BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/BD/2021-22/12448-12453]

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 AND RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 2005

In respect of

1. **Riddhi Siddhi Gluco Biols Limited (PAN: AABCR3417Q)**
2. **Ganpatraj Lalchand Chowdhary (PAN: ABWPL2726K)**
3. **Siddharth G Chowdhary (DIN: 01798350)**
4. **Sathyamurthi Rajagopal (DIN: 00013097)**
5. **Pradeep Mehta (DIN: 01186542)**
6. **Vaishali D Patel (DIN: 03272498)**

In the matter of Riddhi Siddhi Gluco Biols Limited

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted investigation in the scrip of RSGBL for the period of December 01, 2016 to March 12, 2018 (hereinafter referred to as "**Investigation Period / IP**"). From the Investigation findings, it was observed that Riddhi Siddhi Gluco Biols Limited (hereinafter referred to as "**Noticee 1 / the Company/ RSGBL**") has not disclosed Stuti Trademart Private Limited (hereinafter referred to as "**Stuti**"), Siwana Agri Marketing Limited (hereinafter referred to as "**Siwana**") and Vital Connections Private Limited (hereinafter referred to as "**Vital**") as promoter group entities and thereby has not disclosed entire shareholding of promoters to BSE. The company and its directors namely; Ganpatraj Lalchand Chowdhary

(hereinafter referred to as "**Noticee 2"**), Siddharth G Chowdhary (hereinafter referred to as "**Noticee 3"**), Sathyamurthi Rajagopal (hereinafter referred to as "**Noticee 4"**), Pradeep Mehta (hereinafter referred to as "**Noticee 5"**) and Vaishali D Patel (hereinafter referred to as "**Noticee 6"**)have violated Clause 35 of Listing Agreement r/w Regulation 103(2), 31(1) & (4) and of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations**"), Regulation 30(2) r/w 30(3) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 (hereinafter referred to as "**SAST Regulations**") and Section 21 of Securities Contract (Regulations) Act, 1956 (hereinafter referred to as "**SCR Act**"). In view of the same, SEBI initiated Adjudication Proceedings against the Noticees.

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned has been appointed as the Adjudicating Officer in the present matter to inquire and adjudge under Section 23A(a) and 23H of the SCR Act and Section 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**"), the alleged violations of Clause 35 of Listing Agreement r/w Regulation 103(2), 31(1) & (4) of LODR Regulations, Regulation 30(2) r/w 30(3) of SAST Regulations and Section 21 of SCR Act by the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. A Show Cause Notice (hereinafter referred to as '**SCN**') dated October 8, 2020 was issued to the Noticees under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**SEBI Adjudication Rules**') and Rule 4(1) of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as '**SCRA Adjudication Rules**') communicating the alleged violations. The Noticees were also called upon to show cause as to why an inquiry should not be initiated against it in terms of Rule 4 of the aforesaid Adjudication Rules and penalty be not imposed under the provisions of Section

23A(a) and 23H of the SCR Act and Section 15HB of SEBI Act for the aforesaid alleged violations.

4. The details in respect of alleged violations by the Noticee are as given below:

a) *It was observed that the RSGBL in the shareholding had classified 3 entities as public shareholders viz. Stuti Trademart Private Limited ("Stuti"), Siwana Agri Marketing Limited ("Siwana") and Vital Connections Private Limited ("Vital"), while it was alleged that these entities were owned/controlled by the promoters of RSGBL.*

b) *It is observed that Hon'ble National Company Law Tribunal (hereinafter referred to as "NCLT") had approved a scheme of arrangement between Stuti, Siwana, Kauvery Trexim Pvt Ltd and Vital. Pursuant to the order of Hon'ble NCLT dated December 15, 2017 related to aforementioned amalgamation Vital acquired shares of RSGBL held by Siwana, Kauvery and Stuti, i.e., 257210, 50000 and 548799 shares (total 856009) of RSGBL respectively. This acquisition was intimated by Vital on March 7, 2018.*

Connections of Stuti, Siwana and Vital with promoters of RSGBL

A. Relationship of Vital

c) *The total shareholding of Vital was 210000 shares as on March 31, 2017 which were held by Mr. Yagnesh A Vaghela and Mr. Mahendrasinh Chavda. These shares were purchased by Mr. Mohit Bagmar (209800 shares) and Mr. Dhan Singh (200 shares) in the month of June, 2017. Mr. Mohit Bagmar vide email dated January 20, 2019 informed SEBI that he acquired shares of Vital for Rs. 15,58,020. Further, vide email dated January 25, 2019 he informed that payment for said acquisition was made from his Bank account held with Nutan Nagrik Sahakari Bank Limited. On analysis of statement of his said bank account, it was observed that on June 21, 2017, he had received Rs. 31,25,000/- from his mother Sayaridevi Bagmar's account in the same bank. His account balance before said credit was only Rs. 58,063/-. Subsequently, on receipt of funds, he paid Rs. 15,60,993 and Rs. 15,58,020 to Yagnesh Amarsinh Vaghela and Mahendrasinh Chavda respectively on June 29, 2017.*

d) *On analysis of Bank account of Sayaridevi Bagmar's account with Nutan Nagrik Sahakari Bank Limited it was observed that she received Rs. 31,25,000 from Noticee No. 2, Shri Ganpatraj Lalchand Chowdhary. Thus, it is alleged that Noticee*

No. 2 funded for the acquisition of Vital through his front entity Mr. Mohit Bagmar. It was also discovered that Smt. Sayaridevi Bagmar is sister of Noticee No. 2. Thus, Noticee No. 2 was uncle of Mr. Mohit Bagmar who was the majority shareholder in Vital. Thus, it is alleged that Vital is controlled/owned by Noticee No. 2 and was not a public shareholder.

B. Relationship of Stuti

e) During the period May 2016 to July 2017, the address of Stuti was in the same premises as that of RSGBL. Further while requesting for change in registered office to MCA, Stuti submitted the telephone bill and property documents in the name of Rajuldevi Choudhary, who is a promoter of RSGBL.

f) The shareholding of Stuti filed with ROC since 2014-15 to March 2016-17 is as follows:

Table 1: Shareholding of Stuti

Sr. No.	***Name of Shareholder***	***March 2015***		***March 2016***		***March 2017***	
		No of shares held	***% of Holding***	***No of shares held***	***% of Holding***	***No of shares held***	***% of Holding***
1	*Mosami Tater*	*3600*	*52.94*	*4000*	*77.67*	*4000*	*77.67*
2	*Marg Bio Tech Pvt. Ltd.*	*800*	*11.76*	*150*	*2.91*	*0*	*0*
3	*Siwana Agrimarketing Ltd.*	*600*	*8.82*	*600*	*11.65*	*0*	*0*
4	*Creelotex Engineers Pvt. Ltd.*	*600*	*8.82*	*0*	*0*	*0*	*0*
5	*Vicas Vehicles Pvt. Ltd.*	*400*	*5.88*	*0*	*0*	*0*	*0*
6	*Ganpatraj L. Chowdhary*	*400*	*5.88*	*400*	*7.77*	*0*	*0*
7	*Babulal L. Chowdhary*	*200*	*2.94*	*0*	*0*	*0*	*0*
8	*Mohanlal L. Chowdhary*	*100*	*1.47*	*0*	*0*	*0*	*0*
9	*Bhawaridevi Chowdhary*	*100*	*1.47*	*0*	*0*	*0*	*0*
10	*Narendra Jain*	*0*	*0*	*0*	*0*	*1150*	*22.33*
	Total	*6800*	*100.00*	*5150*	*100.00*	*5150*	*100.00*

g) The entities at S. No. 4-6 are promoters of RSGBL. Further, Mosami Tater, Babulal Chowdhary and Mohanlal Chowdhary are sister and brothers respectively of Mr. Ganpatraj Chowdhary. Thus, they are immediate relatives in terms of clause ii of

Regulation 2(1) (zb) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. The relationship amongst various members of the family of Ganpatraj Chowdhary is stated in the statement given by Mrs. Shobha Shah on February 5, 2019.

h) Thus, it is alleged that the Promoter group of RSGBL collectively held 86.75% in Stuti in 2015 and 97.09% in 2016.

i) Further, Shri Narendra Jain received Rs. 65.25 lacs from Shri Mukeshkumar Samdaria, CFO of RSGBL on March 30, 2017. Shri Mukeshkumar Samdaria in turn had received Rs. 179.61 lacs from Creelotex Engineers Private Limited (Promoter of RSGBL) on March 29, 2017. It is thus alleged that Shri Narendra Jain acquired shares using money received from Creelotex Engineers Private Limited through Mukeshkumar Samdaria and hence, the promoter group of RSGBL held 100% shares in Stuti in 2017.

C. Relationship of Siwana

j) The registered office address of Siwana was same as of Stuti, until Stuti changed its registered office address in May, 2016. Further, the shareholding of Siwana filed with ROC since 2014-15 to March 2016-17 is as follows:

Table 2: Shareholding of Siwana

Sr. No.	*Name of Shareholder*	*March 2015*		*March 2016*		*March 2017*	
		No of shares held	*% of Holding*	*No of shares held*	*% of Holding*	*No of shares held*	*% of Holding*
1	*P. Ramchandran*	*2*	*0.01*	*0*	*0.00*	*0*	*0.00*
2	*Prasana V. Narayan*	*2*	*0.01*	*0*	*0.00*	*0*	*0.00*
3	*Ganpatraj Chowdhary*	*400*	*2.93*	*400*	*2.93*	*0*	*0.00*
4	*Stuti Trademart Private Limited*	*1350*	*9.89*	*1350*	*9.89*	*0*	*0.00*
5	*Mohit Bagmar*	*8600*	*62.99*	*8600*	*62.99*	*8560*	*83.51*
6	*Siddharth Chowdhary*	*1300*	*9.52*	*1300*	*9.52*	*0*	*0.00*
7	*Marg Biotech Pvt Ltd*	*625*	*4.58*	*625*	*4.58*	*0*	*0.00*
8	*Safari Biotech Pvt Ltd*	*150*	*1.10*	*150*	*1.10*	*0*	*0.00*
9	*Telecon Infotech Pvt Ltd*	*50*	*0.37*	*50*	*0.37*	*0*	*0.00*

Sr. No.	*Name of Shareholder*	*March 2015*		*March 2016*		*March 2017*	
		No of shares held	*% of Holding*	*No of shares held*	*% of Holding*	*No of shares held*	*% of Holding*
10	*Vicas Vehicles Pvt Ltd*	*625*	*4.58*	*625*	*4.58*	*0*	*0.00*
11	*Creelotex Engineers Pvt Ltd*	*200*	*1.46*	*200*	*1.46*	*0*	*0.00*
12	*Rajuldevi Ganpatraj Chowdhary*	*350*	*2.56*	*3590*	*2.56*	*0*	*0.00*
13	*Rengaram Rabari*	*0*	*0.00*	*4*	*0.03*	*0*	*0.00*
14	*Chhaganlal Bagmar*	*0*	*0.00*	*0*	*0.00*	*10*	*0.10*
15	*Sayaridevi Bagmar*	*0*	*0.00*	*0*	*0.00*	*10*	*0.10*
16	*Neha Mohit Bagmar*	*0*	*0.00*	*0*	*0.00*	*10*	*0.10*
17	*M/s. Mohit Bagmar HUF*	*0*	*0.00*	*0*	*0.00*	*10*	*0.10*
18	*Ankit Lodha*	*0*	*0.00*	*0*	*0.00*	*1300*	*12.68*
19	*Shantilal Jain*	*0*	*0.00*	*0*	*0.00*	*350*	*3.41*
	Total	*13654*	*100.00*	*13654*	*100.00*	*10250*	*100.00*

k) The entities at S.No. 3, 6, 8, 9, 10, 11 and 12 are promoters of RSGBL.

l) Thus, the total direct shareholding of promoter group entities in Siwana in 2015 and 2016 was 32.41%.

m) Further, it is observed that Shri Ankit Lodha is husband of Riddhi Chowdhary d/o of Ganpatraj Chowdhary. Further, Mr. Mohit Bagmar is related to Ganpatraj Chowdhary.

n) It is thus alleged that Vital, Stuti and Siwana were promoters of RSGBL and were wrongly classified and disclosed as public in the disclosures made by RSGBL to the stock exchanges. Thus, RSGBL and Noticee no.s 2-6 who were directors of RSGBL have violated Clause 35 of Listing Agreement r/w Regulation 103(2), 31(1) & (4) of LODR Regulations, Regulation 30(2) r/w 30(3) of SAST Regulations and Section 21 of SCR Act.

5. I note that the SCN was duly delivered to the Noticees. I note that RSGBL has submitted its response to the allegations in the SCN vide letter dated November

5, 2020. I also note that the Authorised Representative ('AR') of RSGBL had attended hearing before the undersigned on December 9, 2020. I further note that RSGBL has relied on the submissions made by Noticee 2 in the matter. RSGBL has *inter alia* made the following submissions:

a) *The Company is a body corporate distinct from its promoters and management and the Notice has been issued to the Company as the compliance requirements relate to the Company.*
b) *The Company has been always been compliant with all applicable rule and regulations and all filing requirements, and the Company relies on filings, disclosures and communication provided by the shareholders.*
c) *It has been alleged in the Notice that Stuti Trademart Private Limited, Siwana Agri Marketing Limited and Vital Connections Private Limited are owned / controlled by promoters of the Company. I submit that the appropriate response to the same has been provided in the response dated 05 November, 2020 submitted by Noticee 2 and reliance is placed on the same.*
d) *It has also been alleged in the Notice that the address of STPL was the same as that of the Company during the period May 2016 to July 2017. I submit that registered address of STPL was in office no. 09 of Abhishree Corporate Park and that of the Company was in office no. 10 of Abhishree Corporate Park and therefore, was not the same as it is commercial complex with 16 (sixteen) buildings of 4 (four) floors each with several offices.*

6. Noticee 2 and Noticee 3 have submitted a common response to the allegations in the SCN vide letter dated November 5, 2020 and December 15, 2020. I also note that the AR of Noticee 2 and Noticee 3 had attended hearing before the undersigned on December 9, 2020. Noticee 2 and Noticee 3 have *inter alia* made the following submissions:

a) *9,90,000 shares of the Riddhi Siddhi Gluco Biols Limited were allotted to my family members and two corporate bodies on May 12, 1992. Out of the 9,90,000 shares allotted, 1,00,000 shares were allotted to Shreepal Starch Products Private Limited (known as Stuti Trademart Private Limited) prior to merger with Vital Connections Private Limited (now known as Vital Connections LLP) and 90,000 shares were allotted to Siwana Engineering Private Limited (known as Siwana Agri Marketing Limited prior to merger with Vital LLP). The annual return*

of the Company filed on September 30, 1992 indicates that both STPL and SAML were part of the promoter group. Further, my brothers (i.e. Shri Shankarlal L. Chowdhary, Shri Babulal L. Chowdhary and Shri Sampatraj L. Chowdhary) and I (i.e. Ganpatraj L. Chowdhary) are mentioned as directors in the said annual return. Shri Shankarlal L. Chowdhary and Shri Babulal L. Chowdhary resigned from directorship in the Company on July 15, 1993.

b) *Both my sisters (i.e. Mosami Tater and Sayaridevi Bagmar) were already married when the Company was founded by me. Therefore, as my sisters were already married, they did not have any connection whatsoever with the business of the Company. They were married into different families and did not pursue any profession or business as they were homemakers. Further, my sisters were never involved in the management and/or the operations of the Company and were never even employed with the Company. However, out of my love and affection and purely for economic purposes, shares were issued by the Company to certain entities controlled by them in accordance with the applicable laws.*

c) *The Company came out with a public issue on October 7, 1993 wherein Shri Sampatraj L. Chowdhary and I were mentioned as promoters. Further, my relationship with STPL and SAML was clearly mentioned in the offer documents of the public issue. The total pre-issue promoter group shareholding in the Company was 16,24,000 shares. STPL held 2,45,000 shares and SAML held 2,30,000 shares as per annual return filed on July 15, 1993. The said annual return is annexed hereto and marked as Annexure - 3.*

d) *Pursuant to development in the relationship amongst family members and basis numerous discussions amongst the family members, a family arrangement was put in place wherein (a) Shri Shankarlal L. Chowdhary, Shri Sampatraj L. Chowdhary and I (i.e. Ganpatraj L. Chowdhary) along with our spouses and children and entities controlled by us ("Group A") would solely run the business of the Company; and (b) Shri Babulal L. Chowdhary and the two sisters (i.e. Mrs. Mosami Tater and Mrs. Sayaridevi Bagmar) along with their immediate family and the entities controlled by them including STPL and SAML ("Group B") would not in any manner be involved in running of the Company and were free to commence/carry out and run their business independent of Group A and the businesses of Group A ("Family Arrangement"). The Family Arrangement*

only reiterated the fact as the sisters to start with were never involved in running the business of the Company from the inception and Shri Babulal L. Chowdhary had resigned as a Director of the Company on July 15, 1993. The Family Arrangement was arrived at to avoid any future conflict with them.

e) *Therefore, pursuant to and in accordance with the terms of the Family Arrangement, it was agreed, acknowledged and confirmed by the entire family that neither Group B nor any member or entity forming a part of Group B will be treated as a promoter of the Company and no member or entity forming a part of Group B will form a part of the promoter group of the Company. It is also pertinent to note that post the Family Arrangement, none of the members or entities forming a part of Group B as mentioned above: (a) have 'acted in concert' with the promoters/promoter group in relation to the business of the Company; and/or (b) were ever involved in the management and/or the operations of the Company; and/or (c) were ever employed with the Company. Some of the members of Group B retained their shareholding in the Company for economic purposes only. The parties have acted on the Family Arrangement for the last 30 years.*

f) *The Family Arrangement is further evidenced by the fact that there were appointment letters, resignation and change in remuneration of family members from Group A from time to time. However, none of the family members from Group B, except Shri Babulal L. Chowdhary, ever held any such managerial position in the Company. Please note that even Mr. Babulal L. Chowdhary resigned from the directorship in the Company on July 15, 1993. This was in line with what was agreed upon between the family members under the Family Arrangement. The documents in relation to the same are annexed hereto and marked as Annexure - 4 to Annexure - 11.*

g) *Pursuant to the Family Arrangement, Shri Babulal L. Chowdhary formed his own company Bhavari Starch Limited on June 11, 1997 and consequently, he together with STPL and SAML were re- classified as non-promoters in the Company, in a manner and as further evidenced in the subsequent paragraphs.*

h) *STPL and SAML (since amalgamated with Vital Connections Private Limited, now known as Vital LLP) were shown in the public category of shareholders in 2002 itself and were thereafter never treated as part of the promoter group of the Company. I submit that the filing dated March 31, 2002 with BSE Limited in*

relation to details of the promoter group clearly mentions Shri Babulal L. Chowdhary (1,70,000 shares), STPL (79,533 shares) and SAML (6,256 shares) in public category. I further submit that this also matches with the corporate governance section in annual report of financial year ended March 31, 2002 for promoter holding. Thus, the fact that none of the family members or entities forming part of Group B formed a part of promoter group and were classified as shareholders in the public category has always been in the public domain since first such disclosure filed with BSE Limited on March 31, 2002.

i) *Thereafter, in lieu of the capital requirements of the Company for growth and expansion purposes, a preferential allotment of 10,00,000 warrants/shares was made to SAML pursuant to resolution passed in annual general meeting of the Company as per notice to shareholders dated June 14, 2005. It is pertinent to note that here also it was clearly mentioned that none of directors of the Company were interested or concerned in passing of the resolution. An application dated July 12, 2005 was filed with BSE along with the supporting documents. The said application clearly confirms that SAML was not a part of the promoter group. The in-principle approval on the same was granted by BSE. Thus, it is abundantly clear that none of the family members forming a part of Group B nor any of the entities controlled by any of such members forming a part of Group B were either promoters of the Company or were a part of the promoter group of the Company.*

j) *The Company had announced a buy-back of equity shares as per the board resolution dated May 20, 2014 wherein it was clearly mentioned that the promoters, members of the promoter group, persons in control and person acting on concert will not be eligible to participate in the buy-back. The shareholding of the promoter group and shareholding of directors in each of the promoter group entity was mentioned in the letter of offer. Please note that no member or the entity from Group B was mentioned in the same. SAML tendered its shares in the said buy-back and subsequently, post buy- back filing was done with BSE and SEBI. It is pertinent to note that no objection was ever raised by BSE or SEBI while commenting on the draft letter of offer or the post buy-back filings.*

k) *I submit that there was no confusion whatsoever about the quantum and percentage of promoter/promoter group holding in the Company as the holding*

of family members forming a part of Group B along with the holding of the entities controlled by any of such members forming a part of Group B including STPL and SAML were in public category since March 2002 and which has also been substantiated by the annual reports and the documents filed by the Company. I submit that there was no rule or regulation in relation to de-classification of a person from the promoter group at that point of time nor was there any other regulatory requirement or identified filing required to be made and, therefore, there was no specific filing disclosure of the same other than as mentioned in the annual reports and various other documents and filings made by the Company with BSE Limited and which filings were available to the general public at large.

l) *I submit that the starch business of the Company was sold in May 2012 ("Starch Business"). Thereafter, Shri Sampatraj L. Chowdhary formed his own company Grainspan Nutrients Private Limited on September 24, 2012 and Shri Shankarlal L. Chowdhary formed his own company Diti Logistics Private Limited on October 18, 2012 (now known as Diti Logistic LLP) and Diti Resources Private Limited on July 4, 2013. Thereafter, Shri Sampatraj L. Chowdhary resigned from directorship in the Company on May 18, 2015. Thus, the two brothers i.e. Shri Shankarlal L. Chowdhary and Shri Sampatraj L. Chowdhary also got separated and transferred their shares in the Company to me as gifts on June 1, 2016 and January 2, 2017 respectively. Therefore, post the separation, both Shri Shankarlal L. Chowdhary and Shri Sampatraj L. Chowdhary together with their family members ceased to be promoters and also ceased to form a part of promoter group of the Company.*

m) *Since neither me nor any of my immediate relatives held 10% or more shareholding in STPL and SAML, STPL and SAML could not be classified as part of the promoter group of the Company.*

n) *It must be noted that I transferred Rs. 31,25,000/- to my sister Mrs. Sayaridevi Bagmar as a gift and out of my love and affection for her. I deny all the allegations in the Notice in respect of the usage of the said funds for acquisition of Vital LLP as there is no connection whatsoever between them and further, there was no common objective.*

o) *The allegation contained in paragraph 7 of the Show Cause Notice that Vital is controlled / owned by me is only based on the presumption that Mr. Mohit*

Bagmar is my sister's son / nephew and the money used by him to buy shares of Vital was given by me to Mrs. Sayaridevi Bagmar, who in turn gave the money to her son Mr. Mohit Bagmar. Other than this so called money trail, there is no other proof that I directly or indirectly control I own Vital.

p) *Lastly, in the Notice it has also been alleged that Creelotex Engineers Private Limited ("CEPL") transferred Rs. 1,79,61,200/- to Mr. Mukesh Samdaria in relation to delisting of the Company. I vehemently deny the said allegation and submit that Mr. Mukesh Samdaria was a shareholder of CEPL and held 44,903 shares in CEPL. As per Section 68 of the Companies Act, 2013, a board resolution dated March 6, 2017 was passed in the board meeting of CEPL in relation to the buy- back of equity shares of CEPL at a price of Rs. 400 per share. Mr. Mukesh Samdaria tendered 44,903 equity shares held by him in the said buy-back. In consideration of shares tendered in the buy-back, CEPL paid him Rs. 1,79,61,200/-.*

q) *Insofar as my purported direct and/or indirect control over Siwana is concerned and the purported allegation that Siwana was part of the promoter group of the Company, I would like to state that the entities listed at item nos. 3, 6, 8-12 (of Table 3 on page 5-6 of 8 of the Show Cause Notice) are part of the promoters I promoter group of the Company and they did hold more than 20% shares in Siwana from March 31, 2015 to June 1, 2016. However, the shareholding is zero for the quarter ending June 2016.*

r) *Mr. Ankit Lodha is husband of Riddhi Chowdhary i.e., my daughter and he is not covered by the definition of the "promoter group" under Regulation 2(zb) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. As per this definition, a person can be construed to be a part of the promoter group if and only if he is an immediate relative of the promoter viz., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse. Mr. Ankit Lodha does not fall in any of these categories prescribed by this definition of "promoter group" as per Regulation 2(zb) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. In view of the aforesaid, Siwana cannot be construed as a part of the promoter group of the Company.*

7. Noticee 4 and Noticee 6 have submitted their replies vide letters dated November 4, 2020 and October 21, 2020 respectively. Noticee 4 and Noticee 6

have also made common written submissions in the matter vide letter dated December 12, 2020. I also note that the AR of Noticee 4 and Noticee 6 had attended hearing before the undersigned on December 9, 2020. Noticee 4 and Noticee 6 have *inter alia* made the following submissions:

a) *Noticee 4 is an Independent Director of RSGBL and exercises his roles and responsibilities in a professional capacity in a bona fide manner on the basis of the information presented before the Board of Directors. The Noticee 4 has filed his reply dated 4.11.2020 to the show cause notice denying the allegations made in the show cause notice and inter alia pointing out that no allegations have been made against him in person and he has been made a party only on the basis of his being a Director.*

b) *Noticee 6 was an Independent Director of the RSGBL from 27.3.2015 to 12.2.2019 and was exercising her roles and responsibilities in a professional capacity in a bona fide manner on the basis of the information presented before the Board of Directors. Noticee 6 has filed her reply dated 21.10.2020 to the show cause notice inter alia pointing out that no allegations have been made against her in person.*

c) *The provisions of law in respect of which non-compliance or violation has been alleged in the show cause notice are Clause 35 of the Listing Agreement r/w Regulation 103(2), 31(1) and (4) of LODR Regulations, Regulation 30(2) r/w 30(3) of SAST Regulations and Section 21 of the SCR Act. None of these provisions impose any direct obligation or duty or responsibility or liability upon Independent Directors such as Noticee Nos. 4 and 6.*

d) *Clause 35 of the Listing Agreement requires the company to file with the exchange certain details as provided therein. This provision does not cast any obligation or liability upon Independent Directors of a listed company.*

e) *Regulation 31(1) and (4) of the LODR Regulations requires the "listed entity" (as defined in Regulation 2(1)(q) thereof) to comply with the requirements thereof. This provision does not cast any obligation or liability upon Independent Directors of a listed company. Regulation 103(2) of the LODR Regulations does not impose any duty or role or responsibility or liability but only provides for a saving clause.*

f) *Regulation 30(2) r/w 30(3) of the SAST Regulations casts an obligation upon "the promoter of every target company together with persons acting in concert*

with him" to make the disclosures in regard to their aggregate shareholding and voting rights as mentioned therein. The emphasis is on the words "with him", which means it is only persons who can be said to be persons acting in concert with the promoter who are required to comply with Regulation 30(2) r/w 30(3) of the SAST Regulations. Independent Directors do not have a common objective or purpose of acquisition of shares or voting rights in or exercising control over the target company pursuant to an agreement or understanding with the promoter nor are they are directly or indirectly cooperating with the promoter for the same, nor is there any such allegation in the show cause notice. Therefore, they do not fall within the meaning of persons acting in concert with the promoter, as per the definition contained in Regulation 2(1)(q) of the SAST Regulations. The second part of the said Regulation 2(1)(q) only provides a deeming fiction of being "persons acting in concert" for persons falling within the same sub-categories provided therein (which is also subject to the contrary being established). Since Independent Directors are neither promoter nor member of promoter group, they do not fall within the same sub-category as promoter [i.e. Regulation 2(1)(q)(2)(iv)] and cannot even be deemed to be persons acting in concert with the promoter for the purpose of Regulation 30(2) r/w 30(3). In any case, there is no allegation in the show cause notice that Noticee Nos. 4 and/or 6 are persons acting in concert with the promoter.

g) *Section 21 of the SCR Act requires the person on whose application securities are listed on a recognised stock exchange to comply with the conditions of the listing agreement. This provision does not cast any obligation or liability upon Independent Directors of a listed company.*

h) *In light of this, Noticee Nos. 4 and 6 cannot be directly held liable for the alleged non-compliance of any of the aforesaid provisions which are invoked in the show cause notice.*

i) *There is absolutely no averment in the show cause notice that the Noticee Nos. 4 and 6 were "in charge of, and responsible to, the company for the conduct of the business of the company, as well as the company". The show cause notice does not allege that they were "in charge of, and responsible to, the company for the conduct of the business of the company, as well as the company" nor does it show how they could be said to be in charge, etc.*

j) *Further, there is no allegation whatsoever in the show cause notice against the Noticee Nos. 4 and 6 and they have been made parties only on account of their being Independent Directors in the Noticee No. 1.*

8. Noticee 5 has submitted his reply vide letters dated October 21, 2020 and November 26, 2020 respectively. I also note that Noticee 5 had attended hearing before the undersigned on November 25, 2020. Noticee 5 has *inter alia* made the following submissions:

a) *The Noticee, having DIN No. 01186542, was appointed as an Independent Director of the Company for a period of five years w.e.f. 16th September, 2016 pursuant to the provisions of Section 149,152 and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder, read with Schedule IV to the Companies Act, 2013, as amended from time to time.*

b) *On 23rd November, 2017, the Noticee sent an e-mail addressed to the Company stating that due to pre-occupation with some other matters, the Noticee will not be able to continue as the Independent Director of the Company and would like to resign as Independent Director with immediate effect.*

c) *On 29th December, 2017, the Noticee received a reply from Mr. Ganpatraj Lalchand Chowdhary, Managing Director of the Company requesting the Noticee to continue as the Independent Director till 31st March, 2018. The Noticee, as a goodwill gesture, accepted the following request vide email dated 29th December, 2017.*

d) *In between, the Company held a board meeting on 12th December, 2017 which the Noticee did not attend. However, the Company paid the sitting fee to the Noticee, which was not cross checked and inadvertently deposited to Noticee's account by his accounts department.*

e) *Another board meeting was held by the Company on 27th December, 2017 which the Noticee did not attend. However, to the contrary, his name was shown as an attendee in the minutes of the meeting dated 27th December, 2017 which is basically a wrong presentation. This can be verified from the records which indicate that no sitting fees was paid to the Noticee for the meeting held on 27th December, 2017.*

f) *After November 2017, when Noticee had informed RSGBL about resignation from directorship of the company, he could not attend any of the Board meetings of the company.*

g) *The annual Report of 2017-18 of the Company records that the Noticee has resigned from the Directorship of the Company w.e.f. 08.08.2018 i.e. after closure of financial year due to personal reasons.*

h) *Noticee was an Independent Director and was not involved in day to day activities of the company. The Noticee submits that the alleged act of the Company under the present SCN, if so conducted, was conducted without his knowledge or consent or connivance as neither he is actively involved in the day to day affairs of the company nor he did attend the relevant board meeting conducted by the company in the present show cause notice.*

i) *Further, Ministry of Corporate affairs also clarified the same vide General Circular No. 1-2020 dated 02,03.2020 (hereinafter referred to as "Circular") clarifying that civil or criminal proceedings are not unnecessarily initiated against the Independent Directors or the Non-Executive Directors unless sufficient evidences exist to the contrary.*

j) *Thus, on the basis of above it is evident that no sufficient evidences exist to show that the Noticee was involved in the alleged violation by the Company nor that the Noticee was having any knowledge of the alleged violation by the company, if any. Further, it is a fact on record that the Noticee was not involved in the day to day affairs of the Company. Hence, the present show cause notice shall be liable to be dropped against the Noticee on this ground alone.*

9. I note from above that the Noticees have filed written submissions in the matter and have also availed of hearing opportunity. I also note that Noticee 2 has submitted a common reply along with Noticee 3 and his reply has also been relied upon by RSGBL. In view of the same, I now proceed further in the matter.

CONSIDERATION OF ISSUES AND FINDINGS

10. I have carefully perused the written submissions of the Noticees and the documents available on record. The issues that arise for consideration in the present case are:

(i) Whether Vital, Siwana and Stuti were part of the promoter group and incorrectly shown as public shareholders of RSGBL?

(ii) If yes, whether the Noticees have violated the provisions of Clause 35 of Listing Agreement r/w Regulation 103(2), 31(1) & (4) of LODR Regulations, Regulation 30(2) r/w 30(3) of SAST Regulations and Section 21 of SCR Act?

(iii) Do the violations, if any, attract monetary penalty, as applicable, under Sections 23A(a) and 23H of the SCR Act and Section 15HB of the SEBI Act?

(iv) If yes, what should be the quantum of penalty?

11. Before proceeding further, I would like to refer to the relevant provisions of Listing Agreement, LODR Regulations, SAST Regulations and SCR Act:

Clause 35 of the Equity Listing Agreement

35. "The company agrees to file with the exchange the following details, separately for each class of equity shares/security in the formats specified in this clause, in compliance with the following timelines, namely :-

a. One day prior to listing of its securities on the stock exchanges.

b. On a quarterly basis, within 21 days from the end of each quarter.

c. Within 10 days of any capital restructuring of the company resulting in a change exceeding +/2% of the total paid-up share capital."

LODR Regulations

Holding of specified securities and shareholding pattern.

31.(1) The listed entity shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by the Board from time to time within the following timelines –

(a) one day prior to listing of its securities on the stock exchange(s);

(b) on a quarterly basis, within twenty one days from the end of each quarter; and,

(c) within ten days of any capital restructuring of the listed entity resulting in a change exceeding two per cent of the total paid-up share capital:

Provided that in case of listed entities which have listed their specified securities on SME Exchange, the above statements shall be submitted on a half yearly basis within twenty one days from the end of each half year.

….

(4) All entities falling under promoter and promoter group shall be disclosed separately in the shareholding pattern appearing on the website of all stock exchanges having nationwide trading terminals where the specified securities of the entity are listed, in accordance with the formats specified by the Board.

Repeal and Savings

103. (2) Notwithstanding such rescission, anything done or any action taken or purported to have been done or taken including any enquiry or investigation commenced or show cause notice issued in respect of the circulars specified in sub-regulation (1) or the Listing Agreements, entered into between stock exchange(s) and listed entity, in force prior to the commencement of these regulations, shall be deemed to have been done or taken under the corresponding provisions of these regulations.

SAST Regulations

Continual disclosures.

30. (2) The promoter of every target company shall together with persons acting in concert with him, disclose their aggregate shareholding and voting rights as of the thirty-first day of March, in such target company in such form as may be specified.

(3) The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within seven working days from the end of each financial year to,—

(a) every stock exchange where the shares of the target company are listed; and

(b) the target company at its registered office.

SCR Act

Conditions for listing.

21. Where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange.

12. I note that the allegation in the SCN is that RSGBL in the shareholding had classified 3 entities viz. Vital, Stuti and Siwana as public shareholders, while it was alleged that these entities were owned/controlled by the promoters of RSGBL. In view of the same, the first issue before me is to determine whether the said 3 entities viz. Vital, Stuti and Siwana are promoter-controlled entities.

Vital Connections Private Limited

13. I note from available records that the majority shareholding of Vital (209800 shares out of total 210000 shares) was acquired in June 2017 by Mr. Mohit Bagmar, who is the nephew of Noticee 2. In this regard, Mr. Mohit Bagmar received Rs. 31,25,000/- his mother Sayaridevi Bagmar and thereafter, paid Rs. 15,60,993 and Rs. 15,58,020 to Yagnesh Amarsinh Vaghela and Mahendrasinh Chavda, who were the sellers. It was noted that Sayaridevi Bagmar had received Rs. 31,25,000/- in her bank account from her brother, i.e., Noticee 2. Therefore, it was alleged that Vital is controlled/owned by Noticee 2 and was not a public shareholder of RSGBL. In this regard, Noticee 2 has submitted that he transferred Rs. 31,25,000/- to his sister Sayaridevi Bagmar as a gift and out of his love and affection for her. Noticee 2 has denied all the allegations in the SCN in respect of the usage of the said funds for acquisition of Vital and stated that there is no connection whatsoever between them and that there was no common objective.

14. In this regard, I note from available records that Mohit Bagmar acquired shares of Vital from Mr. Yagnesh A Vaghela (105000 shares) for Rs. 15,60,993 and Mr. Mahendrasinh Chavda (104800 shares) for Rs. 15,58,020. The payment for said acquisition was made from his Nutan Nagrik Sahakari Bank Limited account number 002101540013347. On analysis of statement of his said bank account, it was observed that on 21/06/2017, he received Rs. 31,25,000 from his mother Sayaridevi Bagmar. His account balance before said credit was only Rs. 58,063/-. Subsequently, on 29/06/2017, he paid Rs. 15,60,993 and Rs. 15,58,020 to Yagnesh Vaghela and Mahendrasinh Chavda respectively. I note

that Mohit Bagmar did not have sufficient funds in his bank account for paying the consideration amount towards the acquisition of shares of Vital and used the funds of Rs. 31,25,000 received from his mother Sayaridevi Bagmar for the same. I note that Sayaridevi Bagmar in turn had received the same amount of Rs. 31,25,000 from her brother, i.e., Noticee 2 and before this transaction, she was having negative balance of Rs. 70,740/-. Therefore, I note that neither Mohit Bagmar nor Sayaridevi Bagmar had the requisite amount in their bank accounts to fund the acquisition of shares of Vital and only after Noticee 2 transferred the required amount that the acquisition of shares of Vital could be completed. Considering the timing of funds transfer, tracking of funds leading to acquisition of shares of Vital, I am of the view that funds provided by Noticee 2 does not qualify to be considered as a gift as pattern of transactions loudly indicates that purpose of funds is known before-hand. I note that the funds utilised by Mohit Bagmar for acquisition of shares of Vital originated from Noticee 2. Thus, I am of the view that Noticee 2 was the ultimate beneficiary of the said acquisition of the shares of Vital through Mohit Bagmar. In view of the same, I find that Noticee 2 indirectly held 99.90% of the shareholding of Vital through Mohit Bagmar and, therefore, Vital is a promoter group company of RSGBL in terms of clause IV (A) of Regulation 2(1) (zb) of ICDR Regulations, 2009.

Siwana Agri Marketing Limited

15. The shareholding pattern of Siwana for the period ended March 2015, March 2016 and March 2017 has been provided in Table 2 in paragraph 4 of this Order. I note from the said shareholding pattern that some of the promoters of RSGBL viz. Noticee 2, Noticee 3, Safari Biotech Pvt Ltd, Telecon Infotech Pvt Ltd, Vicas Vehicles Pvt Ltd, Creelotex Engineers Pvt Ltd and Rajuldevi Ganpatraj Chowdhary directly held 32.41% of shareholding in Siwana in March 2015 and March 2016. Therefore, I note that Siwana is covered under the definition of 'promoter group' in terms of Regulation 2(1)(zb) of ICDR Regulations, 2009.

16. I further note that Mohit Bagmar, the nephew of Noticee 2, was holding 62.99%, 62.99% and 83.51% shares of Siwana in March 2015, March 2016 and March 2017 respectively. As noted earlier, Noticee 2 had indirectly holding majority shareholding of Vital through Mohit Bagmar and had provided finance for the purchase of said shares. Further, in March 2017, Ankit Lodha, son-in-law of Noticee 2, held 12.68% shares of Siwana. Therefore, I find that promoters of RSGBL and the family members of Noticee 2 were holding majority shareholding of Siwana during March 2015, March 2016 and March 2016 and that Siwana was covered under the definition of 'promoter group' of RSGBL for the said period in terms of Regulation 2(1)(zb) of ICDR Regulations, 2009, but wrongly classified as public shareholder in the disclosures made by RSGBL to the stock exchange.

Stuti Trademart Private Limited

17. The shareholding pattern of Stuti for the period ended March 2015, March 2016 and March 2017 has been provided in Table 1 in paragraph 4 of this order. I note from the said shareholding pattern that Mosami Tater, who is the sister of Noticee 2, was the majority shareholder in Stuti during period ended March 2015, March 2016 and March 2017 and her shareholding in Stuti has ranged from 52.94% to 77.67% during the said period. Further, Babulal Chowdhury and Mohanlal Chowdhury, brothers of Noticee 2, also held a total of 3.41% shareholding of Siwana in March 2015. Further, the promoters of RSGBL including Noticee 2 also held shares in Stuti during March 2015 and March 2016. I further note that both Stuti and Siwana held shares of each other during period ended March 2015 and March 2016.

18. I note that, in terms of Regulation 2(1)(zb) of ICDR Regulations, 2009, any body corporate in which ten per cent or more of the equity share capital is held by the promoter or an immediate relative of the promoter is deemed to be included in the promoter group. In this regard, I note that Noticee 2 has in his submissions has *inter alia* stated that, due to a family arrangement agreed upon

around 30 years ago, it was decided among the family members that his sister Mosami Tater and brother Babulal Chowdhury will not be treated as a promoter of RSGBL and the entities controlled by them viz. Stuti and Siwana will not be considered as part of promoter group.

19. In this regard, I note that Noticee 2 has not submitted any documentary evidence to show that such an arrangement is in place. Further, even if it is assumed there is any such arrangement, it is difficult for investors to repose confidence and trust in such an informal arrangement as there is no clear and laid down system or process which ensures that it would be strictly implemented or monitored. The issue gets compounded when family members and relatives of promoters are involved, as nature of relationship may vary from time to time and the possibility of reconciliation and therefore acting in concert in certain situation and circumstances may take place. In the instance case, although there is family arrangement, it is observed that activities / transactions which are apparently not permitted as per such arrangement indeed took place, i.e., Noticee 2 (being part of Group A family) transferred funds to Group B family for purpose of shares of Vital. Even if submission of Noticee that disclosures in annual reports were made, investors may be with false impression about the shareholding of promoters whereas material development of indirect acquisition of Vital materially alters the actual shareholding of the promoters group holding, if we consider holding of Vital as part of promoter group. I further note that the promoters of RSGBL including Noticee 2 were holding shares of Stuti and Siwana, even though as per his claims, Stuti and Siwana were run independent of Noticee 2's businesses including RSGBL. I further note that Stuti and Siwana were also holding shares of RSGBL. Moreover, pursuant to the order of Hon'ble NCLT dated December 15, 2017, Stuti and Siwana along with Kauvery trexim Pvt Ltd amalgamated with Vital and as a result, Vital acquired shares of RSGBL held by Siwana, Kauvery and Stuti, i.e., 257210, 50000 and 548799 shares (total 856009) of RSGBL respectively. As noted earlier, majority shareholding of Vital was indirectly acquired by Noticee 2

through Mohit Bagmar. In view of the above, I note that the shareholding of Stuti, Siwana and Vital were all being managed and operated in a manner which indicate that these companies were closely connected / related with RSGBL despite the claims to the contrary by Noticee 2. Therefore, I am not inclined to accept the said contention of Noticee 2.

20. Noticee 2 submitted that there was no rule or regulation in relation to de-classification of a person from the promoter group at that point of time nor was there any other regulatory requirement or identified filing required to be made and, therefore, there was no specific filing disclosure of the same other than as mentioned in the annual reports and various other documents and filings made by the Company with BSE Limited and which filings were available to the general public at large. I note that promoter related entities have been shown as public shareholders since 2002. The process of declassification has been laid down in LODR Regulations. The argument of Noticee that there was no procedure or regulatory requirement at appropriate time will not hold good when process and procedure has been clearly laid down in LODR Regulations. The fact that provisions of Regulation 2(1)(zb) of ICDR Regulations, 2009, although are applicable to Noticees, they did not taken any steps to show the promoter group entities under promoter group entities. Rather they continued to mislead and mis-represent them under public shareholding since 2002 on the guise of family arrangement and disclosure in annual report. The argument that they disclosed about removal of Group B entities as part of family arrangement in annual report in the year 2002 is not acceptable as investors at time of such disclosure will not be static till date whereas investors keep changing every day. Therefore, the argument that disclosure made in 2002 is sufficient disclosure to investor is devoid of merit. I am of the view that quarterly shareholding patterns updates investors on the promoter and public shareholding, which in turn help them make informed decisions. I am also of the view that deemed provision of promoter group entities, does not exclude family arrangements, were directly applicable in the year 2009 itself. Further, Noticee 2 did not submit documentary and other cogent evidences to support their arguments or

submissions to deal with the allegations levelled against them. Therefore, I find no merit in the submissions of Noticee 2.

21. Noticee 2 has also claimed that Mukeshkumar Samdaria had received Rs. 179.61 lakh from Creelotex Engineers Pvt Ltd (promoter of RSGBL) as part of the buy-back of 44,903 shares by Creelotex Engineers Private Limited held by him. In this regard, I note from the bank statements that the said amount of Rs. 179.61 lakh was transferred on March 29, 2017 by Creelotex Engineers Private Limited to Mukeshkumar Samdaria. On the next day, i.e., on March 30, 2017, Mukeshkumar Samdaria transferred Rs. 65.25 lakh to Narendra Gatmal Jain. Thereafter, Narendra Gatmal Jain on the same day transferred Rs. 34.05 lakh to Siwana, Rs. 22.70 lakh to Noticee 2 and Rs. 8.512 lakh to Creelotex Engineers Pvt. Ltd. Therefore, I note that a circuitous flow of funds from promoter of RSGBL have been made for acquisition of shares of Siwana and I am inclined to view this as indirect acquisition of shares of Siwana.

22. I note from available records that during the period May 2016 to July 2017, the address of Stuti was in the same premises as that of RSGBL. Noticee 1 has *inter alia* claimed that two companies can have offices in the same premises. However, I note that while requesting for change in registered office to MCA, Stuti submitted the telephone bill and property documents in the name of Rajuldevi Choudhary, who is a promoter of RSGBL. I also note that the registered office address of Siwana was same as of Stuti, until Stuti changed its registered office address in May, 2016. In view of the same, I find the Stuti was covered under the definition of 'promoter group' of RSGBL for the said period in terms of Regulation 2(1)(zb) of ICDR Regulations, 2009, but wrongly classified as public shareholder in the disclosures made by RSGBL to the stock exchange.

23. In view of the foregoing, I note that Vital, Siwana and Stuti were covered under the definition of 'promoter group' of RSGBL, but wrongly classified as public shareholder in the disclosures made by RSGBL to the stock exchange. I note

that section 21 of SCRA, imposes a condition on listed companies that they have to comply with the conditions of the listing agreement, which they have entered into with the stock exchanges for listing of their shares. Further, I note that the Clause 35 of the Listing Agreement and Regulations 31(1) and 31(4) of the LODR Regulations, *inter alia* mandate each listed company to file with the exchange, the statement showing holding of securities (including shares, warrants, convertible securities) of persons belonging to the category "Promoter and Promoter Group", separately for each class of equity shares/security in the formats specified in this clause. Further, the promoter of every target company shall together with persons acting in concert with him, are required to disclose their aggregate shareholding and voting rights as of the thirty-first day of March within seven working days from the end of each financial year to the Company and the Stock Exchange under Regulations 30(2) read with 30(3) of SAST Regulations.

24. I note that the RSGBL, being a listed company, was duty bound to comply with the conditions mentioned in the Listing Agreement and LODR Regulations. Further, in my view, the periodic disclosures under the Listing Agreement, LODR Regulations and SAST Regulations serve a very important purpose of informing the market and the investors about the shareholding of the promoter group entities. Hence, the aforesaid filing of incorrect disclosure by RSGBL and its promoters has resulted in giving a wrong picture of the shareholding of promoter entity to the market and thus misleading to the general investors.

25. Therefore, I note that RSGBL has violated the provisions of Clause 35 of Listing Agreement r/w Regulation 103(2), 31(1) & (4) of LODR Regulations and Section 21 of SCRA. I note that Noticee 2 and Noticee 3 are the Chairman & Managing Director and Whole Time Director of RSGBL respectively and were responsible for the day-to-day affairs of RSGBL. Further, considering the role of Noticee 2 in indirect acquisition of shares of Vital through Mohit Bagmar, active involvement of Noticee 2 and Noticee 3 to conceal the actual promoter

shareholding is apparent. Therefore, I find that Noticee 2 and Noticee 3 have violated the provisions of Clause 35 of Listing Agreement r/w Regulation 103(2), 31(1) & (4) of LODR Regulations and Section 21 of SCRA. I further note the Noticee 2 and Noticee 3 are the promoters of RSGBL and the aforesaid wrong classification of promoter group entities have resulted in their failure to make relevant disclosures under Regulations 30(2) read with 30(3) of SAST Regulations and therefore, I note that Noticee 2 and Noticee 3 have violated the provisions of Regulations 30(2) read with 30(3) of SAST Regulations. Since the obligation of disclosure under Regulations 30(2) read with 30(3) of SAST Regulations is on promoters, I note that other Noticees are not in violation of the same.

26. I also note that Noticee 4, Noticee 5 and Noticee 6 have *inter alia* submitted that they were independent directors in RSGBL and exercised their roles and responsibilities in a professional capacity in a bona fide manner on the basis of the information presented before the Board of Directors. Noticee 5 has also stated that he was not involved in day-to-day affairs of RSGBL. In this regard, I note that Section 149(12)(ii) of companies Act,2013 carries an insulation for independent directors, which reads as - *"a non-executive director not being promoter or key managerial personnel, shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently".* From the reply of the Noticee 4, Noticee 5 and Noticee 6, I have noted that they were not involved in day to day affairs of RSGBL and received only those information/documents which were attributable through the process of the Board. No record has been made available before me to suggest that Noticee 4, Noticee 5 and Noticee 6 were aware of the said violation.

27. Further, I would like to rely on judgement of the Hon'ble Supreme Court in the matter of SEBI vs. Gaurav Varshney, (2016) 14 SCC 430 wherein it held that - "*a person not holding any office or designation in a company may be liable if he satisfies the main requirement of being in charge of and responsible for the conduct of*

business of a company at the relevant time. Liability depends on the role one plays in the affairs of a company and not on designation or status." In view of the above, I find that the allegation of violation of Clause 35 of Listing Agreement r/w Regulation 103(2), 31(1) & (4) of LODR Regulations, Regulation 30(2) r/w 30(3) of SAST Regulations and Section 21 of SCR Act by Noticee 4, Noticee 5 and Noticee 6 is not established.

28. Therefore, as discussed above, I note that RSGBL, Noticee 2 and Noticee 3 have violated the provisions of Clause 35 of Listing Agreement r/w Regulation 103(2), 31(1) & (4) of LODR Regulations, and Section 21 of SCR Act. I also note that Noticee 2 and Noticee 3 have further violated Regulation 30(2) r/w Regulation 30(3) of SAST Regulations. The Hon'ble Supreme Court of India in the matter of *SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC)* 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 and hence the intention of the parties committing such violation becomes wholly irrelevant…".*

29. In view of the same, I am convinced that it is a fit case to impose monetary penalty under Section 23A(a) and Section 23H of SCR Act and Section 15HB of the SEBI Act. The above sections of the SEBI Act and the SCR Act read as under:

SEBI Act

Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.

SCR Act

Penalty for failure to redress investors' grievances.

Penalty for failure to furnish information, return, etc.

23A. Any person, who is required under this Act or any rules made thereunder, —

(a) to furnish any information, document, books, returns or report to the recognised stock exchange or to the Board, fails to furnish the same within the time specified therefor in the listing agreement or conditions or bye-laws of the recognised stock exchange or the Act or rules made thereunder, or who furnishes false, incorrect or incomplete information, document, books, return or report, shall be liable to a penalty 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 for each such failure;

Penalty for contravention where no separate penalty has been provided.

23H. *Whoever fails to comply with any provision of this Act, the rules or articles or bye-laws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

30. While determining the quantum of penalty under Section 23A(a) and Section 23H of SCR Act and Section 15HB of the SEBI Act, it is important to consider the factors relevantly as stipulated in Section 15J of the SEBI Act and Section 23J of SCR Act, which read as under:

SEBI Act

Factors to be taken into account by the adjudicating officer.

15J. While adjudging quantum of penalty under section 15-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.

Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer 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."

SCR Act

Factors to be taken into account by adjudicating officer.

23J. While adjudging the 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.

Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 23A to 23C shall be and shall always be deemed to have exercised under the provisions of this section.

31. No quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of such default by the Noticees. Further, from the material available on record, it may not be possible to ascertain the exact monetary loss, if any, on account of default by the Noticees. As a result of the violation committed by the Noticees, the investors were deprived of valuable information in a timely manner which would have enabled them to take well informed decisions regarding their investments in the company.

ORDER

32. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by the Noticees and also the factors mentioned in Section 15J of the SEBI Act and Section 23J of SCR Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act and Section 23-I of the SCR Act read with Rule 5 of SEBI Adjudication Rules and Rule 5 of SCRA Adjudication Rules, I hereby impose the following penalty on the following Noticees under the provisions of Section 23A(a) and Section 23H of SCR Act and Section 15HB of the SEBI Act:

S. No.	**Name of the Noticee**	**Penalty**
1	Riddhi Siddhi Gluco Biols Limited	Rs. 5,00,000 (Rupees Five Lakh only)
2	Ganpatraj Lalchand Chowdhary	Rs. 5,00,000 (Rupees Five Lakh only)
3	Siddharth G Chowdhary	Rs. 5,00,000 (Rupees Five Lakh only)

33. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or 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. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

34. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid to the "The Division Chief, EFD-1, DRA-I, SEBI, SEBI Bhavan 2, Plot No. C –7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051". The Noticee shall provide the following details while forwarding DD/ payment information:

a) Name and PAN of the entity
b) Name of the case / matter
c) Purpose of Payment – Payment of penalty under AO proceedings
d) Bank Name and Account Number
e) Transaction Number

35. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated 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.

36. 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.

Date: July 2, 2021 **B J DILIP**

Place: Mumbai **ADJUDICATING OFFICER**