

BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

CO/IVD/2742/2013/JJ/AM/AO-1/2014

**UNDER SECTION 23-I OF SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH
RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY
AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 2005**

In respect of:

Hubtown Limited

(Earlier known as Ackruti City Limited)

(PAN: AAACA6101D)

In the matter of:

Dealings of Sanjay Dangi and other entities in various scrips

1. Securities and Exchange Board of India (**SEBI**) vide ad-interim ex-parte order dated December 2, 2010, (**interim Order**) (available on SEBI website www.sebi.gov.in) issued directions against Mr. Sanjay Dangi, his associates & promoter entities of 4 companies i.e. Murli Industries Limited, Hubtown Ltd. (earlier known as Ackruti City Ltd.) (**Hubtown**); Welspun Corp Ltd. (earlier known as Welspun – Gujarat Stahl Rohren Ltd.) and Brushman (India) Ltd. The interim Order mentioned about the trading activity of primarily Dangi group in the aforesaid four scrips and RPG Transmission Ltd.
2. Subsequently, SEBI conducted detailed investigations in respect of dealings in the five scrips including Hubtown. From the shareholding pattern of Hubtown as on March 31, 2009 from the exchange website, it was observed that the total promoter shareholding was 89.96%. However, from the details received from Registrar and Share Transfer Agent (**RTA**) of Hubtown, it was observed that the promoter shareholding as on the said date was 82.83%. During investigation, Hubtown submitted that it had availed loans for its business operations, which were secured by way of pledge of shares of Hubtown held by persons belonging to the promoter group. Initially, the shares were pledged in favour of IDBI Trusteeship Services Ltd., and due to wide fluctuations in the market price of the shares at

that point of time and under instruction from the lenders in terms of the pledge agreement, these shares were subsequently transferred in the name of the said Trustees.

3. During investigation, Hubtown submitted that it filed the shareholding pattern under Clause 35 of the Listing Agreement vide letter dated April 13, 2009 based on the data received from the RTA. However, at that point, Hubtown, through oversight ignored letters received from the lenders confirming the instruction given to them by the Trustee to transfer the pledged shares to the Trustee account without transferring the corresponding voting rights and other corporate benefits attached thereto. During investigation, Hubtown further submitted that it discussed the matter with the Stock Exchanges and filed revised shareholding pattern under Clause 35 of the Listing Agreement by including the shareholdings of the Pledgors under the Promoter Group. It was observed that subsequently between April 28, 2009 and May 13, 2009, the above shares were transferred back to the demat accounts of the promoters of Hubtown by IDBI Trusteeship Services Ltd.
4. It was observed that as the shares of Hubtown moved to the demat account of IDBI Trusteeship Services Ltd. due to invocation of the pledge, the entity became the beneficial owner and obtained the corresponding voting rights, irrespective of its (or the lenders') intention to exercise such rights or not. Therefore, it was alleged that Hubtown's act of revising the shareholding pattern by showing such shares under promoter shareholding presented an incorrect picture to the public. Hubtown was alleged to have violated Clause 35 of the Listing Agreement read with SEBI Circular no. SEBI/CFD/DIL/LA/2006/13/4 dated April 13, 2006 and SMD/Policy/Listing/Cir-5/2003 dated February 12, 2003; thereby violating conditions of listing leading to violation of provisions of the Securities Contracts (Regulation) Act, 1956 [**SC(R) Act, 1956**].
5. Shri Piyoosh Gupta was appointed as the Adjudicating Officer vide order dated March 30, 2012 to inquire and adjudge under Section 23E of the SC(R) Act, 1956 alleged violations of provisions of Clause 35 of the Listing Agreement read with SEBI Circular no. SEBI/CFD/DIL/LA/2006/13/4 dated April 13, 2006 committed by Hubtown (**Noticee**). Accordingly, a Show Cause Notice (**SCN**) in terms of the provisions of Rule 4(1) of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties

by Adjudicating Officer) Rules, 2005 was issued to the Noticee on April 12, 2013, seeking reply of the Noticee as to why an inquiry should not be held in respect of the violations alleged to have been committed by the Noticee. Consequent upon the transfer of Shri Piyoosh Gupta, the undersigned has been appointed as the Adjudicating Officer in the matter vide Order dated November 08, 2013.

6. While the Adjudication Proceedings were in progress, an application for Consent Order dated June 17, 2013 (received on June 25, 2013) in respect of the aforesaid proceedings before SEBI was submitted by the Noticee along with the Undertaking / Waivers in terms of SEBI Circular No. EFD/ED/Cir-1/2007 dated April 20, 2007 further amended vide Circular No. CIR/EFD/1/2012 dated May 25, 2012. The Noticee, vide letter dated October 25, 2013, proposed ₹ 2,00,000 (Rupees Two Lakhs only) as revised consent terms.
7. The revised consent terms as proposed by the Noticee were placed before the High Powered Advisory Committee (**HPAC**) on November 21, 2013 and HPAC after deliberation recommended the case for settlement on payment of ₹ 2,00,000 (Rupees Two Lakhs only) towards settlement charges. Thereafter, SEBI vide letter dated December 17, 2013 conveyed to the Noticee that in view of the recommendations of HPAC, SEBI has in principle agreed to accept the terms of the consent proposed by the Noticee subject to the clauses of Undertakings/Waivers mentioned in the consent application and advised the Noticee to pay in accordance with the revised consent terms.
8. In terms of the proposal of the Noticee for the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the Noticee to the finding of fact or conclusion of law, the Noticee has remitted a sum of ₹ 2,00,000 (Rupees Two Lakhs only) favouring Securities and Exchange Board of India vide Manager's Cheque having No. 017583 dated December 18, 2013 drawn on HDFC Bank towards the terms of consent in the matter.
9. In view of the above, it is hereby ordered that:
A) this Consent Order disposes of the said Adjudication Proceedings pending in respect of the Noticee under SC(R) Act, 1956 and

B) passing of this Order is without prejudice to the right of SEBI to take enforcement actions including commencing / reopening of the pending proceedings against the Noticee, if SEBI finds that:

- a. any representations made by the Noticee in the consent proceedings are subsequently discovered to be untrue.
- b. the Noticee has breached any of the clauses / conditions of undertakings / waivers filed during the current consent proceedings.

10. This Consent Order is passed on the 3rd day of January, 2014 and shall come into force with immediate effect.

11. In terms of the provisions of Rule 6 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005, copies of this Order are being sent to the Noticee and also to Securities and Exchange Board of India.

Place: Mumbai

**Jayanta Jash
Adjudicating Officer**