcement made pursuant to order passed by the Tribunal under section 13 of Insolvency Code;*
- e) List of creditors as required to be displayed by the corporate debtor under regulation 13(2)(c) of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016;*
- f) Appointment/ Replacement of the Resolution Professional;*
- g) Prior or post-facto intimation of the meetings of Committee of Creditors;*
- h) Brief particulars of invitation of resolution plans under section 25(2)(h) of Insolvency Code in the Form specified under regulation 36A (5) of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016;*
- i) Number of resolution plans received by Resolution Professional;*
- j) Filing of resolution plan with the Tribunal;*
- k) Approval of resolution plan by the Tribunal or rejection, if applicable;*
- l) Specific features and details of the resolution plan as approved by the Adjudicating Authority under the Insolvency Code, not involving commercial secrets, including details such as:*
 - (i) Pre and Post net-worth of the company;*
 - (ii) Details of assets of the company post CIRP;*
 - (iii) Details of securities continuing to be imposed on the companies' assets;*
 - (iv) Other material liabilities imposed on the company;*
 - (v) Detailed pre and post shareholding pattern assuming 100% conversion of convertible securities;*
 - (vi) Details of funds infused in the company, creditors paid-off;*
 - (vii) Additional liability on the incoming investors due to the transaction, source of such funding etc.;*
 - (viii) Impact on the investor –revised P/E, RONW ratios etc.;*

- (ix) Names of the new promoters, key managerial personnel], if any and their past experience in the business or employment. In case where promoters are companies, history of such company and names of natural persons in control;
- (x) Brief description of business strategy.
- m) Any other material information not involving commercial secrets.
- n) Proposed steps to be taken by the incoming investor/acquirer for achieving the MPS;
- o) Quarterly disclosure of the status of achieving the MPS;
- p) The details as to the delisting plans, if any approved in the resolution plan.

Circular no. CIR/CFD/CMD/ 4/2015 dated September 9, 2015

https://www.sebi.gov.in/legal/circulars/sep-2015/continuous-disclosure-requirements-for-listed-entities-regulation-30-of-securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015_30634.html

SEBI/HO/CFD/CMD1/CIR/P/2019/140 dated November 21, 2019

https://www.sebi.gov.in/legal/circulars/nov-2019/disclosures-by-listed-entities-of-defaults-on-payment-of-interest-repayment-of-principal-amount-on-loans-from-banks-financial-institutions-and-unlisted-debt-securities_45036.html

FINDINGS

10. I have gone through the submissions made by the Noticee and the other material on record. Before going into the merits, I would like to first deal with the preliminary objection raised by the Noticee with regard to delay in initiation of proceedings. It is observed that the Noticee has submitted that there was inordinate delay in initiation of proceedings wherein the allegations pertain to the period 2015 to 2019. From the documents available on record, I find the following:

10.1 Non-disclosure of arrest of Mr. Viral Shah to stock Exchanges: I note that Mr. Viral Shah was arrested pursuant to filing of FIR dated December 8, 2021. The Noticee failed to inform the stock exchanges about the said arrest of its promoter within the stipulated time period. Therefore, the period of alleged violation is 2021 and not 2015 to 2019 as mentioned by the Noticee.

10.2 Insolvency proceedings against Noticee with regard to SBI: Non-disclosure regarding default in repayment towards SBI occurred in July and December 2015. Non-disclosure regarding application dated June 10, 2020 filed by the creditors arose during that period. There was a delay in disclosure of OTS arrangement entered with SBI on July 23, 2021. Further, allegedly the Noticee failed to disclose the order of NCLT with respect to the application filed by SBI which was passed on August 2, 2021.

10.3 Insolvency proceedings against Noticee with regard to BRPL: Non-disclosure regarding application dated March 22, 2018 filed by the creditors arose during that period. Allegedly, no disclosure of OTS arrangement entered with BRPL on September 12, 2019 was made to BSE and NSE. Further, allegedly the Noticee failed to disclose the order of NCLT with respect to the application filed by BRPL passed on August 14, 2019.

10.4 Insolvency proceedings against Noticee with regard to Omkara: No disclosure was made of the default of repayment of loan in the quarterly statements during May 2016. Further, delayed disclosure was made regarding OTS arrangement entered with Omkara on May 20, 2022.

11. In view of the above, it is clear that the alleged violations of the Noticee pertain not only to the period 2015 to 2019 but also till 2022. Therefore, the submission of the Noticee that the SCN was issued in December 2023 after almost 5 to 8 years is not tenable and cannot be accepted.

12. I now proceed to deal with Issues on merits:

ISSUE No. I: Whether the Noticee violated various provisions of LODR Regulations and various circulars, as alleged in the SCN?

13. From the documents available on record, one of the promoters of the Noticee, viz. Viral Shah was allegedly engaged in criminal conspiracy of siphoning off funds from Torque Authomatove Private Limited and an FIR dated December 8, 2021 was filed against him. Pursuant to the filing of the FIR, Mr. Viral Shah was arrested.

This was a material information about the Noticee. As per regulation 30(6) of LODR Regulations, all such material information has to be disclosed to the stock exchanges as soon as possible. I note that no such disclosure was made by the Noticee.

14. The Noticee, in its replies submitted that it was an honest mistake due to significant changes within the compliance team. It had further submitted that pursuant to the rights issue of the Noticee which was open from January 2, 2023 to January 12, 2023, the Noticee had issued a corrigendum to the rights issue offer documents which was published in leading newspapers on February 1, 2023 disclosing the information regarding the arrest of Mr. Viral Shah and giving the option to subscribing shareholders to withdraw their application for issuance of shares.
15. I note that Mr. Viral Shah was arrested pursuant to the filing of FIR on December 8, 2021, which is a material information and had to be disclosed to NSE and BSE as required under the provisions of LODR Regulations and applicable circulars. The main intent behind this provision is that the shareholders and market in general has to be made aware of the such information so that informed decision can be taken. In this case, the Noticee failed to make the disclosure at the correct time and made the same information public only on February 1, 2023 which was almost after 14 months. This defeated the main purpose of dissemination of the said information.

In view of the above, I find that the allegation of violation of clause 6 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations and SEBI circular no. CIR/CFD/CMD/ 4/2015 dated September 9, 2015 and SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2019/140 dated November 21, 2019 by the Noticee stands established.

16. W.r.t. Insolvency Proceedings against Noticee by SBI, from the documents available on record, I note the following;

16.1 On July 28, 2015 and December 28, 2015, the Noticee had defaulted the repayment of loan availed from SBI. SBI had filed an application dated June 10, 2020 with NCLT in this regard. Thereafter, the Company entered into a one-time settlement (“OTS”) on November 25, 2020 and repaid the amount in full, consequent to which SBI issued a no due certificate dated July 23, 2021 to the Company on July 24, 2021. Accordingly, NCLT had passed an Order dated August 2, 2021, allowing the parties to withdraw the application. However, no disclosure regarding default in repayment of debt towards SBI (on December 28, 2015) was made to BSE and NSE.

Therefore, the allegation of violation of clause 6 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations and SEBI circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015 and SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2019/140 dated November 21, 2019 stands established.

Further, as no disclosure regarding NCLT application dated June 10, 2020 filed by SBI against GAL was made to BSE and NSE, GAL violated clause 16 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations.

16.2 The Noticee had disclosed about the OTS arrangement entered with SBI on July 23, 2021 and had informed about the same to NSE and BSE only on July 26, 2021. There was no explanation provided by the Noticee on the said delay.

Therefore, Noticee is in violation of clause 10 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations.

Further I note that the Noticee failed to disclose to NSE and BSE regarding the NCLT order dated August 2, 2021 with respect to the application filed by SBI

against Noticee which is in violation of clause 16 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations.

17. W.r.t. Insolvency Proceedings against Noticee by BRPL, from the documents available on record, I note the following;

17.1 On October 21, 2015, the Noticee had defaulted on repayment of the loan availed from BRPL. BRPL had filed an application with NCLT on March 22, 2018. However, the Noticee did not make any disclosure regarding the same to NSE and BSE.

Therefore, the allegation of violation of clause 16 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations by the Noticee stands established.

17.2 The Noticee entered into an OTS and repaid the money in full to BRPL on September 12, 2019. I note that the Noticee did not make any disclosure in this regard to BSE and NSE.

Therefore, the allegation of violation of clause 10 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations and SEBI circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015 by the Noticee stands established.

17.3 After the OTS arrangement entered between BRPL and the Noticee, NCLT passed an order dated August 14, 2019 allowing the parties to withdraw the application. I note that the Noticee failed to disclose the said information to BSE and NSE.

Therefore, I find that the Noticee has violated clause 16 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations.

18. W.r.t. Insolvency Proceedings against Noticee by Omkara, from the documents available on record, I note the following;

18.1 In May 2016, the Noticee had defaulted on the repayment of secured loan availed from UCO Bank, which was disclosed in its Annual Report for FY 2016-17 and all subsequent financial years. Consequently, the loan was assigned by UCO Bank in favour of Omkara. I note that no disclosure regarding the default in repayment of debt towards UCO bank was made to BSE and NSE. I find that the main purpose of such disclosures of material information is to make the market aware of the happenings on the Noticee so that shareholders can take informed decisions. In this case, the Noticee already disclosed in its annual report that it had defaulted in repayment of secured loan, therefore, the stakeholders were aware of the of the said material information.

Therefore, I am inclined to accept that there is no violation of clause 6 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations and SEBI circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015 and SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2019/140 dated November 21, 2019 by the Noticee in this regard.

18.2 The Noticee entered into a one-time settlement with Omkara on May 20, 2022, which was disclosed to stock exchanges on September 24, 2022. Therefore, I note that an information which had to be disclosed as soon as possible was disclosed to BSE and NSE only after a delay of 126 days (3024 hours). Further, the Noticee also failed to provide all the relevant details as required under SEBI circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015.

In view of the above, the allegation of violation of clause 10 of Para A of Part A of Schedule III read with Regulation 30(6) of LODR Regulations and SEBI circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015 by the Noticee stands established.

19. I note that the Noticee submitted that these lapses were accidental and not intentional and was caused due to significant changes in the compliance team. The Noticee further submitted that it had made the relevant disclosures as soon as it was brought to its notice. However, as a listed company it was the duty of the Noticee to ensure that all relevant disclosures are done in a timely manner. The Noticee further submitted that such lapses which are technical in nature do not warrant punitive action but issuance of warning.
20. Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") in the case of M/s. Coimbatore Flavors & Fragrances Ltd. & Ors vs SEBI (Appeal No. 209 of 2014 order dated August 11, 2014), has held that *"Undoubtedly, the purpose of these disclosures is to bring about more transparency in the affairs of the companies. True and timely disclosures by a company or its promoters are very essential from two angles. Firstly; investors can take a more informed decision to invest or not to invest in a particular scrip secondly; the Regulator can properly monitor the transactions in the capital market to effectively regulate the same."*

ISSUE No. II: Do the violations, if any, attract monetary penalty u/s section 15A(b) of SEBI Act, as applicable?

21. The provisions of Section 15A(b) of the SEBI Act read 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,-

(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 of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.

22. In the context of disclosure related violations, I observe that Hon'ble SAT has consistently held that the obligation to make disclosure within the stipulated time

is a mandatory obligation and penalty is imposed for non-compliance of the mandatory obligation.

23. Hence, in view of the findings as given above, I am convinced that the Noticee is liable for monetary penalty under section 15A(b) of the SEBI Act for violation of provisions of LODR Regulations and SEBI circulars, as mentioned above.

ISSUE No. III: If so, what should be the monetary penalty that should be imposed upon the Noticee, after taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

24. While determining the quantum of penalty under section 15A(b) of SEBI Act, the following factors stipulated in section 15J of the SEBI Act have to be given due regard:-

SEBI Act

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

While adjudging quantum of penalty under Section 23-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.”*

25. The main objective of disclosure related provisions is to afford fair treatment for shareholders so that there is no information asymmetry in the market. The Regulation seeks to achieve fair treatment by, *inter alia*, mandating disclosure of timely and adequate information to enable shareholders to make an informed decision. Correct and timely disclosures are also an essential part of the proper functioning of the securities market and failure to do so results in preventing investors from taking well-informed decisions. Thus, the cornerstone of such

provisions is investor protection. Further these timely disclosures are of significant importance from the point of view of the Regulators also.

26. 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 Noticee. 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 Noticee, nor has it been alleged by the SEBI. There is also no record of past action taken by SEBI against the Noticee.

ORDER

27. After taking into consideration the facts and circumstances of the case, including the fact that a few of the disclosures, which were required to be made and were not made, pertained to period 2015-2019 and the show cause notice was issued on December 15, 2023, in exercise of powers conferred upon me under section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose the penalty of **Rs. 2,00,000 (Rupees Two Lakh Only)** under section 15A(b) of the SEBI Act on the Noticee for the violations as mentioned above. I find that the said penalty is commensurate with the violations committed by the Noticee in this case.
28. The Noticee 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

29. In case of any difficulties in payment of penalties, Noticee may contact the support at portalhelp@sebi.gov.in. 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 of Noticee.

30. In terms of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee and also to the Securities and Exchange Board of India.

Place: Mumbai

Date: April 2, 2025

**AMIT KAPOOR
ADJUDICATING OFFICER**