

BEFORE THE SECURITIES APPELLATE TRIBUNAL  
MUMBAI

**Date of Decision : 06.03.2020**

**Appeal No. 84 of 2020**

1. Ritman Infra Ltd.
2. Mr. Parag Majmudar
3. Mrs. Falguni Majmudar
4. Mr. Dinesh Majmudar
5. Mrs. Pushpa Majmudar
6. Mrs. Lipika Ray
7. Mr. Saibal Battacharjee
8. Mr. Dibyendu Sarkar

Ritman House,  
14, Ayer Amir Ali Avenue,  
Kolkata 700 017.

..... Appellants

Versus

Securities and Exchange Board of India  
SEBI Bhavan, Plot No. C-4A, G Block,  
Bandra Kurla Complex, Bandra (East),  
Mumbai - 400 051.

.... Respondent

Ms. Sheetal Parkash, Advocate with Mr. Vishal Mehta, Advocate i/b  
M/s. MV Law Partners for the Appellants.

Mr. Abhiraj Arora, Advocate with Mr. Vivek Shah, Advocate i/b  
ELP for the Respondent.

CORAM : Justice Tarun Agarwala, Presiding Officer  
Dr. C. K. G. Nair, Member  
Justice M. T. Joshi, Judicial Member

Per : Dr. C. K. G. Nair, Member (Oral)

1. This appeal has been filed to challenge the order of the Adjudicating Officer (hereinafter referred to as 'AO') of Securities and Exchange Board of India (hereinafter referred to as 'SEBI') dated December 24, 2019 whereby a total penalty of Rs. 5 lacs has been imposed on six of the appellants who are directors of Ritman Infra Ltd., appellant No. 1 company. Out of this, Rs. 3 lacs has been imposed jointly and severally on two of the directors, namely, Mr. Parag Majmudar and Mrs. Falguni Majmudar for violation of Regulation 4(2)(f)(i)(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015 (hereinafter referred to as 'LODR Regulations') and Rs. 2 lacs jointly and severally on Mrs. Falguni Majmudar, Mr. Dinesh Majmudar, Mrs. Pushpa Majmudar, Mrs. Lipika Ray, Mr. Dibyendu Sarkar for violation of Regulation 4(2)(f)(ii)(6) of the LODR Regulations under Section 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act').

2. We find from the impugned order and the other papers produced before us that SEBI had directed the Metropolitan Stock Exchange of India Ltd. ('Stock Exchange', for short) to appoint an independent forensic auditor to carry out a forensic audit of the appellant company, pursuant to SEBI's interim and confirmatory orders dated October 13, 2017 and April 25, 2018 respectively.

Based on certain observations in the said forensic audit report multiple charges were levelled against the appellants under Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and LODR Regulations. Thereafter, an AO was appointed and a show cause notice was issued on March 8, 2019 to the appellant company and its directors alleging various violations. The alleged violations include misrepresentation of the financial statements, misuse of books of accounts / funds, non-appointment of Company Secretary, improper composition of audit committee, nomination and remuneration committees, non submission of information, etc. However, after analyzing the submissions made by the noticees and other records produced by them the only charge upheld against some of the noticees is that of violations of the stated LODR Regulations.

3. Learned counsel Ms. Sheetal Parkash appearing on behalf of the appellants submitted that the only charge against the appellants is in terms of taking an advance of Rs. 17 lacs from a related party and guided us to paragraph 48 of the impugned order which reads as follows :-

*“48. Preceding paragraphs have brought out that related party transactions involving advance of Rs. 0.17 cr taken from Matra Panagarh Developers Pvt. Ltd. where Mr. Parag Majumdar, Noticee 2, and Falguni Majumdar, Noticee 3 (Directors of RIL) are the*

*directors was not disclosed. The Board of Directors was required under Regulation 4 (2) (f) (i) to disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, had a material interest in any transaction or matter directly affecting the listed entity. Further, Regulation 4 (2) (f) (ii) (6) of the LODR Regulations pertains to monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions. In failing to ensure reporting of the related party transaction, I find that the Board of Directors, i.e. Noticee Nos. 2 to 6 and 8 failed to perform their duty to monitor and manage potential conflict of interest.”*

4. Learned counsel for the respondent SEBI in addition to emphasizing that six of the appellants have violated the stated provisions of the LODR Regulations and therefore, a penalty of Rs. 5 lacs imposed is only a nominal penalty. He also stated that the impugned order is not passed against appellant No. 1, the company and appellant No. 7, Mr. Saibal Battacharjee and hence they are not aggrieved parties.

5. We note from the impugned order at Paragraph 59 that “...the default brought out is of a single instance of non-reporting of related party transaction, amounting to Rs. 0.17 crores”. We also note that though multiple charges had been made in the SCN, including alleged violation of PFUTP Regulations, none of those charges,

except this single instance of non-reporting, has been upheld in the impugned order.

6. The violation upheld is a single instance of a financial transaction with a related party to the tune of just Rs. 17 lacs taken as an advance. Admittedly, there is a violation; however, the gravity of the violation is not serious enough to impose a monetary penalty and that too a penalty of Rs. 5 lacs. The imposition of penalty is accordingly set aside.

7. Accordingly, in the facts of this case, we dispose of the appeal with a warning to the appellants which, in our opinion, is just and sufficient to meet the ends of justice. No order as to costs.

Sd/-  
Justice Tarun Agarwala  
Presiding Officer

Sd/-  
Dr. C. K. G. Nair  
Member

Sd/-  
Justice M. T. Joshi  
Judicial Member

06.03.2020  
Prepared & Compared by  
PTM