BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/PB/2021-22/11613-11626]

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

In respect of

Sl. No.	Name of the Entity	PAN Card No.
1	Mr. Sanjay Jatia	AAJPJ6813H
2	Mr. Mohanlal Jatia	AEEPJ0893A
3	Mr. Sidhir Jatia	AAJPJ6855D
4	Ms. Pushpadevi Agarwal	AACPA6865H
5	Mr. Sudhir M. Jatia	AAJPJ6855D
6	Mr. Siddharth Jatia	AADPJ9211B
7	Mr. Sharad Jatia	AKPPJ9452L
8	Mr. Naval Gadia	ACEPG8603R
9	M/s Ramgopal Polytex Limited	AAACR5754K
10	M/s Tarapore Synthetics Private Limited	AABCT2020R
11	M/s Ramgopal Textiles Limited	AAACR0435P
12	M/s Ramgopal Investment & Trading Co. Limited	AAACR2210A
13	M/s Ramgopal Synthetics Limited	AAACR5010Q
14	M/s Tarapore Vastra Udyog Private Limited	AABCT2706N

In the matter of Starcom Information Technology Limited

FACTS OF THE CASE IN BRIEF

1. An open offer was made by Mr. Ziaulla Sheriff to acquire upto 10,00,120 equity shares of Rs. 10 each fully paid up at an offer price of Rs. 20.50 per fully paid up equity share

of Rs. 10/- each payable in cash, representing 20% of the total paid up equity share capital/voting capital of Starcom Information Technology Limited (hereinafter referred to as "Starcom / Target Company"). Chartered Capital and Investment Limited was the Manager to the said offer.

2. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') while examining the offer document pertaining to the aforementioned open offer found that as on April 08, 2008, Mr. Sanjay Jatia, Mr. Mohanlal Jatia, Mr. Sanjay Jatia jointly with Mr. Sidhir Jatia and Ms. Pushpadevi Agarwal, Mr. Sudhir M. Jatia, Mr. Siddharth Jatia, Mr. Sharad Jatia, Mr. Naval Gadia, M/s Ramgopal Polytex Limited, M/s Tarapore Synthetics Private Limited, M/s Ramgopal Textiles Limited, M/s Ramgopal Investment & Trading Co. Limited, M/s Ramgopal Synthetics Limited and M/s Tarapore Vastra Udyog Private Limited (erstwhile promoters) (collectively referred to as "Noticees") of Starcom has allegedly violated regulation 7 (1A) read with regulation 7 (2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as the "SAST Regulations"). The details of the alleged violations are as under:

Sr. No.	**Regulation**	**Due Date for compliance in terms of the Regulation**	**Actual Date of Compliance**	**Delay**
1.	7 (1A) and 7 (2) of SAST Regulations	April 10, 2008	December 13, 2008	247 days

3. In view of the above, it was alleged that Noticees had violated regulation 7 (1A) read with regulation 7 (2) of SAST Regulations and therefore, liable for monetary penalty

under Section 15 A (b) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act”)

APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned was appointed as the Adjudicating Officer, vide order dated March 27, 2012 under Section 15-I of the SEBI Act read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as “Rules”) to inquire and adjudge the alleged violations of regulation 7 (1A) read with regulation 7 (2) of SAST Regulations committed by the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

5. A common Show Cause Notice (hereinafter referred to as ‘SCN’) dated December 29, 2017 was issued to the Noticees under the provisions of Rule 4(1) of the Rules to show cause as to why an inquiry should not be held and penalty be not imposed under Section 15 A (b) of the SEBI Act for the alleged violation specified in the SCN.

6. Vide letter dated January 22, 2018 Mr. Sanjay Jatia submitted the reply for himself and for the Noticees namely, Mr. Mohanlal Jatia, Ms. Pushpadevi Agarwal, Mr. Sudhir M. Jatia, Mr. Sidhir Jatia, Mr. Siddharth Jatia and Mr. Sharad Jatia. Mr. Sanjay Jatia vide the said reply submitted that regulation 7(1A) of the SAST Regulations is applicable only if an acquirer has acquired shares or voting rights of the target company under regulations 11(1), or under second proviso to regulation 11(2). Since, the Noticees have not acquired any shares in the Starcom under regulation 11(1) or under second proviso to regulation 11(2), reporting under regulation 7(1A) and 7(2) of SAST Regulations are not attracted.

7. The SCNs dated December 29, 2017 issued to the Noticees namely, Mr. Naval Gadia, M/s Ramgopal Polytex Limited, M/s Tarapore Synthetics Private Limited, M/s

Ramgopal Textiles Limited, M/s Ramgopal Investment & Trading Co. Limited, M/s Ramgopal Synthetics Limited and M/s Tarapore Vastra Udyog Private Limited were returned undelivered. The new addresses of the said noticees were obtained. Vide common letter dated January 13, 2021, the SCN dated December 29, 2017 was resent to the new addresses of the said Noticees.

8. The Noticees namely, Mr. Naval Gadia, M/s Ramgopal Polytex Limited, M/s Tarapore Synthetics Private Limited, M/s Ramgopal Textiles Limited, M/s Ramgopal Investment & Trading Co. Limited, M/s Ramgopal Synthetics Limited and and M/s Tarapore Vastra Udyog Private Limited have submitted identical replies vide letters dated January 27, 2021 on the similar lines of Mr. Sanjay Jatia and denied the allegations.

9. In the interest of natural justice, an opportunity of hearing was provided to the Noticees on February 16 & 17, 2021 vide hearing notice dated February 04, 2021. Mr. Ramakant Kini, Advocate for the Noticees vide email dated February 18, 2021 informed that there is no individual in the promoter group by the name Sidhir Jatia. There is one member in the promoter group by the name Mr. Suhir Jatia. The name seems to have been misspelt. Mr. Ramakant Kini, Advocate and Mr. Kishor Takmoge, the authorized representatives of the Noticees (hereinafter referred to as 'AR') attended the hearing on February 16, 2021 and made submissions. During the course of hearing, it was clarified to the AR that although one SCN was sent to Mr. Sanjay Jatia because of the same address, he shall be taken as two separate entities - one as himself and on another occasion jointly alongwith Mr. Sidhir Jatia and Ms. Pushpadevi Agarwal. AR agreed to make additional submissions by February 23, 2021. Subsequently, the AR vide email dated February 23, 2021 sought additional one-week time to make the submissions. The request was acceded to and additional one-week time was given to the Noticees. Mr. Ramakant Kini, Advocate through email letter dated March 03, 2021 submitted the following additional submissions:

"We are grateful to you for giving us an opportunity to make additional submission to demonstrate that there has been no acquisition of any shares by the Erstwhile Promoter of the Company since listing of the Company on March 26, 1996 pursuant to the public issue. The Company was listed on March 26, 1996. ***The shareholding of the Erstwhile Promoters/Noticees on the date of listing was 34,99,980 shares representing 69.99% of the total share capital*** *which remained unchanged at 34,99,980 shares until it was sold by the Erstwhile Promoters to the Saraf and Raika Family (the Saraf Family and the Raika Family hereinafter referred to as "****the Acquirers****") pursuant to the share purchase agreement dated October 31,2007 (****SPA****). The Erstwhile Promoters transferred 34,99,980 shares to the Acquirers after the compliance by the Acquirers with the open offer formalities pursuant to the Letter of Offer dated March 04, 2008. The open offer formalities were completed by the Acquirers on April 07, 2008.*

The Quarterly filings of the shareholding pattern of the listed companies are available on the website of Bombay Stock Exchange Limited ("the ***BSE****") for the quarters from March 2001 onwards. We have downloaded quarterly shareholding pattern from the website of the BSE and tabulated the shareholding of the Erstwhile Promoters/Noticees for each of the 4 quarters for the 10 consecutive years commencing from 2001 till 2011 and attached same as Annexure I hereto. As may be noted from the Annexure I* ***there has been no change in the shareholding of each of the Noticees during any of the quarters until the entire shareholding of the Noticees of 34,99,980 shares were ultimately sold to the Acquirers pursuant to the open offer that concluded in April 2008****. The attached Annexure I clearly depicts that there are no sale/purchase of shares of the Company by Noticees during the period from March 2001 till the conclusion of the open offer in April, 2008. As requested by you we have tabulated the shareholding of the Noticees until March 2011.*

As the quarterly shareholding statements are not available for the period prior to March 2001 we have relied on the Letter of Offer dated March 04, 2008 ("LoF") (Copy enclosed as Annexure II) issued by the SEBI registered merchant banker viz. Fedex Securities Limited on behalf of the Acquirers. Item no. 4.2.2.3 on page no. 14 of the said LoF provides the manner in

which the Erstwhile Promoters/Notices have acquired their 34,99,980 shares representing 69.99% of the total share capital prior to the listing of the Company on March 26, 1996 and further the note to this point no 4.2.2.3 also categorically states that ***"there has been no sale or purchase of shares by the promoter group since the allotment as part of the public issue****". The last allotment was made to the Erstwhile Promoter on March 23, 1996 and the shares of the Company were listed on March 26, 1996 and the date of the LoF is March 04, 2008. Hence on basis of disclosure in the LoF it can be decisively concluded that the Erstwhile Promoters/Noticees have not acquired any shares from the date of listing until the date of the LoF i.e. March 04, 2008 and these shares i.e. numbering 34,99,980 shares representing 69.99% of the total share capital was transferred to the Acquirers after completion of the offer formalities on April 07, 2008 and thereafter upon giving effect to the Share Purchase agreement the Erstwhile Promoters/Noticees were not holding a single shares in the Company.*

From above explanation and the attached Annexures it can be concluded without any doubt that the Noticees have not acquired any shares under sub-regulation (1) of regulation 11, or under second proviso to sub-regulation (2) of regulation 11 of the SEBI (SAST) Regulations. Therefore the Noticees are not under any obligation to make any disclosure under Regulation 7(1A) read with Regulation 7(2) of SEBI (SAST) Regulations

Therefore, in the light of the aforesaid submissions, it is requested that no penalty be imposed by SEBI under section 15 A (b) of the SEBI Act, 1992 as the Noticee has not violated the regulations 7(1A) and 7(2) of the Takeover Regulations."

CONSIDERATION OF ISSUES AND FINDINGS

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

(a) Whether the Noticees have violated the provisions of regulation 7(1A) read with regulation 7(2) of the SAST Regulations?

(b) Does the violation, if any, attract monetary penalty under Section 15A(b) of the SEBI Act?

(c) If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

FINDINGS

11. Before moving forward, it is pertinent to refer to the relevant provisions of the SAST Regulations, which read as under:

SAST Regulations:

7 (1A) Any acquirer who has acquired shares or voting rights of a company under sub-Regulation (1) of Regulation 11, shall disclose purchase or sale aggregating two per cent or more of the capital of the target company to the target company, and the stock exchanges where shares of the target company are listed within two days of such purchase or sale along with the aggregate shareholding after such acquisition or sale.

(2) The disclosures mentioned in sub-regulations (1) and (1A) shall be made within two days of,—

(a) the receipt of intimation of allotment of shares; or

(b) the acquisition of shares or voting rights, as the case may be.

12. It is noted from the submissions of the AR that one of the Noticees viz Ms. Pushpadevi Agarwal, had expired on March 17,2019. A copy of death certificate dated March 26, 2019 of Ms. Pushpadevi Agarwal issued by Sub-Registrar (Birth and Death) of Municipal Corporation of Greater Mumbai D Ward, Department of Health, Government of Maharashtra was submitted by AR. In view of the same, the proceedings against

Ms. Pushpadevi Agarwal stand abated. Therefore, I proceed to deal with the matter in respect of the other Noticees to the SCN**.**

13. I find that the facts of the case are not in dispute. Further, it is observed that the Noticees (along with Late Ms. Pushpadevi Agarwal) have acquired 34,99,980 shares (69.99%) of the total share capital on the date of listing i.e. March 26, 1996. The shareholding remained unchanged at 34,99,980 shares until it was sold by erstwhile promoters to the Saraf and Raika family ("the acquirers") on October 31, 2007 by entering into an SPA. I find that the Noticees transferred 34,99,980 shares to the Acquirers after the compliance by the Acquirers with the open offer formalities pursuant to the Letter of Offer dated March 04, 2008. The open offer formalities were completed by the Acquirers on April 07, 2008. Upon perusal of the documents available on record, with effect from April 08, 2008, new Promoters namely, Mr. Mahesh Saraf, Mrs. Sarita Saraf, Mr. Anil Raika and Mrs. Ambika Raika acquired the control and management of Starcom. Further, I note from shareholding pattern of Starcom filed with stock exchange, that the Noticees shareholding (along with Late Ms. Pushpadevi Agarwal) has indeed remained unchanged till the time it was sold off to the Saraf and Raika family.

14. I note that the allegation against the Noticees was that as on April 08, 2008, they have failed to make disclosure under regulation 7(1A) read with regulation 7(2) of SAST Regulations. I note that the condition of acquisition under second proviso to sub-regulation (2) of regulation 11 was introduced in SAST Regulations with effect from November 06, 2009. Since, the impugned transaction took place on April 08, 2008, the condition of acquisition under second proviso to sub-regulation (2) of Regulation 11 is not applicable to the present proceedings. In view of the same, the only question that arises for consideration is whether the noticees were required to make disclosure under regulation 7(1A) read with regulation 7(2) for the acquisition of shares or voting rights of Starcom under sub-regulation (1) of regulation 11of SAST Regulations.

15. I note that in terms of regulation 7(1A) of the SAST Regulations, any acquirer who has acquired shares or voting rights of a company under sub-regulation (1) of regulation 11, shall disclose purchase or sale aggregating two per cent or more of the capital of the target company to the target company, and the stock exchanges where shares of the target company are listed within two days of such purchase or sale along with the aggregate shareholding after such acquisition or sale.

16. I note that regulation 7(1A) read with 7(2) of the SAST Regulations is applicable to a transaction if the acquisition is in terms of regulation 11(1) of SAST Regulations. I find that regulation 11(1) is applicable to an acquisition that falls between 15% and 55% of the shares or voting rights of a target company.

17. Considering the percentage of acquisition of the Noticees (along with Late Ms. Pushpadevi Agarwal) in the present matter, I find that the Noticees (along with Late Ms. Pushpadevi Agarwal) were already holding 69.99% of the share capital of the target company, crossing the upper ceiling of 55%, thus not fitting in the holding range as prescribed in Regulation 11(1) of the SAST Regulations.

18. In view of the above, I find the sale of 69.99% shares of Starcom by the Noticees do not attract the provisions of regulation 7(1A) read with regulation 7(2) of the SAST Regulations warranting imposition of any penalty as the violation has not been established.

ORDER

19. In view of my findings noted in the preceding paragraphs and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Rules, I hereby dispose off the Adjudication Proceedings initiated against the Noticees vide SCN dated December 29, 2017 without imposition of any monetary penalty.

20. In terms of Rule 6 of the Adjudication Rules, 1995, a copy of this order is sent to the Noticees and also to the Securities and Exchange Board of India.

Date: April 30, 2021

Place: Mumbai

Parag Basu

CHIEF GENERAL MANAGER &

ADJUDICATING OFFICER