

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11(1), 11(2)(j), 11(4) AND 11B OF THE SEBI ACT READ WITH SECTION 12A OF THE SECURITIES CONTRACTS (REGULATION) ACT, 1956.

IN THE MATTER OF NON-COMPLIANCE WITH THE REQUIREMENT OF MINIMUM PUBLIC SHAREHOLDING BY LISTED COMPANIES

IN RESPECT OF SANATHNAGAR ENTERPRISES LIMITED.

---

BACKGROUND –

1.1 Sanathnagar Enterprises Limited (“**Sanathnagar Enterprises**”) is a listed company, which was incorporated under the Companies Act, 1956. The shares of Sanathnagar Enterprises are listed on BSE Limited (“**BSE**”) and were earlier also listed on the erstwhile Delhi Stock Exchange (“**DSE**”), which was permitted to exit as a Stock Exchange vide SEBI Exit Order dated January 23, 2017.

AD-INTERIM EX PARTE ORDER DATED JUNE 4, 2013 –

1.2 Vide an Order dated June 4, 2013 (“**Interim Order**”), SEBI issued the following directions *inter alia* against Sanathnagar Enterprises and its Directors, Promoters and Promoter Group, on the basis of details furnished by BSE, for having failed to meet the minimum public shareholding requirement by June 3, 2013, –

“17. Hence, in exercise of the powers conferred upon me by virtue of Section 19 and under Sections 11(1), 11(2)(j), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 (“**SEBI Act**”) read with Section 12A of Securities Contracts (Regulation) Act, 1956 (“**SCRA**”), pending passing of the final order in these cases, I hereby:

a. Direct freezing of voting rights and corporate benefits like dividend, rights, bonus shares, split, etc. with respect to the excess of proportionate promoter/promoter group shareholding in the above mentioned non-compliant companies, till such time these companies comply with minimum public shareholding requirement.

i. ...

ii. ...

- b. *Prohibit the promoter/promoter group and directors of these non – compliant companies from buying, selling or otherwise dealing in securities of their respective companies, either directly or indirectly, in any manner whatsoever, except for the purpose of complying with minimum public shareholding requirement till such time these companies comply with the minimum public shareholding requirement.*
- c. *Restrain the shareholders forming part of the promoter/promoter group in the non – complaint companies from holding any new position as a director in any listed company, till such time these companies comply with the minimum public shareholding requirement.*
- d. *Restrain the directors of non – compliant companies from holding any new position as a director in any listed company, till such time these companies comply with the minimum public shareholding requirement.*  
...

#### **CONFIRMATORY ORDER DATED SEPTEMBER 29, 2015 –**

1.3 Subsequent to the aforementioned, Sanathnagar Enterprises filed written submissions before SEBI vide letters dated June 14, 2013 and July 16, 2015 (after availing of an opportunity of personal hearing before SEBI on July 2, 2015). Sanathnagar Enterprises while informing SEBI that the shares of the Company stood suspended from BSE w.e.f. February 3, 2003, submitted that as and when such suspension of trading is revoked by BSE, it will opt for Offer for sale (“OFS”) and ensure compliance with minimum public shareholding requirement. Accordingly, Sanathnagar Enterprises requested SEBI for extension of ten months’ time for compliance with minimum public shareholding requirement.

1.4 After considering the aforementioned submissions, SEBI vide an Order dated September 29, 2015 (“**Confirmatory Order**”) rejected the request for extension of ten months’ time and issued the following directions against Sanathnagar Enterprises and its Directors, Promoters and Promoter Group –

- 17. *“Accordingly, I, in exercise of the powers conferred upon me under section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(1), 11(2)(j), 11(4) and 11B thereof and Section 12A of the Securities Contracts (Regulation) Act, 1956, hereby confirm the directions issued vide the Interim Order dated June 4, 2013 against the Company, Sanathnagar Enterprises Limited, its Directors, Promoters and Promoter Group.”*

## MODIFICATION ORDER DATED APRIL 19, 2018 –

- 1.5 Thereafter, Sanathnagar Enterprises filed representations before SEBI vide letters dated March 23, 2018 and April 3, 2018. Vide the aforementioned, Sanathnagar Enterprises requested SEBI to permit temporary ISIN level de-freezing of accounts of the following *three entities* belonging to the Promoters/Promoter Group so that the credit of the capital issued, capital reduction and demerger actions pursuant to the Order of the Board for Industrial and Financial Reconstruction (“**BIFR**”) dated August 22, 2005, could be updated in the Depository system –

<b>Sr. No.</b>	<b>Name of the shareholder</b>	<b>PAN</b>
1.	<i>N. P. S. Shinh</i>	<i>ADDPS2283D</i>
2.	<i>Manita Shinh</i>	<i>APVPS5972F</i>
3.	<i>Continuous Forms (Calcutta) Limited</i>	<i>AABCC2698A</i>

- 1.6 After considering the aforementioned representations, SEBI vide an Order dated April 19, 2018 (“**Modification Order**”) issued the following directions against Sanathnagar Enterprises and its Directors, Promoters and Promoter Group –

14. *“In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(1), 11(2)(j), 11(4) and 11B thereof and section 12A of the Securities Contracts (Regulation) Act, 1956, hereby issue the following directions which are in modification of the directions issued vide the interim order dated June 04, 2013 read with SEBI order dated September 29, 2015:*

*(i) In respect of the beneficiary accounts of the three entities mentioned under para 13 above, the direction of restraint/prohibition contained in paragraph 17(b) of the interim order dated June 4, 2013 read with order dated September 29, 2015 shall stand modified to allow giving effect to the corporate actions in accordance with the aforesaid Sanctioned Scheme of BIFR / AAIFR.*

*(ii) Upon giving effect to the corporate actions as stated in sub-para (i) above, the direction of restraint/prohibition contained in Para 17(b) of the interim order dated June 4, 2013 read with the order dated September 29, 2015 shall automatically take effect and remain in force till such time the company becomes compliant with the minimum public shareholding norms.”*

- 1.7 Vide an e-mail dated May 17, 2018, Central Depository Services (India) Limited (“**CDSL**”) informed SEBI that in compliance with paragraph 14(i) of the Modification Order, the demat accounts of N. P. S. Shinh, Manita Shinh and Continuous Forms (Calcutta) Limited were de-freezed for the purpose of facilitating the effect of corporate action mentioned therein. CDSL

also informed SEBI that the freeze on the aforesaid demat accounts were reverted upon completion of the aforementioned corporate action.

1.8 Subsequently, vide a letter dated May 23, 2018 along with an e-mail dated June 1, 2018, Sanathnagar Enterprises *inter alia* submitted as under –

1. *“... In order to comply with the minimum public shareholding norms, Siddhnath Residential Paradise Private Limited, a Promoter of the Company (“Promoter”), undertook an OFS of 5,45,540 equity shares of Rs. 10/- each, which represents 17.32% of the share capital of the Company. SMC Global Securities Limited (“SMC”), was appointed as a broker in relation to the OFS.*
2. *The OFS was undertaken in the secondary market on a separate window provided by BSE Limited. The brief details of the OFS are set forth below:*
  - a. *The non-retail investors portion (“Non-retail Portion”) opened and closed on May 17, 2018. In terms of the Offer, 272,770 equity shares of Rs. 10/- each, amounting to Rs. 2,727,700 were allotted to investors in the Non-retail Portion.*
  - b. *The retail investors portion (“Retail Portion”) opened and closed on May 18, 2018. In terms of the Offer, 272,770 equity shares of Rs. 10/- each, amounting to Rs. 2,727,700 were allotted to investors in the Retail Portion.*
3. *Pursuant to the OFS, Sanathnagar Enterprises is now compliant with the minimum public shareholding norms and further, is in compliance with the requirements of Regulation 38 of Securities and Exchange Board of India (Listing Obligation and Disclosure Requirement) Regulations, 2015 (“Listing Regulations, 2015”).*
4. *After OFS of 5,45,540 equity shares by the Promoter entity, the shareholding pattern distributed among promoters and public is as under:*

<b>PARTICULARS</b>	<b>NO. OF SHARES</b>	<b>%</b>
<b>PROMOTER AND PROMOTER GROUP</b>	23,62,497	74.99990
<b>PUBLIC</b>	7,87,503	25.00010
<b>TOTAL</b>	31,50,000	100.00000

5. *The above table shows that the Promoter and promoter group holds 74.99990% after OFS.*
6. *In light of the above, we request you to vacate the SEBI Orders and further pass appropriate directions to BSE Limited, Central Depository Service Limited and National Securities Depository Limited to unfreeze the holdings of the promoters, the promoter group and the directors of the Company, at the earliest.”*

## FINDINGS –

- 2.1 I have considered the submissions made by Sanathnagar Enterprises vide letter dated May 23, 2018 along with the e–mail dated June 1, 2018 along with all relevant material available on record.
- 2.2 Vide Notifications dated June 4, 2010 and August 9, 2010, the Ministry of Finance amended the SCRR including Rule 19A to provide for minimum and continuous public shareholding requirements in listed companies as it was felt that a dispersed shareholding structure was essential for the sustenance of a continuous market for listed securities, to provide liquidity to the investors and to discover fair prices. The aforementioned Notifications mandated all listed companies (other than PSUs) to have minimum public shareholding of 25%. Further, in listed companies where the public shareholding was less than 25%, such companies were mandated to raise the same to the minimum of 25% by June 3, 2013.
- 2.3 The shareholding pattern of Sanathnagar Enterprises as obtained from the BSE website as on the following Quarters ended and on May 22, 2018, is reproduced below –
- (i) June 30, 2015 i.e. prior to the Confirmatory Order dated September 29, 2015;
  - (ii) March 31, 2018 i.e. prior to the Modification Order dated April 19, 2018 and
  - (iii) May 22, 2018 i.e. date of purported compliance with minimum public shareholding requirement by Sanathnagar Enterprises since shareholding pattern was filed with BSE on that date.

<b>SHAREHOLDING PATTERN OF SANATHNAGAR ENTERPRISES</b>			
	<b>DATE</b>	<b>PROMOTER GROUP SHAREHOLDING IN %</b>	<b>PUBLIC SHAREHOLDING IN %</b>
1.	30.06.2015	92.32	7.68
2.	31.03.2018	92.32	7.68
3.	22.05.2018	75.00	25.00

- 2.4 From the preceding paragraph, it is observed that Sanathnagar Enterprises is now compliant with the requirement of minimum public shareholding as stipulated under Rule 19A of the SCRR with effect from May 22, 2018 i.e. when the public shareholding in the Company increased to 7.68% from 25%. Vide an e–mail dated June 4, 2018, BSE also confirmed to SEBI that Sanathnagar Enterprises achieved minimum public shareholding compliance on May 22, 2018. I note that though Sanathnagar Enterprises ensured compliance with minimum public shareholding requirement, it is with a delay of more than 4 years and 11 months i.e. from June 4, 2013 till May 21, 2018.

2.5 Considering the fact that the Promoter and Promoter Group's shareholding in Sanathnagar Enterprises has been brought at 75% thereby ensuring minimum public shareholding at 25%, I am of the considered view that the directions issued against Sanathnagar Enterprises, its Promoters/Promoter Group along with its Directors, vide the Interim Order read with the Confirmatory Order and the Modification Order, need not be continued.

**ORDER –**

- 3.1 In view of the above, I, in exercise of the powers conferred on me under Sections 11(1), 11(2)(j), 11(4) and 11B of the SEBI Act read with Section 12A of the Securities Contracts (Regulation) Act, 1956, hereby revoke the directions issued vide Interim Order dated June 4, 2013 read with the Confirmatory Order dated September 29, 2015 and the Modification Order dated April 19, 2018, against Sanathnagar Enterprises, its Promoters/Promoter Group along with its Directors with immediate effect.
- 3.2 The mandate to maintain minimum public shareholding was introduced through amendments made in the year 2010, to the SCR Rules. It is reiterated that Sanathnagar Enterprises failed to ensure compliance with minimum public shareholding norms as stipulated under the SCR Rules for the period from June 4, 2013 to May 21, 2018. I do not find any justifiable reason for Sanathnagar Enterprises to have delayed compliance with the requirement to maintain minimum public shareholding. Hence, SEBI may consider initiating any action as deemed fit.
- 3.3 This Order shall come into force with immediate effect.
- 3.4 A copy of this Order shall be served on the recognized Stock Exchanges and Depositories for their information and necessary action.

**Place: Mumbai**  
**Date: June 12, 2018**

**G. MAHALINGAM**  
**WHOLE TIME MEMBER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**