

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[SETTLEMENT ORDER NO. SO/SM/DD/2022-23/6609]

In respect of Settlement application submitted by:

Name of the Applicant	PAN
Hubtown Limited	AAACA6101D

In the matter of Hubtown Limited

1. Securities and Exchange Board of India (herein after referred to as '**SEBI**') received certain references containing news articles with respect to Hubtown Limited (herein after referred to as "**Hubtown/ Applicant / Company/Noticee**"). SEBI also received a letter from Ministry of Finance (MoF) requesting SEBI to examine the dubious transaction conducted by Noticee. Thereafter, SEBI carried out an examination to ascertain possible violation of provisions of SEBI Listing Obligations and Disclosures Requirements) Regulations, 2015 (herein after referred to as "**LODR Regulations**") and found certain violations of the aforesaid Regulations by Noticee.
2. Therefore, SEBI, vide its order dated June 02, 2021, appointed the undersigned, as the Adjudicating Officer under Section 19 read with Section 15-I of the SEBI Act, and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**SEBI Adjudication Rules**'), to inquire into and adjudge under Section 15HB of the SEBI Act, the aforesaid alleged violations committed by Applicant.
3. In this regard, a Show Cause Notice dated August 12, 2021 (hereinafter referred to as '**SCN**') was issued to Applicant. The major observations and allegations levelled against Applicant in the aforesaid SCN are given hereunder in brief:

A. Delay Disclosures of acquisition and sale of E-Commerce

- 3.1. In terms of Regulation 30(2) of LODR Regulations, "Events specified in Para A of part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events." Para A of Part A of Schedule-III inter-alia includes Acquisition(s) and sale or disposal of any unit(s, division (s) or subsidiary.... Further, in terms of Regulation 30(6) of LODR Regulations, "the

listed entity shall first disclose to stock exchange(s) of all events, as specified in Part A of Schedule-III, or information as soon as reasonably possible and not later than twenty-four hours from the occurrence of event or information.

- 3.2. It was observed that Hubtown acquired 51% stake in E-commerce on September 17, 2018, and as per para A of Part-A of Schedule-III of LODR Regulations, “any acquisition and sale of any unit(s), division(s) or subsidiary are deemed to be material events”. Accordingly, Noticee should have disclosed the same to Stock Exchange(s) i.e. BSE Ltd. (“**BSE**”) and National Stock Exchange of India Limited (“**NSE**”) as soon as reasonably possible as and not later than twenty-four hours from the occurrence of event i.e. on or before September 18, 2018. However, it was seen that Noticee disclosed the same to BSE and NSE on November 14, 2018 i.e. with a delay of 58 days
- 3.3. Noticee sold the acquired stake in E-Commerce on September 27, 2018 and provided the disclosure to BSE and NSE in this regard on November 14, 2018. However, Noticee should have disclosed the same to BSE and NSE as soon as reasonably possible and not later than twenty-four hours from the occurrence of event i.e. on or before September 28, 2018 as per the aforesaid provision of LODR Regulations 2015. However, it was observed that Noticee made the disclosure to BSE and NSE with a delay of 48 days.
- 3.4. Therefore, in view of the above, it was alleged that there was substantial delay of 58 days and of 48 days respectively in disclosing the aforesaid material events as stipulated under Regulation 30(2) and Regulation 30(6) of LODR Regulations. Accordingly, Noticee is alleged to have violated Regulation 30(2) and Regulation 30(6) of LODR Regulations.

B. Inadequate, Inaccurate and inexplicit disclosures of acquisition and sale of E- Commerce

- 3.5. In terms of Regulations 4(1) (d) of LODR Regulations the listed entity has to provide adequate and timely information to recognised stock exchange(s) and investors. Further, in terms of Regulation 4(1) (e) of LODR Regulations, listed entity has to ensure that dissemination is made under the provisions of LODR Regulations and circular made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.

- 3.6. It was observed that the Company had disclosed the cost of Acquisition amounting i.e. purchase consideration of Rs. 48,19,46,220/- (Rs. 3,780/-per share). However, this consideration was subject to certain condition i.e. if E-Commerce obtains sanction of 5 commercial FSI within a period of 4 months otherwise Rs. 1,890/- per share i.e. approx. amounting of Rs. 24.10 Crores as submitted by Stock Exchanges. However, E-commerce failed to obtain sanction of 5 commercial FSI, accordingly, the said actual purchase consideration was Rs. 24.10 Crores.
- 3.7. The Company had disclosed the sale consideration Rs. 25,00,27,500/- (Rs. 1,960/-per share). However, this sale consideration was subject to certain condition i.e. if E-Commerce not obtains sanction of 5 commercial FSI and if E-commerce obtained the same then the sale consideration would be Rs. 50 crore. However, it was noted that these contingent price/conditions for the sale consideration was not disclosed by the Company. Therefore, it was observed that since the Company had not provided explicit and adequate disclosures w.r.t to the implied contingent conditions, this tends to possible misperception among the stakeholders/public
- 3.8. It was observed that E-Commerce was unable to obtain the sanctions of FSI, hence, the purchase consideration paid by the Company for the acquisition of 51% shareholdings was Rs. 24.10 Crores and the same had been disclosed by the Company to the stock exchanges vide its letter dated April 24, 2019. Thereafter, the Company had sold the said shareholding at Rs. 25 Crores and so, the Company had made profit of Rs 0.90 Crores. However, it was observed that because of non-disclosure of the implied contingent price/condition in the said disclosure, it appeared that the Company had acquired the 51% shareholdings at Rs 48.19 Crores and sold the same at Rs 24.10 Crores and made a loss of 24 Crores approx. within few days.
- 3.9. It was noted that the Company should have made adequate, accurate and explicit disclosures w.r.t. the cost of acquisition to avoid the perception built among the stakeholders/public that the Company had incurred a loss of Rs 24 Crores approx. in this deal as appeared from the sale/purchase disclosure made by the Company on November 14, 2018. However, the Company failed to provide the adequate and explicit disclosures to BSE and NSE in this regard as stipulated under Regulations4 (1) (d) and 4(1) (e) of LODR Regulations.

3.10. In view of the foregoing, it is alleged that Noticee has violated the Regulations 4(1)(d) & 4(1) (e) of LODR Regulations 2015.

4. I note from the records that pending adjudication proceedings, Applicant proposed to settle the instant proceedings initiated against them without admitting or denying the findings of fact and conclusions of law, through a settlement order and filed settlement application as per details given below with SEBI in terms of Regulations 3(1) and 3(2) of the SEBI (Settlement of Administrative and Civil Proceedings) Regulations 2018 (hereinafter referred to as “**Settlement Regulations**”):-

Name of the Applicant	PAN	Date of settlement application no.	Settlement reference No.
Hubtown Limited	AAACA6101D	October 08, 2021	6609/2021

5. After attending meetings with the Internal Committee of SEBI on February 22, 2022, in terms of the Settlement Regulations, Applicant through their Authorized Representative, proposed revised settlement terms vide email dated February 24, 2022. The High Powered Advisory Committee ('HPAC'), in its meeting held on April 05, 2022, considered the settlement terms proposed and recommended that the case may be settled upon payment of Rs. 16,91,415/- (Rupees Sixteen Lakhs Ninety One Thousand Four Hundred and Fifteen only) by Applicant.
6. The Panel of Whole Time Members of SEBI approved the said recommendation of the HPAC on April 26, 2022 and the same was communicated by SEBI to Applicant vide email dated April 29, 2022. Accordingly, as communicated by Applicant to SEBI, the settlement amount of Rs. 16,91,415/- (Rupees Sixteen Lakhs Ninety One Thousand Four Hundred and Fifteen only) was remitted to SEBI on May 23, 2022 and was duly received by SEBI.
7. Therefore, in view of the acceptance of the settlement terms and the receipt of settlement amount as above by SEBI, the instant adjudication proceedings initiated against Applicant vide SCN dated August 12, 2021, are disposed of in terms of Section 15JB of the SEBI Act read with Regulation 23(1) of the Settlement Regulations on the basis of the settlement terms.
8. This order shall come into force with immediate effect. Further, in terms of Regulation 28 of the Settlement Regulations, this order is without prejudice to the right of SEBI to take any enforcement action including restoring or initiating the proceedings in respect to which this settlement order is passed, if:

- i. Any representation made by Applicant in the settlement proceedings are subsequently discovered to be untrue; or
 - ii. Applicant breach any of the clauses/conditions of undertakings/waivers filed during the current settlement proceedings.
9. In terms of Regulation 25 of the Settlement Regulations, a copy of this order is sent to Applicant and the order is also published on the website of SEBI.

Date: May 25, 2022

Place: Mumbai

SOMA MAJUMDER

Adjudicating Officer