

**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**SETTLEMENT ORDER**  
**SETTLEMENT APPLICATION NO. 7020 OF 2022**  
**FILED BY SHARAT INDUSTRIES LIMITED [PAN NO: AACCS8215J]**  
**IN THE MATTER OF SHARAT INDUSTRIES LIMITED**

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1. Sharat Industries Limited (hereinafter referred to as “**Applicant**”) filed a settlement application in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”) proposing to settle by neither admitting nor denying the findings of fact and conclusions of law, the enforcement proceedings that may be initiated against it for the violation of:

- i. Regulation 170(1) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (hereinafter referred to as “**ICDR Regulations**”),
- ii. Regulation 163(1) of the ICDR Regulations, 2018
- iii. Regulation 167(6) of the ICDR Regulations, 2018
- iv. Regulation 31(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “**LODR Regulations**”)
- v. Regulation 6 of the LODR Regulation, 2015

2. Brief facts of the case are as follows:

2.1 The Board of Directors of the Applicant approved a preferential allotment of 19,00,000 convertible warrants to non-promoter allottees on November 08, 2021. The allotment was approved by the Shareholders through an Extraordinary General Meeting held on December 08, 2021. A shareholders notice for Extraordinary General Meeting to be held on December 08, 2021 was sent on November 12, 2021. The Applicant allotted warrants to non-promoter allottees on January 11, 2022 after receiving 25% consideration

for the issue of warrants to respective allottees. The Applicant further allotted 19,00,000 equity shares vide Board Meeting held on January 31, 2022 pursuant to conversion of warrants into equity shares and balance payment by respective allottees. In this regard, the Applicant did not allot securities within 15 days of passing of special resolution as mandated under Regulation 170(1) of the ICDR Regulations.

2.2 Further, the disclosures specified under Regulation 163(1) of ICDR Regulations were not mentioned in the Explanatory Statement of Notice of Extraordinary General Meeting dated November 12, 2021. Thereafter, the Applicant, vide notice dated May 17, 2022, called for an Extraordinary General Meeting on June 10, 2022. The disclosures mandated under Regulation 163(1) of the ICDR Regulations were included in the notice dated May 17, 2022 for an Extraordinary General Meeting dated June 10, 2022.

2.3 Further, the pre-preferential shareholding of one of the allottees was not kept under lock-in which is in contravention of Regulation 167(6) of the ICDR Regulations, which specifies that the entire pre-preferential allotment shareholding of the allottees, if any, shall be locked-in from the relevant date up to a period of 90 trading days from the date of trading approval.

2.4 Further, the Applicant had submitted incorrect shareholding pattern under Regulation 31(1) of the LODR Regulations. Pursuant to the preferential allotment the names of allottees were not reflecting in "*Shareholders holding more than 1% of the total number of shares*" in the shareholding pattern for quarters ended January 2022 to March 2023. The Applicant filed the revised disclosures under Regulation 31(1) of the LODR Regulations for the quarters ended January 2022 to March 2023 on September 15, 2023.

2.5 Furthermore, the Applicant failed to appoint a compliance officer for the period dated January 12, 2022 to May 26, 2022 and December 06, 2022 to April 21, 2023 as mandated under Regulation 6 of the LODR Regulations.

3. In view of the aforesaid facts, the Applicant filed the present application for the purpose of settling the proceedings that may be initiated against it for the said non-compliances as mentioned in para 1 above.
4. Pursuant to the receipt of the application, the authorized representatives of the Applicant had a meeting with the Internal Committee of SEBI on March 09, 2023 and September 01, 2023, wherein the issues detailed above were deliberated along with the terms of the settlement. Thereafter, vide email dated March 27, 2023 and September 05, 2023, the Applicant proposed revised settlement terms to settle any enforcement proceedings that may be initiated against it for the violations as stated above at paragraph 1.
5. The High Powered Advisory Committee (hereinafter referred to as “**HPAC**”) in its meeting held on June 17, 2023 and November 02, 2023, considered the revised settlement terms proposed by the Applicant and recommended the case for settlement upon payment of ₹36,25,000/- (Rupees Thirty six lakhs twenty five thousand only). The recommendation of the HPAC was accepted by the Panel of Whole Time Members of SEBI on December 15, 2023. Subsequently, a Notice of Demand for the said amount was issued to the Applicant on December 27, 2023. The Applicant informed about the remittance of the aforesaid settlement amount on January 04, 2023 and SEBI has confirmed credit of the same.
6. On the basis of the facts stated above, in exercise of the powers conferred under Section 15JB read with Section 19 of the Securities and Exchange Board of India Act, 1992 and in terms of Regulation 23 of the Settlement Regulations, it is hereby ordered that any proceedings that may be initiated for the violations as mentioned at paragraph 1 above, are settled in respect of the Applicant on the following terms:
  - i. SEBI shall not initiate any enforcement action against the Applicant for the said violations, and
  - ii. passing of this Order is without prejudice to the right of SEBI under Regulation 28 of the Settlement Regulations to initiate appropriate action against the Applicant, if SEBI finds that:

- (a) any representation made by the Applicant in the present settlement proceedings is subsequently found to be untrue;
- (b) the Applicant has breached any of the clauses/ conditions of undertakings/ waivers filed during the present settlement proceedings; and
- (c) there is a discrepancy while arriving at the settlement terms.

7. This Settlement Order is passed on this 5<sup>th</sup> day of February, 2024 and shall come into force with immediate effect.

8. In terms of Regulation 25 of the Settlement Regulations, a copy of this Order shall be sent to the Applicant and shall also be published on the website of SEBI.

Sd/-

**KAMLESH C. VARSHNEY**  
**WHOLE TIME MEMBER**

Sd/-

**AMARJEET SINGH**  
**WHOLE TIME MEMBER**