



SECRETARIAL DEPARTMENT

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Maharashtra, India
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RL/SE/AC/20-21/77

November 20, 2020

To,
The Department of Corporate Services – CRD
Bombay Stock Exchange Ltd.
P.J. Towers, Dalal Street,
Mumbai - 400 001
Scrip Code: 500330

The National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
Bandra-Kurla Complex, Bandra (East)
Mumbai - 400 051
Symbol: RAYMOND

Luxembourg Stock Exchange
Societe De La Bourse De Luxembourg,
35A, Boulevard Joseph II,
L-1840 Luxembourg
Trading Code : USY721231212

Dear Sir/Madam

Sub: Raymond Limited - Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations")

We take reference to the Adjudication Order No. Order/KS/PP/2020-21/9588 dated November 19, 2020 passed by the Securities and Exchange Board of India ("SEBI") and in terms of the Listing Regulations hereby inform that the Adjudication Proceedings initiated by SEBI in terms of the Show Cause Notice bearing reference no. SEBI/EAD-8/OW/RAYMOND/JS/SP/P/2018/32419/1 dated November 27, 2018 issued in the matter of Raymond Limited ("the Company") have been completed.

The detailed Order passed by the Adjudicating Officer is enclosed and is also available on the website of SEBI.

The penalty of Rs. 7,00,000/- (Rupees Seven Lac only) will be remitted by the Company within the stipulated timeline detailed in the Order. The said Order is not expected to have any material impact on the financial position of the Company.

Please take the above disclosure on record.

Thanking you,

Yours faithfully,

For Raymond Limited

Thomas Fernandes
Director-Secretarial & Company Secretary

Encl.: as above



REGISTERED OFFICE

Plot No. 156/H No. 2, Village Zadgaon,
Ratnagiri - 415 612, Maharashtra
Tel: (02352) 232514
Fax: (02352) 232513

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER No.: Order/KS/PP/2020-21/9588)

UNDER SECTION 23-I OF THE SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH RULE 5 OF THE SECURITIES CONTRACTS (REGULATIONS) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 2005.

In respect of:

Raymond Limited

(PAN: AAACR4896A)

New Hind House, Narottam Morarjee Marg,

Ballard Estate, Mumbai – 400 001

FACTS OF THE CASE

1. A news article titled '*liAS slams Raymond's bid to sell JK House to promoters at throwaway price*' was published in Business Standard dated May 25, 2017 taking note of an article of the Institutional investor Advisory Services Private Limited (liAS) dated May 24, 2017. Taking cognizance of the same, Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted examination in the scrip of Raymond Ltd. (hereinafter referred to as '**Raymond**'/'**Company**'/'**Noticee**') to examine the violation, if any, of the corporate governance norms prescribed by SEBI under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)

Regulations, 2015 (hereinafter referred to as '**LODR Regulations**') in letter or spirit.

2. During the course of examination, it was observed by SEBI that Raymond had allegedly failed to take necessary approval for certain related party transactions thereby violating the provisions of Regulation 23(2) of LODR Regulations read with Clause 49(VII)(D) of the erstwhile equity listing agreement (amendments introduced vide SEBI circular dated April 17, 2014) (hereinafter referred to as '**Listing Agreement**'). Further, the Noticee had also allegedly failed to disclose litigation filed by Shri Akshaypat Singhania, Smt. Veenadevi Singhania and Anant Singhania in January 2017 along with brief details of litigation and expected financial implications, thereby violating the provisions of Regulation 30(1), 30(3), 30(4) and 30(6) read with clause (8) of para B of Part A of Schedule III of LODR Regulations and clause (8) of Para B of Annexure I of SEBI Circular CIR/CFD/CMD/4/2015 dated September 09, 2015 and Regulation 4(1) (a), (b), (c), (d), (h) and (j) of the LODR Regulations. It is also observed that the Noticee had allegedly reclassified a promoter to public shareholder in June 2017 without following due process of reclassification thereby violated the provisions of Regulation 31A of the LODR Regulations.
3. In view of this, adjudication proceedings were initiated against the Noticee under the provisions of section 23A(a) read with section 23E of the Securities Contract (Regulations) Act, 1956 (hereinafter referred to as '**SCRA**').

APPOINTMENT OF ADJUDICATING OFFICER

4. Shri Jeevan Sonparote was appointed as the Adjudicating Officer, vide Order dated September 06, 2018 under Section 23-I(1) of the SCRA read with Rule 3 of Securities Contracts (Regulations) (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 2005 (hereinafter referred to as '**Adjudication Rules**'), to inquire into and adjudge under the provisions of section 23A(a) read with Section 23E of the SCRA, the alleged failure on the part of the Noticee to comply with the relevant provisions of law.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING:

5. A Show Cause Notice ref. SEBI/EAD-8/OW/RAYMOND/JS/SP/P/2018/32419/1 dated November 27, 2018 (hereinafter referred to as '**SCN**') was issued to the Noticee under the provisions of Rule 4(1) of the Adjudication Rules, to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed on it under the provisions of Section 23A(a) read with Section 23E of the SCRA for alleged violation of the relevant provisions of law.
6. The details in respect of alleged violation by the Noticee are as given below:
 - i. *SEBI, has alleged that Raymond has failed to take necessary approvals for Related Party Transactions. It is observed that during the Financial Year ('FY') 2006-2007 to FY 2016-2017, JK House, situated at 59A, Bhulabhai Desai Road, Mumbai-400026, was leased/rented to the promoter/director (sub-lessees/Tenant) of Raymond through a tripartite agreements with Pashmina Holdings Ltd. ('Pashmina', the Sub-Lessor) along with Raymond (Lessor). The details are as follows:*

- *Company vide four separate agreements dated March 28, 1994, leased the 4 duplex flats in the building, JK House, to Pashmina, for a period of 9 years at the rate of Rs. 6000 per duplex flat, per month.*
- *Pashima, sub-leased the 4 dulpex flats at the rate of Rs. 7500 per month for each duplex flat, commencing from April 04, 1994.*
- *Subsequently, by and under another Deed of Lease dated March 27, 2003 executed by the Company in favour of Pashmina, the company granted a lease in respect of the four duplex flats in favour of Pashmina, for a term of 9 years from March 27, 2003, for the monthly rent of Rs. 6000 per duplex flat. This lease was due to expire on March 26, 2012.*
- *Pashmina, Sub-leased the 4 duplex flats at the rate of Rs. 7500 per month for each duplex flat, commencing from March 27, 2003 for a term equivalent to the term created by the original lease dated March 27, 2003.*
- *Subsequently, JK House was under reconstruction and the sub-tenants were provided alternate accommodation. The details of the expenditure incurred by providing alternate accommodation to the sub-tenants are as follows:*

Sr. No	Name of the Sub-Tenant	Amount of Expenses incurred (in Rs. Crore)	Time Period
1	Shri Gautam HarLSinghania	19.74	May 2007 to Nov 2015
2	Smt Veena Devi Singhania and Shri Anant Singhania	10.64	May 2007 to Nov 2015
3	Shri Akashaypat Singhania	10.57	May 2007 to Nov 2015
	Total	40.95	

However, during these years, the sub-tenants were paying a sum of Rs. 7500 per month per sub-tenant.

- *Also, the total cost incurred by the Company, as informed by the Company vide letter dated June 12, 2017, for the reconstruction of JK House, a year wise*

break-up of the cost incurred by the Company from 2008 onwards are as follows:

Year	Cost Incurred (Rs. In Crore)
2008-09	22.85
2009-10	15.48
2010-11	30.06
2011-12	31.64
2012-13	33.21
2013-14	20.16
2014-15	11.11
2015-16	22.17
2016-17	83.60
Total	270.28

- *In terms of Clause 3 of the Tripartite agreement: “In consideration of the Sub-Lessor and the Tenant surrendering their tenancy and sub-tenancy rights including all their other rights, title and interest, if any, in the said existing premises and also in consideration of their handing over possession of the said existing premises, the Developer has agreed to provide the tenant, at its cost, alternate accommodation of a commensurate size at a comparable location, until expiry of one year from the date of handing over the Apartment to the tenant for undertaking interior decoration. —”*

Related Party Transactions: *It is noted that the sub-tenants were paying a paltry sum of Rs. 7,500 per month per sub-tenants as rent whereas, expenditure incurred by the Company for providing alternate accommodation to each of the sub-tenants was Rs. 8 lakh per month. Further in FY 2015-16, rent paid by sub-tenants remained same but expenditure incurred by the Company for providing alternate accommodation to each of the sub-tenants increased to Rs. 12 lakhs per month.*

- ii. *Thus, it is alleged that the Company provided alternate accommodation to sub-tenants at approximately 99% discount. Such disparity in rent paid by sub tenants and the company indicates that intent of the tripartite agreement was to provide unfair economic benefit to promoters at the cost of company and its shareholders funds.*
- iii. *In terms of Regulation 23(2) of the LODR Regulations, "All related party transactions shall require prior approval of the audit committee". In this regard, the Company vide letter dated June 06, 2017 has submitted that "no approval of Audit committee was required as payment with respect to alternate accommodation were made directly to the licensors, being unrelated third parties (under relevant leave license agreements), who were and are in (no) way related parties (as defined under Companies Act, 2013)".*
- iv. *Since, there is no dispute that tripartite agreement is a deemed related party transaction, thus any payment arising out of tripartite agreement should also be considered as a related party transaction. Therefore, audit committee approval was required for payment made pursuant to tripartite agreement from December 01, 2015 under LODR Regulations. Thus, it is alleged that the Company has violated Regulation 23(2) of Listing Regulations and Clause 49 (VII)(D) of the SEBI Circular dated April 17, 2014.*

Litigation filed by related party:

- v. *It was alleged that the Company has failed to notify the litigation filed against the Company by Sub-Tenant.*
- vi. *In this regard, it is pertinent to refer to Clause 3 and Clause 6 of the tri-partite agreement:*

Clause 3: "-----". The developer further agrees that upon completion of the new structure on the said property, the developer shall offer to sell to the tenant, the apartment which will be more or less of the same carpet area as the said existing premises in the new structure at the rate as specified in Clause 6 herein and in the manner and on the terms and conditions as hereinafter provided'.

Clause 6: "In pursuance of Clause 3 of this agreement, the Developer agrees to offer for sale to the Tenant, the Apartment which will be more or less of the same carpet area as the said existing premises, in the new structure not later than 30 days from completion of the structure, at the rate of Rs. 9,000 per square foot (carpet), subject to the Tenant having handed over timely, vacant and peaceful possession of the said existing premises to the Developer".

- vii. It is noted that subsequent to redevelopment of JK House, the Sub-Lessees have sent letters to Company to exercise their option of purchase of the new apartments as per the said Tripartite Agreement. Subsequently, the sub-lessees have filed a Petition before the Bombay High Court in the matter.*
- viii. It was alleged that the pending litigation against the Company is material in terms of the Regulation 30 read with Schedule III of LODR Regulation, 2015, which requires to be disclosed to the Stock Exchanges. In terms of Regulation 30 of LODR Regulations, 2015, "the listed entity shall frame a policy for determination of materiality, based on criteria specified in this sub-regulations, duly approved by its board of directors, which shall be disclosed on its website".*
- ix. It is also observed that the Company has made "Policy on Determination of Materiality of Event(s) / Information", wherein it has defined the event/information shall be considered to be material, which are as follows:*

- I. *Qualitative: Qualitative criteria to determine materiality shall become applicable to an event/information if:*
- II. *Quantitative: Quantitative criteria to determine materiality shall become applicable to an event/information if:*
- a. *Where the value involved or the impact exceeds 5% of the gross turnover or revenue or total income; or exceeds 20% of the net worth (lower threshold shall be taken as a trigger);*
- b. *The above threshold shall be determined on the basis of audited consolidated financial statements of last audited financial year.*
- x. *It is alleged that, if the said 4 duplex apartments in JK House were sold to sub-tenants as per the terms and conditions laid down in the Tripartite Agreement, then it would have resulted in opportunity cost of over Rs. 623 crore to the Company and its shareholders. The calculation of opportunity cost is as follows:*

Particulars	Constructed Area (Sq.Ft.)	Rate (Rs. Per sq.ft.)	Total Value (in Rs. Crores)
Commercial Space	19,493.68	1,17,000	228
Residential Space	68,661.39	1,17,000	803
Other saleable amenities and service space (rate will be one third of Residential rates)	1,56,746.62	39,000	611
Total	2,44,901.69		1,643

(Source: JLL Valuation report, forwarded by the Company vide letter dated June 02, 2017)

Cost incurred in redeveloping JK House (in Rs. Per Sq. Feet)

Cumulative cost incurred as Capital work in progress till March 31,2017 (in Rs. Crores)	A	Rs. 270.00 crores
Total Constructed Area (in Sq. ft)	B	2,44,901.69 sq. ft
Cost of Construction (in Rs. Per Sq. feet)	C=B/A	Rs. 11,036 sq. ft

(Source: relevant extracts of Raymond Annual Report 2017)

Calculation of Opportunity cost

Particulars	Constructed Area in Sq.ft	Rate in Rs. Per Sq. ft	Cost of Construction (Rs. Per Sq. feet)	Total value (in Rs. Crores)
Total value of 9 floors (comprising of duplex apartment)	56,591.04	1,17,000	11,036	725
Total Value of 8 Floors (comprising of 4 duplex apartments) being sold to promoters (D)	50,303.15	1,17,000	11,036	644
Revenue from sale of 8 Duplex Flats (E)	20,740 (carpet area)	9,200 (carpet area)		19
Total (F)	F=D-E			623

(Source: Tripartite Agreements, provided by Company vide letter dated June 02, 2017)

- xi. It is noted from the Consolidated Statement of Profit and Loss for the year ended March 31, 2016, the Company's Gross Revenue from Operations for the FY 2015-16 (Consolidated) was Rs. 5,63,247.82 Lakhs.*
- xii. In terms of the Policy on Materiality determined by the Company, 5% of gross turnover of last audited consolidated financial statements i.e. FY 2015-16 is Rs. 281.64 crores. Since the estimated cost i.e. Rs. 623 crore exceeds 5% of the gross turnover, it is alleged that the Company should have notified the stock exchanges upon receipt of litigation filed by sub-tenant along with the expected financial implications. Accordingly, it is alleged that the Company have violated Regulation 30(1), 30(3), 30(4) and 30(6) read with clause (8) of para B of Part A of Schedule III of Listing Regulations, 2015 and clause (8) of Para B of Annexure I of SEBI Circular CIR/CFD/CMD/4/2015 dated September 09, 2015 and Regulation 4(1) (a), (b), (c), (d), (h), (j) of the Listing Regulations, 2015.*

Reclassification of Shareholding pattern

- xiii. It is observed from the shareholding pattern for quarter ended March 2017, Ritwik A Ruia, held 2000 shares of the Company under the category 'Promoter and Promoter Group'. For the quarter ended June 2017, Ritwik A Ruia was not reflected as part of the Promoter and Promoter Group of the Company however, vide letter*

dated September 07, 2017, Company in its reply has confirmed that "Ritwik Ruia continues to be part of Promoter and Promoter Group of the Company". It was also observed that the Company has subsequently modified the holdings of the 'Promoter and Promoter Group' for the quarter ended June 2017, by including Ritwik Ruia as part of the promoters and was holding Nil shares of the Company.

xiv. Thus, it is alleged that the Company has not followed any procedures specified under Regulation 31A of Listing Regulations, 2015 for reclassification of promoter to public shareholders and accordingly filed an incorrect information with stock exchange. Thus, it was alleged that the Company had violated Regulation 31A of the Listing Regulations, 2015.

7. I note that the SCN had returned undelivered from the address of the Noticee.

Thereafter, the SCN was hand delivered to the authorized representative of the Noticee on December 03, 2018. Subsequently, the Noticee, vide letter dated January 08, 2019, requested for inspection of documents. Vide letter dated January 22, 2019, the erstwhile AO rejected the said request and informed the Noticee that all relevant and relied upon documents have already been provided to it. Further, the erstwhile AO gave another opportunity to the Noticee to submit its reply to the SCN on or before February 05, 2019. Subsequently, vide Email dated February 27, 2019, the Noticee submitted that it had filed for settlement of the adjudication proceedings in terms of SEBI (Settlement of Proceedings) Regulations, 2018.

8. Subsequently, upon transfer of the said matter to the undersigned, vide Email dated March 04, 2020, the concerned department of SEBI informed that the said settlement application of the Noticee had been rejected. Subsequently, vide

letter dated March 09, 2020, certain clarification in respect of the SCN were provided to the Noticee. Further, the Noticee was provided with an opportunity of personal hearing on March 30, 2020 and the Noticee was also provided with an opportunity to submit its reply at least 2 days before the date of hearing. Vide Email dated March 26, 2020, the Noticee requested for adjournment of personal hearing on account of COVID-19 and the consequent lockdown of the country order by the Government of India.

9. Thereafter, vide letter dated April 24, 2020, the Noticee was advised to submit its reply to the SCN, if any, on or before May 11, 2020. An opportunity of personal hearing was also provided to the Noticee on May 15, 2020. Vide letter dated May 11, 2020, the Noticee requested for two weeks' time to submit its reply in light of extension of lockdown due to COVID-19. Thereafter, vide letter dated May 22, 2020, the Noticee submitted its reply to the SCN wherein the Noticee made the following contentions:

a. *The charges in the SCN against the Noticee are as follows:*

- *alleged failure to take approval in case of existing related party transaction in connection with payment for alternate accommodation provided to sub-tenants, namely, Mr. Gautam Singhania, Mr. Akshaypat Singhania and Ms. Veena Devi Singhania during the period of redevelopment of JK House (financial year 2014 till date) under: (i) Regulation 23(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"); and (ii) Clause 49 (VII)(D) of the erstwhile listing agreement (amendments introduced vide Securities and Exchange Board of India ("SEBI") circular dated April 17, 2014).*
- *alleged failure to disclose the litigation filed by Mr. Akshaypat Singhania, Ms. Veenadevi Singhania and Mr. Anant Singhania in January 2017, along with*

brief details of litigation and expected financial implications under: (i) Regulations 30(1), 30(3), 30(4) and 30(6) of the Listing Regulations read with Clause (8) of para B of Part A of Schedule III of Listing Regulations and Clause (8) of part B of Annexure I of SEBI circular dated September 9, 2015, bearing reference no. CIR/CFD/CMD/4/2015; and (ii) Regulation 4(1)(a), (b), (c), (d), (h), (j) of Listing Regulations; and

- *alleged failure to follow the due process for reclassification of Mr. Ritwik A. Ruia from promoter to public shareholder in June 2017, under Regulation 31A of the Listing Regulations.*

Inspection

- b. On January 22, 2019, SEBI issued a letter to the Noticee stating that the Noticee's request for inspection of all documents/ material referred to and/or relied upon and/or available in connection with, or in relation to the charges against the Noticee in the SCN, was denied and that no other documents or information other than which has been provided by SEBI had been relied upon.*
- c. On January 31, 2019, the Noticee replied to the above letter, inter alia, stating that the Noticee will not be able to comprehensively deal with each and every allegation levied against the Noticee in the SCN, without an inspection of documents and material relied upon and referred to by SEBI when issuing the SCN. An inspection is essential for arriving at a fair adjudication of the SCN and the responses submitted by the Noticee. A simpliciter rejection on the ground of the request being "vague and roving in nature" vitiates the fundamental principles of natural justice and due process of law. Further, on April 4, 2019, the Noticee once again requested grant of inspection of documents and material in relation to the SCN. Till date the Noticee has not received any response from SEBI in relation to the above requests.*
- d. It is submitted that on the bare reading of the SCN, there is no specific evidence pressed into action against the Company. The SCN is primarily based on the information provided by the Company and it appears that SEBI has not carried out its own independent investigation and/ or examination before issuing the SCN. The allegations in the SCN are vague and are not supported by facts and evidence. We are not in a position to determine whether SEBI has indeed found any concrete evidence in support of the general findings.*

- e. Further, the SCN does not bring out as to what advantage/ benefit was gained by the Company by committing the alleged breaches and defaults, which in any case, the Company denies having committed. It is submitted that the allegations in SCN are general, vague and unsupported by any facts and evidence. From the bare reading of the SCN, it appears that the allegations against the Company are baseless, lack merit and are liable to be set aside. Accordingly, it is submitted SCN is vague, lacking in material particulars, unintelligible and is merely based on surmises and conjectures, and hence violative of the principles of natural justice. Especially in these circumstances, an inspection is of paramount importance.
- f. It is submitted that all material collected by SEBI during its investigation ought to have been made available to the Noticee and unless the same is done Noticee will not be able to even discover material/ evidence that may have been collected by SEBI during investigation which may support its case. It is submitted that it is a well settled position in law that an adverse inference can be drawn only if a party withholds certain evidence and not merely on account of its failure or inability to obtain certain evidence.
- g. In the absence of a complete inspection being provided to the Noticee and in light of the absence of records available with the Noticee prejudice is being caused to the Noticee to effectively defend itself on the charges levelled against it in the present proceedings and therefore the principles of natural justice are being grossly violated.
- h. Further, without prejudice to our right to seek the inspection of documents/ material and/ or cross examination of persons in connection with the SCN, we, on behalf of the Company, hereby submit the following response for your consideration.

Allegation relating failure to take approval for a related party transaction

- i. It is submitted that the Company entered into a single deed of lease on March 28, 1994 with Pashmina Holdings Limited ("Pashmina") pursuant to which the Company granted a lease of four duplex flats situated in JK House to Pashmina for a period of nine years for each duplex flat. Pashmina, sub-leased the said four duplex flats to the following tenants (collectively "Sub-Tenants"):
- Mr. Gautam Singhania;
 - Dr. Vijaypat Singhania;
 - Mrs. Veenadevi Singhania and Mr. Anant Singhania; and

- *Mr. Akshaypat Singhania.*
- j. Subsequently, pursuant to another deed of lease dated March 27, 2003 between the Company and Pashmina, the Company granted lease of the said four duplex flats to Pashmina for a term of nine years commencing from March 27, 2003 for each duplex flat. Pashmina had sub-leased the said four duplex flats to the Sub-Tenants.*
- k. Given the condition of the JK House and based on:*
- *the structural audit report dated March 25, 2004 issued by Sterling Engineering Consultancy Services Private Limited which, inter alia, reported problems of corrosion and weakening;*
 - *certificate from the Department of Civil Engineering, Indian Institute of Technology, Bombay which, inter alia, reported corrosion, seepage, poor quality control at the time of construction and that JK House was in an extremely weak state; and*
 - *letter dated March 23, 2006 received from Municipal Corporation of Greater Mumbai which, inter alia, reported that JK House is unsafe and should be demolished,*
- the Company resolved to demolish and reconstruct JK House.*
- l. Thereafter, the Company and Pashmina had entered into four agreements each dated November 6, 2007 (“Tripartite Agreements”), with the Sub-Tenants.*
- m. In terms of the Tripartite Agreements, the Company, inter alia, offered to provide the Sub-Tenants with temporary alternate premise of a commensurate size at a comparable location during the period of reconstruction or redevelopment of property (being JK House), in consideration of the Sub-Tenants surrendering/ transferring their rights and possession in respect of the existing premise in favour of the Company. The cost incurred by the Company for providing alternate accommodation to:*
- *Mr. Gautam Singhania was Rs. 8,00,000 which subsequently augmented to Rs. 12,00,000 in financial year 2015-16;*
 - *A similar escalation in rent was also seen in the case of: (A) Mr. Akshaypat Singhania, and (B) Ms. Veenadevi Singhania and Mr. Anant Singhania;*
 - *In the case of Dr. Vijaypat Singhania, no expenses were incurred as the Company had not paid for Dr. Vijaypat Singhania’s alternate accommodation*

till July 2018. However, pursuant to litigation in the family, pursuant to an order dated July 14, 2018 of the Arbitral Tribunal in the Arbitration Proceedings between Dr. Vijaypat Singhania and the Company, the Company has been paying towards Dr. Vijaypat Singhania's alternate accommodation since August 2018.

- n. It is submitted that the cost incurred by the Company in providing alternate accommodation to the Sub-Tenants, was as per the prevailing tenancy rent, and also in line with the provisions of the Tripartite Agreements. It is submitted that the requisite approvals were sought for entering into Tripartite Agreements for entering into the Tripartite Agreement and/ or exercising options arising out of the same, as and when required.*
- o. Further, given that the shareholders of the Company in the annual general meeting of the company held on June 5, 2017 resolved to reject the proposed transaction as was contemplated under the Tripartite Agreements, there no longer existed any deal/ transaction, and hence any scope for a proposition that such deal/ transaction is unfair was brought to an end. Additionally, it is submitted that the payments with respect to alternate accommodation (that was provided to the Sub-Tenants except Dr. Vijaypat Singhania) have been made by the Company directly to the licensors, under the relevant leave and license agreements). These licensors not being 'related parties' (as defined under the Companies Act, 2013 ("CA 2013")) to the Company, it was bona fide believed that there was no need for any procedural compliance relating to related party transactions. Therefore, the procedures involving the Audit Committee were not followed since they were not applicable.*
- p. Without prejudiced to the aforesaid, it is submitted that such payments were started in 2006-07, i.e. well before the Listing Regulations were notified. It is settled law that no requirement under law can be applied retrospectively and that all application must only be made prospectively. Therefore, Regulation 23(2) of the Listing Regulations is to be read and applied prospectively. Consequently, there is also no case to be made for taking any retrospective approval for these payments that had already been made and contracted even before the Listing Regulations became law.*

- q. *In fact, it is submitted that the provisions under Regulation 23(6) of the Listing Regulations positively states that the provisions under the Regulation 23 of the Listing Regulations (which deals with the related party transactions) shall be applicable to all prospective transactions. It is trite principle of law that a penal statute which creates new offences is always prospective with only two exceptions, i.e. (a) any retrospective application must be expressly so stipulated in the enactment; or (b) inference of retrospective application should become evident by necessary implication.*
- r. *Further, it is respectfully submitted that the Company vide its letters dated July 26, 2017, August 14, 2017, August 21, 2017 and September 7, 2017 had drawn the attention of SEBI to this vital principle of law.*
- s. *The SCN has not taken the same into consideration, and has simply alleged that the Company has failed to take approval in relation to the money paid by the Company for alternate accommodation.*
- t. *In view of the aforesaid context, it is submitted that:*
- *In terms of the Companies Act, 1956 ("CA 1956") and the then prevailing Listing Agreement, a resolution of board of directors was passed at meetings held on June 23, 2006 and July 20, 2007 and Mr. Gautam Singhanian being interested on the matter, abstained from voting on the matter.*
 - *With effect from May 1, 2017, the Company stopped paying any rent for the alternate accommodation of Mr. Gautam Singhanian. However, the Company has to continue to pay for the alternate accommodation for Mr. Akshaypat Singhanian, Mrs. Veenadevi Singhanian along with Mr. Anant Singhanian in compliance with the order passed by the Hon'ble Bombay High Court, which inter alia directed the Company that till further orders, the Company is required to continue the leave and license agreement for the premise occupied by the said sub-tenants.*
 - *The payments with respect to alternate accommodation were made by the Company directly to the licensor who were in no way "related parties" (as defined under CA 2013) to the Company.*
 - *While the Company was not required to place the matters set out above before the audit committee, based on SEBI's request dated July 5, 2017, and keeping*

in mind the highest standard of corporate governance, the Company placed the matters before the audit committee on July 25, 2017, and the view of the members of the audit committee were concurrent with the responses set out above.

u. SEBI has alleged that the Company has violated provisions under:

- Regulation 23(2) of Listing Regulations, which was notified on September 2, 2015; and*
- Clause 49 (VII)(D) of the Listing Agreement, which as has been stated in the SCN was introduced vide SEBI circular dated April 17, 2014.*

It is pertinent to note that the Tripartite Agreements were executed much prior to the Listing Regulations and the amended Clause 49 (VII)(D) being introduced. Therefore, it is respectfully submitted that the provisions of Listing Regulations and the amended Clause 49(VII)(D) should be read and applied prospectively and therefore, no retrospective approval was required to be taken for the alternate accommodation payments under the Listing Regulations. In fact, it is submitted that the provisions under Regulation 23(6) of the Listing Regulations states that the provisions under the Regulation 23 of the Listing Regulations (which deals with the related party transactions) shall be applicable to all prospective transactions.

v. As stated above, the Company obtained the requisite approvals from its audit committee, board of directors and/ or shareholders, as required, for the related party transactions entered into by it, and made the relevant disclosures required to be made, from time to time. It is further submitted that:

Execution of the Tripartite Agreements

- In terms of Section 293(1)(a) of CA 1956 (applicable at the time the agreements recording the termination of tenancy rights in order for JK House to be redeveloped), the board of directors of a public company could not, except with the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the company. The expression 'undertaking' has been defined as the following:*

- (i) *The Hon'ble Supreme Court in Rustom Cavasjee Cooper v. Union of India, AIR 1970 SC 564, held that an 'undertaking' means a business unit or enterprise in which a company may be engaged as gainful occupation. For example, each one of several factories or manufacturing plants of a company will be considered an undertaking from the business point of view. It does not consist of mere assets or property. It is a productive organism, so to speak, and signifies a going concern engaged in production, distribution etc. Sale of a standalone property or asset, is not a transfer of undertaking.*
- (ii) *In Yallamma Cotton, Wollen and Silk Mills Co. Ltd., and International Cotton Corporation Private Limited v. Bank of Maharashtra, (1970) 40 Com Cases 1154 (Mys), the Hon'ble High Court held that an "undertaking" was not, in its real meaning, anything which may be described as a tangible piece of property like land, machinery or equipment. It was held that an undertaking within the meaning of the above provisions was an activity which in commercial or in business parlance meant an activity engaged in with a view to earn profit.*
- *In light of the aforesaid, sale of property under the Tripartite Agreements, would not result in a sale of "undertaking" under Section 293 of CA 1956.*
 - *Further, Section 297 of CA 1956 governs contracts for: (A) the sale, purchase or supply of any goods, materials or services; and (B) underwriting the subscription of any shares in, or debentures of, the company. In this regard, given that lease of property does not amount to: (A) sale/ purchase/ supply of goods, material or services; or (B) underwriting, the provisions of Section 297 of CA 1956 will not apply.*
 - *Accordingly, as governed by the provisions of CA 1956 and the Listing Agreement, only the approval of the board of directors of the Company was required to be taken for entering into the Tripartite Agreements. In view of this, the board of directors of the Company, at its meeting held on June 23, 2006, inter alia, authorised execution of the Tripartite Agreements (which were subsequently executed on November 6, 2007).*

Exercising the Option under the Tripartite Agreements

- *It is submitted that subsequent to the execution of the said Tripartite Agreements, the parties to the Tripartite Agreements, have through their conduct demonstrated that the Tripartite Agreements were given a go-by, and not intended to be acted upon by the parties. The parties thus abandoned the Tripartite Agreements and continued with their original status of the Sub-Tenants and accordingly, payment of rent continued. In view of the abandonment of the said Tripartite Agreements and the fact that it was given a go by and not acted upon, the Company made no offer to the Sub-Tenants.*
- *However, having regard to the fact that letters were received by the Company from the Sub-Tenants (other than Mr. Gautam Singhania), purporting to exercise the option to purchase the new apartments in JK House, in the event the said Tripartite Agreements had to be acted upon, and that the prices specified in the said Tripartite Agreements are lower than the current market prices, the matter was therefore placed before the audit committee of the Company held on August 4, 2017.*
- *It is submitted that the audit committee of the Company reviewed the Tripartite Agreements and noted that said agreements were not in the ordinary course of business or at arm's length as per current market conditions. Further, the Company noted, from the legal advice it had sought, that if the offer for purchase had to be made the approval of the shareholders of the Company would be required under Section 188 of the CA 2013. The audit committee of the Company therefore recommended to the board of directors of the Company to place the matter before the shareholders of the Company for a decision.*
- *The board of directors of Company at its meeting held on April 28, 2017 unanimously decided to refer the matter to the shareholders in accordance with the recommendation of the audit committee.*
- *Thereafter, the shareholders of the Company in the annual general meeting of the Company held on June 5, 2017 resolved to reject the proposed transaction as was contemplated under the Tripartite Agreements, and the Company complied with this decision of the shareholders.*

- Accordingly, as governed by the provisions of CA 2013, the aforesaid matter was placed before the audit committee of the Company and the board of directors of the Company and finally rejected by the shareholders of the Company.
- w. It is pertinent to note that similar queries had been made by SEBI and adequate responses were submitted by the Company by way of its letters dated June 2, 2017, June 6, 2017 and July 26, 2017. SEBI has considered these letters without any application of mind and without carrying out any independent investigations and has concluded that the actions of the Company are in violation of the provisions under the Listing Agreement. Therefore, it is submitted that the SCN is arbitrary and lacks merit, and hence should be set aside.
- x. Further, it is submitted that the Company also complied with SEBI Circular CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 wherein Para 4.2 of the said circular states that the provisions of Clause 49 (VII) as given in Part B of the said circular are applicable to all prospective transactions and only material related party transactions/contracts are to be subjected to the approval of shareholders in the first general meeting subsequent to October 01, 2014. It is further submitted that the transaction referred to was entered into before the commencement of CA 2013 and the transaction was not considered as material in terms of the criteria provided in the proviso to Para VII C of Part B of the said circular.
- y. In the culmination of the above, it is submitted that the Related Party Transaction Allegation is devoid of any logic, lacks merit, arbitrary and is completely based on conjectures and surmises and hence the SCN should be set aside.

Allegation relating failure to disclose litigation

- z. It is submitted that there were three separate arbitration petitions that were filed by: (i) Dr. Vijaypat Singhania, (ii) Mr. Akshaypat Singhania, and (iii) Ms. Veenadevi Singhania and Mr. Anant Singhania, with the Hon'ble Bombay High Court which were not considered material by the Company and therefore a disclosure in relation to the same was not made under Regulation 30 of the Listing Regulations. In connection with the Disclosure Allegation, at the outset, by way of brief backdrop, please see below an overview of the said litigation:

- *As stated above, the Tripartite Agreements were entered into, whereby the premises were vacated to enable reconstruction of J.K. House, and the lease in favour of Pashmina and the sub-leases in respect of each of the Sub-Tenants were surrendered.*
- *Further, the Tripartite Agreements also contemplated making an offer by the Company in favour of the Sub-Tenants for purchase of premises in the newly constructed building upon completion thereof at the rate of Rs. 9,000/- per square foot. The Tripartite Agreements were executed after the board of directors of the Company had passed necessary resolutions and there was no undervaluation as per the market prices prevailing at the time of execution of the Tripartite Agreements.*
- *However, subsequent to the execution of the Tripartite Agreements, the parties to the Tripartite Agreements, have through their conduct demonstrated that the Tripartite Agreements were given a go-by, and not intended to be acted upon by the parties. The parties thus abandoned/ gave a go-by to the Tripartite Agreements and continued with their original status of Lessor, Lessee and Sub-Lessees and accordingly, payment of rent continued.*
- *The Company received letters on January 14, 2017 from the Sub-Tenants, other than Mr. Gautam Singhania, purporting to exercise the options to purchase the new apartments.*
- *Mr. Akshaypat Singhania and Mrs. Veenadevi Singhania along with Mr. Anant Singhania filed two separate Arbitration Petitions (L) Nos. 196 of 2017 and 197 of 2017, respectively, under Section 9 of the Arbitration and Conciliation Act, 1996, before the Hon'ble Bombay High Court on April 11, 2017.*
- *In view of the abandonment of the said Tripartite Agreements and the fact that it was given a go by and not acted upon, further considering that the aforesaid matter was placed before the audit committee of the Company and the board of directors of the Company and finally rejected by the shareholders of the Company, the Company made no offer to the Sub-Tenants.*

- *The aforesaid matters were disposed of by the Hon'ble Bombay High Court by Order dated February 14, 2018. All contentions with respect to specific performance of the Tripartite Agreement pertaining to J.K. House were left open to be adjudicated pursuant to the arbitration proceedings, which are presently underway and the Company continues to follow the instructions of the Hon'ble Bombay High Court and the Hon'ble Arbitration Tribunal.*
- aa. *In terms of Regulation 30(4) of the Listing Regulations, a listed company is required to formulate a policy for determination of materiality, based on criteria specified in the Listing Regulations, duly approved by its board of directors, which shall be disclosed on the website. The Company, in accordance with Regulation 30(4) of the Listing Regulations, formulated a materiality policy.*
- bb. *It is pertinent to note that in terms of the materiality policy of the Company, if the "value involved" or the "impact" exceeds 5% of the gross turnover or revenue or total income; or exceeds 20% of the net worth, whichever is lower, such an event would be treated as material. Therefore, the expressions "value involved" and "impact" should be construed to mean the actual value involved and actual impact, and not a notional amount based on loss of opportunity cost. It is submitted that SEBI has erred in considering "opportunity cost" as a parameter for considering the materiality of the event. In this regard, we would like to highlight that 5% of the gross turnover of the Company in financial year 2015-2016 was Rs. 281.64 crores and in no manner the financial implications of the aforesaid litigation above crossed the said threshold.*
- cc. *Without prejudice to the aforesaid, it submitted that SEBI has erred in computing the opportunity cost because of the following reasons:*
- *SEBI has failed to take into account that fact that the duplex flats were never intended to be sold, in line with the decision of the shareholders of the Company at its annual general meeting held on June 5, 2017 wherein the shareholders resolved to reject the proposed transaction as was contemplated under the Tripartite Agreements.*
 - *The alternative accommodation was provided by the Company at prevailing market rates, and the Company's opportunity cost (if at all required to be considered) should only be considered as the rentals paid by it.*

- *The alleged opportunity cost of Rs. 623,00,00,000/- cannot be considered as accurate, as only three duplex flats were covered in the Tripartite Agreements.*

dd. In view of the above, it is submitted that the value of the Tripartite Agreements did not exceed 5% of the gross turnover or revenue or total income basis the audited consolidated financial statements of financial year 2015-16 (the 5% of the gross turnover is Rs. 281.64 crores). Therefore, the filing of the arbitration petitions was not considered a material event in accordance with the materiality policy of the Company, and hence no disclosure was made to the stock exchanges in accordance with Regulation 30 of the Listing Regulations. When considering materiality, it is vital that one does not adopt a fanciful and unjustifiable standard such as the approach to the purported “opportunity cost”. Instead, as is evident, the size of the agreements in question did not exceed 5% of the gross turnover and hence it was a bona fide decision and judgement that they were not material, warranting disclosure.

ee. It is submitted that the actions of the Company are completely within the parameters specified under Regulations 4 and 30 of the Listing Regulations therefore, it is submitted that the Disclosure Allegation is devoid of any logic, lacks merit, arbitrary and is completely based on conjectures and surmises and hence the SCN should be set aside.

Allegation relating failure to reclassify Mr. Ritwik A. Ruia

ff. It is submitted that Mr. Ritwik A. Ruia (“Ritwik”) held 2,000 equity shares of the Company as on March 31, 2017, of which 1,000 shares were thereafter transferred to his brother, Mr. Advait A. Ruia (also a part of the promoter group), on April 5, 2017. Thereafter, Mr. Ritwik A. Ruia’s balance shares (being 1,000) were transferred to his father, Mr. Ajaykant Ruia (who is not a part of the promoter & promoter group), on June 2, 2017. For your ease of reference, set out below the aforesaid information in a tabular manner:

Sr. No.	Date	Number of shares held by Ritwik	Detail of transfers
1.	March 31, 2017	2,000	-
2.	April 5, 2017	1,000	1,000 shares transferred to

			his brother Mr. Advait Ruia
3.	June 2, 2017	NIL	1,000 shares transferred to his father Mr. Ajaykant Ruia

gg. *In this regard, it is humbly submitted that Mr. Ritwik was not reclassified from "promoter and promoter group" to "public shareholder", therefore the question of not complying due process of laws including under Regulation 31A of Listing Regulations does not arise. It is submitted that given the fact that Mr. Ritwik's shareholding was nil as on June 30, 2017, his name was not reflected as part of the 'promoter and promoter group' category in the shareholding pattern filed for quarter ending June 30, 2017, although Mr. Ritwik still continued to be a part of the 'promoter and promoter group' category.*

hh. *This was however rectified, as Mr. Ritwik was shown to be a part of the 'promoter and promoter group' category in the shareholding pattern filed by the Company subsequently on September 11, 2017. Further, it can be evidenced that Mr. Ritwik Ruia continues to be classified as a Promoter the details of which are available in all shareholding patterns filed with the Stock Exchanges classifying Mr. Ritwik Ruia as part of the 'promoter and promoter group'.*

ii. *It is submitted that merely because the Company inadvertently did not reflect the name of Mr. Ritwik as part of the 'promoter and promoter group' category in the shareholding pattern filed for quarter ending June 30, 2017, it would be preposterous to assume that Company would have reclassified Mr. Ritwik to public shareholder category. Therefore, it is submitted that the Reclassification Allegation has been made without any application of mind, lacks merit, arbitrary and is completely based on conjectures and surmises and hence the SCN should be set aside.*

10. Thereafter, vide letter dated June 22, 2020, an opportunity of hearing was provided to the Noticee on July 06, 2020. It is observed that Mr. Somasekhar Sundaresan, Mr. Anuj Bhasme, Ms. Yugandhara Khanwilkar, Advocates along with Mr. Akshat Chechani (hereinafter referred to as '**ARs**') appeared for the for Noticee for the personal hearing which had taken place through video

conference mode using Webex platform. The ARs reiterated the submissions made by the Noticee in its reply dated May 22, 2020. Further, the ARs requested for a copy of examination report. Therefore, the Noticee was advised to submit a written request for the same. Thereafter, the ARs requested for another opportunity of personal hearing in light of new material being shared with them. Accordingly the Noticee was provided with another opportunity of personal hearing on July 17, 2020. Subsequently, upon receipt of written request, the examination report was provided to the Noticee vide Email dated July 06, 2020. Thereafter, the ARs appeared for personal hearing on July 17, 2020 which had taken place through video conference using Webex platform. The ARs reiterated the submissions made by the Noticee vide letter dated May 22, 2020. Further, the ARs requested for time to make post-hearing submissions. Accordingly, the Noticee was granted time till July 27, 2020 to make additional submissions. The ARs didn't request for any further opportunity of personal hearing.

11. Subsequently, vide letter dated July 27, 2020, the Noticee made additional submissions as below:

Allegation 1

- a. *At the time of entering into Tripartite Agreements, there was no requirement under law to seek a vote from shareholders in general meeting.*
- b. *When the Tripartite Agreements were executed (in November 2007), the Listing Regulations were not even formulated and notified (they were introduced in 2015).*
- c. *Likewise, even the amended Clause 49 (VII)(D) was not in existence (it was introduced in April 2014).*

- d. *Therefore, the provisions of Listing Regulations and the amended Clause 49(VII)(D) cited in the SCN are not even applicable.*
- e. *These provisions that were introduced could only apply prospectively. None of these provisions purport to have a retrospective effect.*
- f. *Everything that was required to be complied with at the time of execution of the Tripartite Agreements was complied with.*
- g. *When the options to acquire the properties was exercised (in the year 2017), the new law in the form of Companies Act, 2013 and the Listing Regulations in 2015 had come into effect. Therefore, in compliance with these legal requirements, for the proposed transfer of property upon exercise of the options, the Noticee convened a vote by shareholders, which was rejected. All necessary disclosures about seeking shareholder approval and the outcome of the shareholder vote were timely and promptly made.*
- h. *Therefore, the foundation of the allegation in this regard in the SCN fails simply because the law alleged to have been violated did not exist at the relevant time.*
- i. *Without prejudice to the foregoing, even if the law had existed, the very same provisions have come in for interpretation not only by the Hon'ble Securities Appellate Tribunal but also by SEBI itself. SEBI, vide an order dated July 23, 2019 (after the date of the SCN) took a view that even in a composite transaction, it is important to see from whom resources are meant to flow to whom. In an Order dated September 26, 2019 in Appeal No. 357 of 2019, the Hon'ble SAT articulated the position explicitly.*

Allegation 2:

- j. *At the outset, it must be noted that there was indeed no litigation in January 2017 to report. Therefore, at the threshold, the allegation that there was a failure in January 2017 would fail.*
- k. *As stated above, there was no litigation in January 2017. Letters were addressed by Veenadevi Singhania and Anant Singhania (on January 14, 2017) and by Akshaypat Singhania (on January 13, 2017), exercising the options under the Tripartite Agreements.*

- l. None of the aforesaid persons, in their letters even mentioned or remotely threatened litigation, leave alone, initiated any litigation. Therefore, there is no question of any disclosure obligation being triggered as alleged in the SCN.*
- m. It may be noted that it was on April 7, 2017, that Veenadevi Singhania and Anant Singhania and separately Akshaypat Singhania addressed letters to Raymond stating that disputes had arisen between the parties, alleging that Raymond was unlawfully attempting to back out of the concluded agreement and depriving them of their permanent residence. At this stage too, there was no litigation in existence to disclose.*
- n. On April 11, 2017, Arbitration Petitions under Section 9 of the Arbitration Act, 1996 ("Arbitration Act") were filed by Veenadevi Singhania and Anant Singhania and separately by Akshaypat Singhania before the Hon'ble Bombay High Court to protect the subject matter of arbitration. In the two Petitions, inter alia, the following was prayed for:*
- that status quo to be maintained;*
 - court receiver to be appointed to take possession of the flat and put 'Petitioners' in possession of the 5,185 sq ft in new JK House subject to Raymond depositing approx. 4.66 Crs in the Hon'ble Court, i.e. being the amount due and payable for the Apartment";*
 - continue to pay for alternate accommodation.*
- o. By no stretch of analysis would the maintenance of status quo over a property constructed in accordance with a signed contract and a deposit of Rs. 4.66 crores, can reasonably be construed as being material litigation warranting disclosure, from either a qualitative or quantitative point of view.*
- p. On April 12, 2017, the Hon'ble Bombay High Court passed an order essentially directing that the Noticee would not create third party rights in the property and would continue with the leave and license agreements.*
- q. On April 28, 2017, the Audit Committee of Raymond in its meeting, unanimously recommended that the matter of transfer of the properties upon exercise of the options be referred for shareholders' approval under the new company law*

introduced in 2013 and the new Listing Regulations introduced with effect from December 1, 2015.

- r. The Board of Directors unanimously decided, to refer the matter for shareholders' approval.*
- s. Consequently, a Notice for AGM to be held on June 5, 2017 was issued on April 28, 2017. The Notice for AGM was put out in the public domain and as is normal, stock exchanges too receive this. The Explanatory Statement in the said Notice contained extensive disclosures of the Tripartite Agreements in any case.*
- t. The Explanatory Statement also explained that the new company law introduced with effect from April 1, 2014 (well after the execution of the Tripartite Agreements, required the offer of the apartments to related parties to be approved by shareholders).*
- u. On June 5, 2017, the shareholders resolved to reject the transaction proposed by the Tripartite Agreements.*
- v. From the above, the following are clear:-*
 - There was no litigation to disclose in January 2017;*
 - The Arbitration Petitions came to be filed only in April 2017, the prayers to the court in these petitions made it clear that there was nothing material to disclose;*
 - In any case, the arbitration petitions came to be disclosed in the Explanatory Statement in the Notice convening the AGM;*
 - The approach to shareholders under new law i.e. Companies Act, 2013 that took effect on April 1, 2014 and the Listing Regulations that took effect on December 1, 2015, was well explained too; and*
 - Therefore, no fault can at all be found in connection with the second allegation of non-disclosure of litigation.*
- w. Therefore, the introduction of the concept of "opportunity cost" to argue that the dispute was material in nature, is completely misplaced, fanciful and unreasonable.*
- x. The amount sought in deposit (Rs. 4.66 crores) in the Arbitration Petition and the prayer for maintaining status quo was not material at all. This amount does not*

breach any threshold of materiality either in LODR or in Raymond's 'Materiality Policy' as alleged. The fanciful resort to "opportunity cost" and creation of a hypothetical figure of Rs. 623 crores of opportunity cost is therefore totally untenable.

y. From the materiality policy of Raymond, if the "value involved" or the "impact" exceeds 5% of the gross turnover or revenue or total income; or exceeds 20% of the net worth, whichever is lower, such an event would be treated as material.

z. Applying these thresholds, the details for FY 2015-16 are given below:

Sr. No.	Consolidated	Rs (in Crore)	Meaning of % Threshold as per Materiality Policy
1.	Gross Turnover	5632.47	281.62
2.	Total Revenue/Income	5701.59	285.07
3.	Net Worth (PSC+FR)	1631.35	326.27

aa. Applying these thresholds, the details for FY 2016-17 are given below:

Sr. No.	Consolidated	Rs (in Crore)	Meaning of % Threshold as per Materiality Policy (in Crore)
1.	Gross Turnover	5391.32	269.56
2.	Total Revenue/Income	5509.25	275.46
3.	Net Worth (PSC+FR)	1742.42	348.48

Even if the filings of the Arbitration Petitions in April 2017 were to be considered for determination of materiality of litigation, the claim for deposit in those proceedings was of Rs. 4.66 Crs each - way below the thresholds listed above. Therefore, the Noticee was not at all wrong in determining that the "litigation" (non-existent in January 2017 and the one filed in April 2017) were not material.

Allegation 3:

bb. With respect to charge of alleged non-compliance with Regulation 31A of the Listing Regulations, it is clear that only a shareholder i.e. a person who holds shares, and is classified in category and seeking to be re-classified into another category would fall within the scope of the provision.

cc. From a plain reading of Regulation 31A, it is evident that the person in question has to be a shareholder first, and such shareholder would have to fall in the promoter category or in the public category.

dd. *The very term “re-classification” would necessarily mean moving from one class to another class. In the instant case, Mr. Ritwik Ruia’s shareholding in June 2017 was NIL i.e. he was not a shareholder at all, for him to be classified in one category or another. Therefore, there is no question of him being “re-classified”.*

ee. *Therefore, it is submitted that the reclassification allegation has been made without any application of mind, lacks merit, arbitrary and is completely based on conjectures and surmises and hence the SCN should be set aside.*

12. Further, vide email dated September 21, 2020, the copies of the rent agreements for the period mentioned by the Noticee in Annexure F in their Reply dated May 22, 2020 was sought by the Noticee. In reply, the Noticee vide its email dated September 28, 2020 submitted copies of the Rent Agreements stating *inter alia* as under:
“Additionally, in terms of the leave and license agreements, we believe that the following clarifications may aid your review of the same vis-a-vis Annexure F to our Reply to the SCN:

(a) The leave and license agreements entered into by Raymond Limited (“Company”) with Vishal Enterprises and Classic Corporation for alternate accommodation provided to Gautam Hari Singhania, includes office premises for the personal use of Gautam Hari Singhania, in his role as Chairman and Managing Director of the Company (“CMD”);

(b) The leave and license agreements dated May 11, 2015 entered into by the Company with Vishal Enterprises and Classic Corporation for alternate accommodation provided to Gautam Hari Singhania, were terminated on 21.04.2017, given that JK House had been reconstructed, and received a full occupation certificate dated July 11, 2016, and the Company had provided accommodation to Gautam Hari Singhania in the reconstructed JK House as part of his remuneration as CMD;

(c) The leave and license agreement dated July 18, 2006 has been entered into by the Company with Mukesh N. Chhatpar and Sartgeeta Ravi Vaswani for alternate accommodation provided to Akshaypat Singhania. However, only Sangeeta Vaswani is reflected as the owner in Annexure F to our Reply to the SCN, given that subsequent leave and license agreements dated March 22, 2010 and May 10, 2013 have been entered into with Sangeeta Ravi Vaswani as the sole licensor of the said premises;

(d) The leave and license agreement dated May 27, 2015 has been entered into by the Company with Peddar Realty Private Limited and JSW Steel Limited, whereas Ranganath Tirumala is a director of Peddar Realty Private Limited. In addition, please also note that the term of rent payments reflected in Annexure F to our Reply to the SCN

CONSIDERATION OF ISSUES AND FINDINGS:

13. I have taken into consideration the facts and circumstances of the case, the material available on record and the submissions of the Noticee. I note that the allegations levelled against the Noticee are as following:

- a. Noticee had failed to take approval in case of existing related party transaction wherein the Noticee paid for alternate accommodation provided to sub tenants i.e. Shri Gautam Singhania, Shri Akshaypat Singhania and Smt. Veena Devi Singhania along with Mr. Anant Singhania during the period of redevelopment (FY 2014 till date) of JK House. Therefore, the Noticee had allegedly violated the provisions of Regulation 23(2) of LODR Regulations read with Clause 49(VII)(D) of the listing agreement (amendments introduced vide SEBI circular dated April 17, 2014).
- b. The Noticee allegedly failed to disclose litigation filed by Shri Akshaypat Singhania, Smt. Veenadevi Singhania and Anant Singhania in January 2017 along with brief details of litigation and expected financial implications thus violating the provisions of Regulation 30(1), 30(3), 30(4) and 30(6) read with clause (8) of para B of Part A of Schedule III of LODR Regulations and clause (8) of Para B of Annexure I of SEBI Circular

CIR/CFD/CMD/4/2015 dated September 09, 2015 as well as Regulation 4(1)(a), (b), (c), (d), (h), (j) of the LODR Regulations.

- c. The Noticee had allegedly failed to follow due process for reclassification of promoter Shri Ritwik A Ruia from promoter to public shareholder in June 2017, thus violating the provisions of Regulation 31A of the LODR Regulations.

14. In view of the above, the issues for consideration before me are:-

- a. Whether the Noticee has violated the provisions of Regulation 23(2) of LODR Regulations read with Clause 49(VII)(D) of the listing agreement, as amended vide SEBI circular dated April 17, 2014?
- b. Whether the Noticee has violated the provisions of Regulation 30(1), 30(3), 30(4) and 30(6) read with clause (8) of para B of Part A of Schedule III of LODR Regulations and clause (8) of Para B of Annexure I of SEBI Circular CIR/CFD/CMD/4/2015 dated September 09, 2015 as well as Regulation 4(1)(a), (b), (c), (d), (h), (j) of the LODR Regulations?
- c. Whether the Noticee has violated the provisions of Regulation 31A of the LODR Regulations?
- d. If yes, whether the Noticee is liable for penalty and what should be the quantum of penalty?

15. Before moving forward, the relevant extracts of the provision of law, allegedly violated by the Noticee, are reproduced hereunder.

LODR regulations, 2015

Principles governing disclosures and obligations.

4.(1) *The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:*

- (a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.*
- (b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.*
- (c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.*
- (d) The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.*
- (h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.*
- (j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.*

Related party transactions.

23(2) *All related party transactions shall require prior approval of the audit committee.*

Disclosure of events or information.

30.*(1) Every listed entity shall make disclosures of any events or information which, in the opinion of the board of directors of the listed company, is material.*

(3) The listed entity shall make disclosure of events specified in Para B of Part A of Schedule III, based on application of the guidelines for materiality, as specified in sub-regulation (4).

(4)(i) The listed entity shall consider the following criteria for determination of materiality of events/ information:

(a) the omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly; or

(b) the omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date;

(c) In case where the criteria specified in sub-clauses (a) and (b) are not applicable, an event/information may be treated as being material if in the opinion of the board of directors of listed entity, the event / information is considered material.

(ii) The listed entity shall frame a policy for determination of materiality, based on criteria specified in this sub-regulation, duly approved by its board of directors, which shall be disclosed on its website.

(6)*The listed entity shall first disclose to stock exchange(s) of all events, as specified in Part A of Schedule III, or information as soon as reasonably possible and not later than twenty four hours from the occurrence of event or information:*

Provided that in case the disclosure is made after twenty four hours of occurrence of the event or information, the listed entity shall, along with such disclosures provide explanation for delay:

Provided further that disclosure with respect to events specified in sub-para 4 of Para A of Part A of Schedule III shall be made within thirty minutes of the conclusion of the board meeting.

Disclosure of Class of shareholders and Conditions for Reclassification.

31A.*(1) 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 SEBI.*

(2) The stock exchange, specified in sub-regulation (1), shall allow modification or reclassification of the status of the shareholders, only upon receipt of a request from the concerned listed entity or the concerned shareholders along with all relevant evidence and on being satisfied with the compliance of conditions mentioned in this regulation.

(3) In case of entities listed on more than one stock exchange, the concerned stock exchanges shall jointly decide on the application of the entity/ shareholders, as specified in sub-regulation(2).

(4) In case of transmission/succession/inheritance, the inheritor shall be classified as promoter.

(5) When a new promoter replaces the previous promoter subsequent to an open offer or in any other manner, re-classification may be permitted subject to approval of shareholders in the general meeting and compliance of the following conditions:

(a) Such promoter along with the promoter group and the Persons Acting in Concert shall not hold more than ten per cent of the paid-up equity capital of the entity.

(b) Such promoter shall not continue to have any special rights through formal or informal arrangements. All shareholding agreements granting special rights to such entities shall be terminated.

(c) Such promoters and their relatives shall not act as key managerial person for a period of more than three years from the date of shareholders' approval:

Provided that the resolution of the said shareholders' meeting must specifically grant approval for such promoter to act as key managerial person.

(6) Where an entity becomes professionally managed and does not have any identifiable promoter the existing promoters may be re-classified as public shareholders subject to approval of the shareholders in a general meeting.

Explanation.-For the purposes of this sub-regulation an entity may be considered as professionally managed, if-

(i) No person or group along with persons acting in concert taken together shall hold more than one per cent paid-up equity capital of the entity including any holding of convertibles/outstanding warrants/ Depository Receipts:

Provided that any mutual fund, bank, insurance company, financial institution, foreign portfolio investor may individually hold up to ten per cent paid-up equity capital of the entity including any holding of convertibles/outstanding warrants/Depository Receipts.

(ii) The promoters seeking reclassification and their relatives may act as key managerial personnel in the entity only subject to shareholders' approval and for a period not exceeding three years from the date of shareholders' approval.

(iii) The promoter seeking reclassification along with his promoter group entities and the persons acting in concert shall not have any special right through formal or informal arrangements. All shareholding agreements granting special rights to such outgoing entities shall be terminated.

(7) Without prejudice to sub-regulations (5) and (6), re-classification of promoter as public shareholders shall be subject to the following conditions:

(a) Such promoter shall not, directly or indirectly, exercise control, over the affairs of the entity.

(b) Increase in the level of public shareholding pursuant to re-classification of promoter shall not be counted towards achieving compliance with minimum public shareholding requirement under rule 19A of the Securities Contracts (Regulation) Rules, 1957, and the provisions of these regulations.

(c) The event of re-classification shall be disclosed to the stock exchanges as a material event in accordance with the provisions of these regulations.

(d) Board may relax any condition for re-classification in specific cases, if it is satisfied about non-exercise of control by the outgoing promoter or its persons acting in concert.

SCHEDULE III

PART A: DISCLOSURES OF EVENTS OR INFORMATION: SPECIFIED SECURITIES

The following shall be events/information, upon occurrence of which listed entity shall make disclosure to stock exchange(s):

B. Events which shall be disclosed upon application of the guidelines for materiality referred sub-regulation (4) of regulation (30):

8. Litigation(s) / dispute(s) / regulatory action(s) with impact.

SEBI Circular CIR/CFD/CMD/4/2015 dated September 09, 2015

Annexure I

B. Details which a listed entity need to disclose for events on which the listed entity may apply materiality in terms of Para B of Part A of Schedule III of Listing Regulations of Listing Regulations

8.Litigation(s) / dispute(s) / regulatory action(s) with impact: *The listed entity shall notify the stock exchange(s) upon it or its key management personnel or its promoter or ultimate person in control becoming party to any litigation, assessment, adjudication, arbitration or dispute in conciliation proceedings or upon institution of any litigation, assessment, adjudication, arbitration or dispute including any ad-interim or interim*

orders passed against or in favour of the listed entity, the outcome of which can reasonably be expected to have an impact.

8.1. At the time of becoming the party:

- a) brief details of litigation viz. name(s) of the opposing party, court/tribunal/agency where litigation is filed, brief details of dispute/litigation;*
- b) expected financial implications, if any, due to compensation, penalty etc;*
- c) quantum of claims, if any;*

8.2. Regularly till the litigation is concluded or dispute is resolved:

- a) the details of any change in the status and / or any development in relation to such proceedings;*
- b) in the case of litigation against key management personnel or its promoter or ultimate person in control, regularly provide details of any change in the status and / or any development in relation to such proceedings;*
- c) in the event of settlement of the proceedings, details of such settlement including -terms of the settlement, compensation/penalty paid (if any) and impact of such settlement on the financial position of the listed entity.*

Equity Listing Agreement

49. Corporate Governance

VII. Related Party Transactions

D. All Related Party Transactions shall require prior approval of the Audit Committee.

SEBI Circular CIR/CFD/POLICY CELL/2/2014 dated April 17,2014

4.2 The provisions of Clause 49(VII) as given in Part-B shall be applicable to all prospective transactions. All existing material related party contracts or arrangements as on the date of this circular which are likely to continue beyond March 31, 2015 shall be placed for approval of the shareholders in the first General Meeting subsequent to October 01,2014. However, a

company may choose to get such contracts approved by the shareholders even before October 01, 2014.

16. On a preliminary note, I find that the Noticee has contended that it was not provided with the inspection of documents. I note from records that vide letter dated January 22, 2019, the erstwhile AO had informed the Noticee that all the relevant and relied upon documents have already been provided to the Noticee. In this regard, I note that Hon'ble SAT, in its order dated February 12, 2020, in the matter of Shruti Vora vs. SEBI had made the following observations:

“A bare reading of the provisions of the Act and the Rules as referred to above do not provide supply of documents upon which no reliance has been placed by the AO, nor even the principles of natural justice require supply of such documents which has not been relied upon by the AO. We are of the opinion that we cannot compel the AO to deviate from the prescribed procedure and supply of such documents which is not warranted in law. In our view, on a reading of the Act and the Rules we find that there is no duty cast upon the AO to disclose or provide all the documents in his possession especially when such documents are not being relied upon.

An inquiry report is totally distinct and different from an investigation report. The inquiry report considers all the materials in the inquiry proceedings which form the basis of the final order and therefore the said report is required to be made available to the delinquent. In the instant case, the show cause notice relies upon certain documents which have been made available. Thus the investigation report is not required to be supplied.”

Further, in all fairness, the Noticee was supplied with a copy of examination report vide Email dated July 06, 2020 upon receipt of request of the Noticee during the course of personal hearing dated July 06, 2020. Pursuant to this, the Noticee has neither requested for inspection of documents nor requested for

any further documents to be provided to it. Thus, I note that all the documents, relied upon by me in the present matter have already been provided to the Noticee along with the SCN.

a. Whether the Noticee has violated the provisions of Regulation 23(2) of LODR Regulations read with Clause 49(VII)(D) of the listing agreement, as amended vide SEBI circular dated April 17, 2014?

17. Before moving ahead, I deem it necessary to delve into the objective behind certain amendments in Clause 49 of the listing agreement in relation to 'Related Party Transactions' (RPT) and its subsequent inclusion in LODR Regulations. In this regard, I note the definition of RPT as given in LODR Regulations as:

(zc) "related party transaction" means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

18. It was observed over a period of time that the RPTs are prone to abuse by persons in control of the decision making of the corporate entity for personal gains. A comparative analysis of various jurisdiction showed that the RPTs are strictly regulated under most regimes to avoid such type of abuses. RPTs, if misused, may cause significant loss of value of the corporate entity entering into the RPT. Further, it was felt by SEBI that, in India, where the existence of

promoter driven and closely held companies is prevalent, the risk of abuse by way of RPTs was relatively high.

19. At the same time, it was observed by SEBI that the RPTs have always been prevalent and have also contributed to the growth of business for entities around the world. Hence, in spite of the possibility of misuse, most jurisdictions have permitted RPTs, *albeit* with certain safeguards. In light of this, rather than prohibiting RPTs, SEBI felt the need for a regulatory framework to mitigate the possibility of abuse of the RPTs at the cost of the corporate entity. Further, it was felt that an ideal regulatory framework for RPTs should encourage value enhancing RPTs while penalizing undesirable RPTs. Keeping this objective in mind, SEBI came out with a circular ref. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 wherein certain changes were made in Clause 49 of listing agreement setting up a procedure to be followed in case of a listed corporate entity entering into an RPT. The objective behind the said provisions was to prevent a mischief of related parties entering into such RPTs with the listed corporate entity which would unjustly enrich them at the cost of loss of value of the corporate entity and ultimately the shareholders of such listed entity.

20. Keeping this object in mind, I proceed to deal with the first question as stated above. I note that Clause 49 of Equity Listing Agreement was amended vide SEBI Circular ref. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 according to which all related party transactions required prior approval of Audit committee of the Board of Directors of the said company. However, by virtue of Clause 4.2 of the said circular, the said provisions were made applicable to

prospective transactions only. Having noted the above, I find all existing material related party contracts or arrangements as on the date of the circular which are likely to continue beyond March 31, 2015 were required to be placed for approval of the shareholders in the first General Meeting subsequent to October 01, 2014. Further, an option was given to the listed companies to get such contracts approved by the shareholders even before October 01, 2014. I also note that LODR Regulations were notified on September 02, 2015 and a time period of 90 days was given for implementation.

21. On the facts of the matter, I note that the Noticee had entered into lease agreement dated March 28, 1994 with Pashmina Holdings Limited (**Pashmina**), a wholly owned subsidiary of the Noticee, pursuant to which the Noticee granted a lease of four duplex flats situated in JK House to Pashmina for a period of nine years for each duplex flat. Pashmina, in turn, sub-leased the said four duplex flats to the following tenants (hereinafter collectively referred to as "**Sub-lessees**"):

- a. Mr. Gautam Singhania;
- b. Dr. Vijaypat Singhania;
- c. Mrs. Veenadevi Singhania and Mr. Anant Singhania; and
- d. Mr. Akshaypat Singhania.

22. Subsequently, pursuant to another deed of lease dated March 27, 2003 between the Noticee and Pashmina, the Noticee granted lease of the said four duplex flats to Pashmina again for a further term of nine years commencing from

March 27, 2003 for each duplex flat. Pashmina, in-turn, had again sub-leased the said four duplex flats to the sub-lessees as mentioned above.

23. Thereafter, the Noticee, in pursuance to a concurrence obtained at its board meeting dated June 23, 2006 had *inter alia* decided to demolish and reconstruct the said JK House and, accordingly, it entered into four separate agreements each dated November 6, 2007 (hereinafter referred to as “**Tripartite Agreements**”), with Pashmina as the second party and the respective sub-lessees as third party. As per the said tripartite agreements, the Noticee, *inter alia*, offered to provide the sub-lessees with temporary alternate premises of a commensurate size at a comparable location during the period of reconstruction or redevelopment of JK House, in consideration of the said sub-lessees surrendering/transferring their rights and possession in respect of the existing premises in favour of the Noticee. Upon inquiry by the investigating officer, the company provided the details of cost incurred for providing alternate accommodation to the said sub-lessees as follows:

Sr. No	Name of the Sub-Tenant	Amount of Expenses incurred for providing alternate accommodation (in Rs. Crore)	Time Period
1	Shri Gautam Hari Singhania	19.74	May 2007 to Nov 2015
2	Smt. Veena Devi Singhania and Shri Anant Singhania	10.64	May 2007 to Nov 2015
3	Shri Akashaypat Singhania	10.57	May 2007 to Nov 2015
	Total	40.95	

24. A further detailed break up of rent paid has been provided by the Noticee in its reply dated May 22, 2020 as below:

- a. Mr. Gautam Singhania was Rs. 8,00,000 which subsequently augmented to Rs. 12,00,000 in financial year 2015-16;
- b. A similar escalation in rent was also seen in the case of: (A) Mr. Akshaypat Singhania, and (B) Ms. Veenadevi Singhania alongwith Mr. Anant Singhania;
- c. In the case of Dr. Vijaypat Singhania, no expenses were incurred as the Noticee had not paid for Dr. Vijaypat Singhania's alternate accommodation till July 2018. However, pursuant to litigation in the family, pursuant to an order dated July 14, 2018 of the Arbitral Tribunal in the Arbitration Proceedings between Dr. Vijaypat Singhania and the Noticee, the Noticee has been paying towards Dr. Vijaypat Singhania's alternate accommodation since August 2018.

However, during these years, the sub-tenants were paying as rent only a sum of Rs.7500 per month per sub-tenant to the Noticee. Thereby, it is alleged that the Noticee was providing flats to the sub-tenant at a discount of 99% to the actual rent.

25. In light of the above, it is alleged that the payment of rent for the alternate accommodations provided to the sub-lessees, due to the aforementioned tripartite agreements, was a related party transaction and the same had required approval of audit committee of the Company which, however, the Noticee had failed to obtain. Therefore, it is alleged that the Noticee has violated

the provisions of Regulation 23(2) of LODR Regulations and Clause 49 (VII)(D) of equity listing agreement as amended vide SEBI Circular dated April 17, 2014.

26. The Noticee has contended that it had paid the said rent directly to the licensors, under the relevant lease and license agreements. These licensors were not 'related parties' to the Noticee and therefore, the Noticee was not required to take approval of the audit committee.

27. Further, the Noticee has also contended that even if the said transactions with the licensors were to be read together with tripartite agreements, then the said would become 'composite transactions' as mentioned by Hon'ble Securities Appellate Tribunal (**SAT**) in its order dated September 26, 2019 in the matter of ITC Limited vs. SEBI and therefore, would not require approval from the Audit Committee in the present situation.

28. I note that, in the present matter, the Noticee had entered into four separate tripartite agreements with Pashmina and each of the sub-lessees, each of which was identical with one another. I note that Clause 3 of the said tripartite agreements reads as follows:

"In consideration of the Sub-Lessor and the Tenant surrendering their tenancy and sub-tenancy rights including all their other rights, title and interest, if any, in the said existing premises and also in consideration of their handing over possession of the said existing premises, the Developer has agreed to provide the tenant, at its cost, alternate accommodation of a commensurate size at a comparable location, until expiry of one year from the date of handing over the Apartment to the tenant for undertaking interior decoration. —"

By virtue of this clause, the Noticee undertook to provide alternate accommodation of a commensurate size at a comparable location to the four sub-lessees.

29. Subsequently, the Noticee licensed four different properties to be provided to three of the sub-lessees (except Mr. Vijaypat Singhania). I note from the submissions made by the Noticee that it had paid rent of the said alternate accommodation of Mr. Gautam Hari Singhania for the period of May 01, 2007 to April 21, 2017. The Noticee also continued to pay rent in 2017 for Mrs. Veenadevi Singhania along with Mr. Anant Singhania and Mr. Akshaypat Singhania, in compliance with the order dated April 12, 2017 passed by the Hon'ble High Court of Judicature at Bombay. Further, the Noticee started paying rent to the alternate accommodation of Mr. Vijaypat Singhania pursuant to an order dated July 14, 2018 of the Arbitral Tribunal.

30. In this regard, I note that the Noticee was receiving a rent of Rs. 6,000 from Pashmina, which in turn was getting a rent of Rs. 7,500 from the sub-lessees for the said accommodations while at the same time, the Noticee was paying a rent of Rs. 8,00,000/- to the licensors for the same accommodations and the rent paid to such licensors had increased up to Rs. 12,00,000 by the year 2017.

31. I note that the Noticee has contended that the said transactions were not related party transactions as the fund flow had happened between the Noticee and the licensor. However, I note from the Annual Report of the Noticee for the Financial Year 2014-15 that Mr. Gautam Hari Singhania was the Chairman and Managing Director and Mr. Vijaypat Singhania was the Chairman Emeritus of

the Noticee. Also, Notice of 92nd Annual General Meeting of the Company scheduled to be held on June 05, 2017 at item no. 10 states as under-

“18. The Sub-Lessees were at the time of execution of the Tripartite Agreement and today are “related parties” so far as the Company is concerned, inter-alia being directors or relatives of the directors as members of a Hindu Undivided Family called ‘Dr. Vijaypat Singhania Greater HUF’.”

Further, the said Notice at “Annexure B - further details with related parties required pursuant to the Companies Act, 2013”, states that Mrs. Veenadevi Singhania, Mr. Akshaypat Singhania and Mr. Anant Singhania were part of Dr. Vijaypat Singhania Greater HUF. In this regard, Section 2(76) and Section 2(77) of Companies Act, 2013 and Regulation 2(zb) of LODR Regulations are reproduced here for reference-

Companies Act, 2013

Definitions

2. In this Act, unless the context otherwise requires,—

.....

(76) “related party”, with reference to a company, means—

(i) a director or his relative;

(ii) a key managerial personnel or his relative;

(iii) a firm, in which a director, manager or his relative is a partner;

(iv) a private company in which a director or manager 1[or his relative] is a member or director;

(v) a public company in which a director or manager is a director 2[and holds] along with his relatives, more than two per cent of its paid-up share capital;

(vi) anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;

(vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

.....

(77) “relative”, with reference to any person, means any one who is related to another, if—

(i) they are members of a Hindu Undivided Family;

- (ii) they are husband and wife; or*
- (iii) one person is related to the other in such manner as may be prescribed;*

LODR Regulations

Definitions.

2.(1) In these regulations, unless the context otherwise requires:—

.....

(zb) “related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

.....

Therefore, in terms of definition of related party, as given in Section 2(76) read with Section 2(77) of Companies Act, 2013 and adopted in Regulation 2(zb) of LODR Regulations, all the above four entities are related parties to the Noticee. Further, the Noticee, in the abovementioned Notice of 92nd AGM has itself accepted the said entities as its related parties. As noted elsewhere in this order the Pashmina is a wholly owned subsidiary of the Noticee. Therefore, the tripartite agreements, by virtue of which, the said accommodations were being provided to the said sub-lessees were related party transactions as the same were between the Noticee, its wholly owned subsidiary and the sub-lessees. Therefore, the arguments of the Noticee in this regard, are of no avail.

32. Further, the Noticee has contended that it was not required to take approval of Audit Committee as the said transactions had taken place between itself and the licensors and the said licensors were not related parties. Therefore, no related party transaction had taken place between the Noticee and any of the licensors making it necessary for the Noticee to put the same before the Audit Committee.

33. However, I note that the said license agreements were entered into by the Noticee only for the purpose of fulfilling the obligation it undertook by virtue of Clause 3 of the said tripartite agreement. There was no other requirement for the Noticee to lease the said properties. Further, the term related party transaction doesn't mean that the fund should flow from the Noticee to the related party only. In the present matter, by virtue of Clause 3 of tripartite agreements, the Noticee was required to provide a service, viz. an apartment in return to the rent being given to it through Pashmina. Therefore, any fund movement being made to the said licensors was arising out of the obligation undertaken by the Noticee in the tripartite agreements. Therefore, I am of the view that the rent being paid for the said accommodations provided to the sub-lessees is a related party transaction.
34. Further, the Noticee has contended that the said transaction is a composite transaction and, in terms of view taken by Hon'ble SAT in its order dated September 26, 2019 in the matter of ITC Limited vs SEBI, it is important to see from whom the resources are meant to flow and to whom. Further, the Noticee has argued that the observations of Hon'ble SAT squarely apply in the present matter.
35. I am of the view that the present matter is different from the facts and issues discussed in the matter of ITC Limited vs. SEBI due to the following reasons:
- (i) In the ITC case, I note that there were two transactions. One is asset sale and the other transactions are for assigning certain Intellectual Property rights. The asset sale is a transaction between the company

and the buyer while the additional sales are between certain promoters of the company and the buyers. Thus as per the provisions of the LODR Regulations/ Companies Act, 2013 transactions only between a company and a related party are capable of classifying as related party transactions.

(ii) However in the present matter, the agreement between the Noticee and the licensors is only to fulfill certain obligations created under the tripartite agreement to benefit the promoters of the Noticee. Thus, the license agreement is a consequence to the tripartite agreement only to benefit the promoters of the Noticee.

(iii) Further, Hon'ble SAT, in the facts of the ITC matter, had mentioned that the two separate sets of transactions were both with the buyers. There was no transaction between the related parties. Therefore, Hon'ble SAT had held that there was no related party transaction in the said matter. On the other hand, in the present matter, I note that there were related parties transactions in terms of tripartite agreements and, only to fulfill the obligations mentioned under the said tripartite agreements, the Noticee entered into lease agreements with licensors. Therefore, I am of the view that the *ratio* in ITC matter doesn't apply in the present matter as the facts are not similar.

36. The Noticee has further contended that Regulation 23(2) of LODR Regulations read with Clause 49(VII)(D) of the listing agreement, as amended vide SEBI

circular dated April 17, 2014 are applicable only on the prospective transactions. However, as the said transaction had been entered into by the Noticee in the year 2007, the said amendment in Clause 49(VII)(D) of equity listing agreement which became effective from April 17, 2014 and the subsequent LODR Regulations became applicable at a later stage, the said provisions of law are not applicable on the said transactions.

37. I note that the said tripartite agreements and the said lease agreements were entered in the year 2007. There was no requirement for a listed company to take approval of audit committee at that time. Therefore, the Noticee committed no violation at the time of entering into the said agreements.

38. However, in this regard, I find it relevant to refer to Noticee's email dated September 28, 2020, vide which the Noticee has submitted scanned copies of the following documents:

A	Gautam Hari Singhania
1.	Leave and license agreement dated August 2, 2007 between Vishal Enterprises and Raymond Limited
2.	Leave and license agreement dated May 3, 2011 between Vishal Enterprises and Raymond Limited
3.	Leave and license agreement dated May 11, 2015 between Vishal Enterprises and Raymond Limited
4.	Leave and license agreement dated April 30, 2007 between Classic Corporation and Raymond Limited
5.	Leave and license agreement dated May 3, 2011 between Classic Corporation and Raymond Limited
6.	Leave and license agreement dated May 11, 2015 between Classic Corporation and Raymond Limited
B	Veenadevi Singhania along with Anant Singhania
1.	Leave and license agreement dated July 18,2006 between Sangeeta Ravi Vaswani and Raymond Limited
2.	Leave and license agreement dated March 22, 2010 between Sangeeta Ravi Vaswani and Raymond Limited
3.	Leave and license agreement dated May 10,2013 between Sangeeta Ravi Vaswani and Raymond Limited

4.	Leave and license agreement dated September 15, 2015 between Sangeeta Ravi Vaswani and Krish R Vaswani acting through Ravi Vaswani and Raymond Limited
C	Akshaypat Singhania
1.	Leave and license agreement dated July 18, 2006 between Mukesh N. Chhatpar and Sangeeta Ravi Vaswani and Raymond Limited
2.	Leave and license agreement dated March 22, 2010 between Sangeeta Ravi Vaswani and Raymond Limited
3.	Leave and license agreement dated May 10,2013 between Sangeeta Ravi Vaswani and Raymond Limited
4.	Leave and license agreement dated May 27,2015 between Peddar Realty Private Limited and Raymond Limited and JSW Steel Limited

39. On perusal of the aforesaid leave and license Agreements, I find it pertinent to note the following in light of the contentions raised by the Noticee before me:

Sl No	Date of agreement	Party to the agreement by the Noticee	Period of agreement	Beneficiary	Agreement ending on (i.e, continuing beyond March 31, 2015)	Existing agreements as on the date of the circular / New contracts entered after the date of the circular	Effective date as per SEBI Circular Dated April 17, 2014
1	May 03, 2011	Vishal Enterprises	May 01, 2011 to June 30, 2015	Shri Gautam Hari Singhania	June 30, 2015	Existing Agreement	March 31, 2015
2	May 03, 2011	Classic Corporation	May 01, 2011 to June 30, 2015	Shri Gautam Hari Singhania	June 30, 2015	Existing Agreement	March 31, 2015
3	May 11, 2015	Vishal Enterprises	July 01, 2015 to December 31, 2018	Shri Gautam Hari Singhania	December 31, 2018	New Agreement	October 01, 2014
4	May 11, 2015	Classic Corporation	July 01, 2015 to December 31, 2018	Shri Gautam Hari Singhania	December 31, 2018	New Agreement	October 01, 2014
5	May 10, 2013	Sangeeta Ravi Vaswani	July 01, 2013 to June 30, 2015	Veena Devi Singhania alongwith	June 30, 2015	Existing Agreement	March 31, 2015

				Anant Singhania			
6	September 15, 2015	Sangeeta Ravi Vaswani	July 01, 2015 to June 30, 2017	Veena Devi Singhania alongwith Anant Singhania	June 30, 2017	New Agreement	October 01, 2014
7	May 10, 2013	Sangeeta Ravi Vaswani	July 01, 2013 to June 30, 2015	Akshaypat Singhania	June 30, 2015	Existing Agreement	March 31, 2015
8	May 27, 2015	Sangeeta Ravi Vaswani	June 01, 2015 to May 31, 2018	Akshaypat Singhania	May 31, 2018	New Agreement	October 01, 2014

The two leave and license agreements both dated May 11, 2015 Raymond had entered with Vishal Enterprises; and Classic Corporation, I note that the agreements were valid for 3 years and 6 months from July 01, 2015. These were the new contracts entered subsequent to April 17, 2014, i.e. the date on which the amendment in Clause 49(VII)(D) of equity listing agreement had become effective. Thus, the same were liable to be complied with the revised clause 49, with effect from October 01, 2014. Similarly, from the leave and license agreements, dated May 27, 2015 between Raymond and Peddar Realty Pvt. Ltd.; and dated September 15, 2015 between Raymond and Sangeeta Ravi Vawani, I note that the agreements were valid for 3 years from June 01, 2015 and 2 years from July 01, 2015 respectively. These were the new contracts entered subsequent to April 17, 2014, i.e. the date on which the amendment in Clause 49(VII)(D) of equity listing agreement had become effective. Thus, the same were liable to be complied with the revised clause 49, with effect from October 01, 2014.

40. From the above, I note that the 4 license agreements entered by the Noticee on May 11, 2015, May 27, 2015 and September 15, 2015, had commenced subsequent to April 17, 2014, the date on which the amendment in Clause 49(VII)(D) of equity listing agreement became effective. In this context, I also note on perusal of the agreements so entered by the Noticee that each agreement was independently executed with no reference to any other preceding agreement. Further, I also note that each of the agreements specifically stipulates that the occupation of the properties would be for the temporary accommodation of the respective related party of the Noticee i.e. Mr. Gautham Hari Singhania, Veenadevi Singhania along with Anant Singhania and Akshaypat Singhania who were part of the tripartite agreements. The above license agreements stand to prove certain positive actions taken by the Noticee by entering into four separate license agreements on three dates/ occasions.

41. Further, with regards to the contention of the Noticee stating that owing to the letters received by the Noticee from some of the sub-tenants, purporting to exercise their option to purchase in JK House, in the event the tripartite agreements had to be acted upon, the Noticee placed the matter before the audit committee of the Noticee held on August 04, 2017. From the above, I note that the sub- tenants were acting upon the terms and conditions as agreed in the tripartite agreements. In light of the above, I do not see any basis for the

Noticee to argue that the tripartite agreements were abandoned, were given a go by and were not acted upon.

42. In this background, I find it relevant to deal with the definition of 'transactions' and the reasoning behind the same. I note that Regulation 2(1)(zc) of LODR Regulations defines the term "transaction" as below:

"a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:"

Therefore, a transaction in respect to RPT could be a single transaction or a group of transactions pursuant to any particular contract.

43. With regards to other four leave and license agreements entered on May 03, 2011 and May 10, 2013 which were the existing contracts as on April 17, 2014, i.e. the date on which the amendment in Clause 49(VII)(D) of equity listing agreement had become effective, it is noted that the abovesaid amendment dated April 17, 2014 states "*existing 'material' related party contracts*", however, I note that the materiality of the abovesaid existing contracts which were entered on May 03, 2011 and May 10, 2013 is not detailed in the investigation report.

44. Thus, I am of the view that the Noticee, who was well aware of the fact that the 4 license agreements entered by the Noticee on May 11, 2015, May 27, 2015 and September 15, 2015 carried out fresh actions on its part in furtherance of RPT by executing the abovesaid four new agreements. Thus, the Noticee was required to take prior approval of the audit committee as per the mandate under

SEBI Circular dated April 17, 2014 which the Noticee has admittedly failed to do.

45. Further, it is not the case of the Noticee that the permission was taken at a later stage, as the said series of transactions were never placed before the Audit Committee for their approval. I further note from the reply of the Noticee that the audit committee of the Noticee had opined that the tripartite agreements were not in the ordinary course of business or at arm's length as per current market conditions. As a result, the Noticee had, at the advice of its audit committee, and in pursuance of Section 188 of the Companies Act, 2013, had placed the matter before the shareholders at the annual general meeting. From this I gather that there was indeed an advice from the audit committee of the Noticee itself to place the matter before the shareholders for their approval which approval, in my opinion, is the ultimate approval in a company form of organization from the owners of a company, i.e. the shareholders. In the backlight of this gesture of the Audit Committee, the arguments of the Noticee that the payments made in pursuance to tripartite agreements need no approval is a notion that is too difficult to accept. I also note from the replies that the Noticee had taken a plea that the Noticee continued to pay for the alternate accommodation for Mr. Akshaypat Singhania,, Mr. Veenadevi Singhania along with Mr. Anant Singhania in compliance with the Order dated April 12, 2017 passed by the Hon'ble High Court of Judicature at Bombay (Ref : Arbitration Petition (L) No 196 of 2017 and 197 of 2017. In this regard, for easy reference,

I have reproduced below the extracts of the relied upon orders of the Hon'ble High Court of Judicature at Bombay:

1. *Mr. Dwarkadas and Mr Tulzapurkar make a statement that till further order the Respondents will not create any third party rights, alienate, encumber or part with possession of two apartments, each of 5,185 square feet on the 21st, 22nd 23rd and 24th floors of JK House, 59-A Bhulabhai Desai Road, Mumbai 400 026. It is clarified that each apartment is a split –level or duplex apartment and, therefore, the two apartments are spread across four floors (two floors each).*
2. *In addition, Mr. Dwarkadas and Mr. Tulzapurkar say they will continue the leave and license agreement for the premises occupied by the respective Petitioners. They make a statement in terms of prayer clause (a)(iv) of the respective Petition. In any other area of the structure, if any rights are created these will be subject of outcome of these Petitions.*
3. ...

From available records, I also note that clause (a)(iv) of the prayer in the arbitration petition reads as follows: -

4. *to restrain the Respondent No. 1, its servants, agents, officers and / or subordinates any person/s claiming through or under them from in any manner, be restrained by an order of injunction from terminating the Leave and License Agreement dated 27th May, 2015 and be directed to continue to pay the license fees and to renew the Leave and License Agreement or execute a fresh Leave and License Agreement until such time as the petitioner is put in possession of the Apartment viz. their permanent alternate accommodation and for a further period of 1 year from handing over possession of the said apartment, in terms of clause 3 of the Tripartite Agreement.*

46. On a plain reading of the above orders of the Hon'ble High Court of Judicature at Bombay, I apparently do not see any direction given by the Hon'ble High Court of Judicature at Bombay but to the limited extent of noting a statement given by the Noticee in terms of the prayers. Also, I do not see any direction given by the Hon'ble High Court of Judicature at Bombay, exempting the Noticee from complying with the applicable laws. Resultantly, I find no merits in the arguments of the Noticee trying to take shelter under the above said orders.
47. I also find the Noticee has argued in regard to compliance / applicability of Section 293(1)(d) of the Companies Act, 1956. The Noticee has also relied upon certain case laws in regard to the definition of the term "undertaking" as has been used in the aforesaid section. In this regard, I note that the present charge against the Noticee is not arising out of any non-compliance of the Companies Act, 1956 but are arising out of certain non-compliances with respect to LODR Regulations and SEBI Circular which charges have been levelled on a standalone basis. Therefore, I find the arguments in respect of applicability of the provisions of the Companies Act (1956) have little or no relevance to the present proceedings.
48. Keeping in mind the totality of the discussions above, I hold that agreements entered during May, 2015 and September, 2015 were without obtaining the prior approval of the Audit Committee. I note that the LODR Regulations came into effect after 90 days from the publication in the Official Gazette. I also note that the LODR Regulations was notified on September 02, 2015. The leave and license agreements, as discussed elsewhere in this order, were entered

into even before the LODR Regulations came into application. Therefore, for want of applicability of the provisions of LODR Regulations at the time when the leave and license agreements were entered into, I am of the view that the LODR Regulations were not applicable for the impugned transactions. Therefore, the Noticee has squarely violated Clause 49(VII)(D) of the listing agreement, as amended vide SEBI circular dated April 17, 2014.

b. Whether the Noticee has violated the provisions of Regulation 30(1), 30(3), 30(4) and 30(6) read with clause (8) of para B of Part A of Schedule III of LODR Regulations and clause (8) of Para B of Annexure I of SEBI Circular CIR/CFD/CMD/4/2015 dated September 09, 2015 as well as Regulation 4(1)(a), (b), (c), (d), (h), (j) of the LODR Regulations?

49. I further note that in the said tripartite agreements, the Noticee also undertook to sell the sub-lessees the apartments occupied by them upon completion of the new structures. The said obligation finds mention in Clause 3 and 6 of the said tripartite agreements as below:

Clause 3: “-----*The developer further agrees that upon completion of the new structure on the said property, the developer shall offer to sell to the tenant, the apartment which will be more or less of the same carpet area as the said existing premises in the new structure at the rate as specified in Clause 6 herein and in the manner and on the terms and conditions as hereinafter provided*”.

Clause 6: “*In pursuance of Clause 3 of this agreement, the Developer agrees to offer for sale to the Tenant, the Apartment which will be more or less of the*

same carpet area as the said existing premises, in the new structure not later than 30 days from completion of the structure, at the rate of Rs. 9,000 per square foot (carpet), subject to the Tenant having handed over timely, vacant and peaceful possession of the said existing premises to the Developer.”

50. I note that subsequent to redevelopment of JK House, the sub-lessees had sent letters to the Noticee to exercise their option to purchase the new apartments as per the said Tripartite Agreement and, subsequently, had filed a Petition before the Hon'ble High Court of Judicature at Bombay in the matter.
51. It is alleged that, if the said 4 duplex apartments in JK House were sold to the sub-lessees as per the terms and conditions laid down in the Tripartite Agreement, then it would have resulted in opportunity cost of over Rs. 623 crore to the Noticee and in turn to its shareholders. In terms of policy of materiality of the company, an event would become material where the value involved or the impact exceeds 5% of the gross turnover or revenue or total income; or exceeds 20% of the net worth, whichever is lower. It was alleged that the pending litigation against the Noticee is material in terms of the Regulation 30 read with Schedule III of LODR Regulation, which requires to be disclosed to the Stock Exchanges. It is therefore alleged that the Noticee, by its failure to disclose information regarding the said litigation to the stock exchanges, has violated the provisions of Regulation 30(1), 30(3), 30(4) and 30(6) read with clause (8) of para B of Part A of Schedule III of LODR Regulations and clause (8) of Para B of Annexure I of SEBI Circular CIR/CFD/CMD/4/2015 dated September 09, 2015 as well as Regulation 4(1)(a), (b), (c), (d), (h), (j) of the LODR Regulations.

52. In this regard, I note from the material available on record that Mr. Akshaypat Singhania, vide his letter dated January 13, 2017, and Mrs. Veenadevi Singhania along with Mr. Anant Singhania, vide their letters dated January 17, 2017 had requested the Noticee to make an offer to them to sell the flats they were entitled under Clause 3 read with Clause 6 of the respective tripartite agreements signed by them with the Noticee and Pashmina. Subsequently, Mr. Akshaypat Singhania and Mrs. Veenadevi Singhania along with Mr. Anant Singhania filed two separate arbitration petitions Nos. 196 of 2017 and 197 of 2017 respectively, under Section 9 of the Arbitration and Conciliation Act, 1996, before the Hon'ble High Court of Judicature at Bombay.
53. The Noticee has contended that there was no litigation in the month of January 2017. I note that two separate letters, as mentioned above, were sent by Mr. Akshaypat Singhania and Mrs. Veenadevi Singhania along with Mr. Anant Singhania to the Noticee. However, I note that the said letters cannot be treated as "litigation" under clause (8) of para B of Part A of Schedule III of LODR Regulations and clause (8) of Para B of Annexure I of SEBI Circular CIR/CFD/CMD/4/2015 dated September 09, 2015.
54. Subsequently, as per the submissions of the Noticee itself, Mr. Akshaypat Singhania and Mrs. Veenadevi Singhania along with Mr. Anant Singhania, vide separate letters dated April 07, 2017 addressed to the Noticee, stating that disputes had arisen between the parties, alleging that Raymond was unlawfully attempting to back out of the concluded agreement and depriving them of their permanent residence. Subsequently, as per the information available on the

website of Hon'ble High Court of Judicature at Bombay as well as the submissions made by the Noticee, the arbitration petitions Nos. 196/2017 and 197/2017 were filed on April 11, 2017. I am of the view that filing of the said "arbitration petitions" amount to "litigation" under clause (8) of para B of Part A of Schedule III of LODR Regulations and clause (8) of Para B of Annexure I of SEBI Circular CIR/CFD/CMD/4/2015 dated September 09, 2015. In this regard, I note that the allegation in the present matter is non-disclosure of the said litigations which admittedly had not been disclosed, therefore, it seldom matters when the litigation was actually initiated.

55. The Noticee has further submitted that the said litigation were not material in nature as the same were filed before the Hon'ble High Court of Judicature at Bombay to protect the subject matter of arbitration. In the two Petitions, inter alia, the following was prayed for:

- a. that status quo to be maintained;
- b. court receiver to be appointed to take possession of the flat and put 'Petitioners' in possession of the 5,185 sq. ft. in new JK House subject to Raymond depositing approx. 4.66 Crs in the Hon'ble Court, i.e. being the amount due and payable for the Apartment";
- c. continue to pay for alternate accommodation.

Therefore, the said litigation was not material in nature.

56. I am unable to accept the contentions of the Noticee as it is clearly mentioned in the letters dated January 13 & 14, 2017 of Mr. Akshaypat Singhania and Mrs. Veenadevi Singhania along with Mr. Anant Singhania that they were

demanding specific performance of the said tripartite agreements dated 6th November, 2007 signed by them with the Noticee and Pashmina. Thereafter, aggrieved by the non-performance of the Noticee, Mr. Akshaypat Singhania and Mrs. Veenadevi Singhania along with Mr. Anant Singhania initiated arbitration proceedings against the Noticee for specific performance of the said tripartite agreements.

57. Further, I note that an interim order dated December 03, 2018 was passed by the Arbitral Tribunal which was challenged by the Noticee vide Arbitration Petitions Nos. 35/2019 and 36/2019. Pursuant to the said Petitions, an order dated February 11, 2019 was passed by the Hon'ble High Court of Judicature at Bombay wherein the facts behind the said Arbitration Proceedings were discussed. In the said order, it was clearly mentioned that Mr. Akshaypat Singhania and Mrs. Veenadevi Singhania along with Mr. Anant Singhania had filed a claim against the Noticee seeking specific performance of the said tripartite agreements along with compensation for shortfall in the area of the suit premises. Alternatively, Mr. Akshaypat Singhania and Mrs. Veenadevi Singhania along with Mr. Anant Singhania have also claimed compensation in lieu of specific performance, in the event the Arbitral Tribunal is of the opinion that specific performance cannot or ought not to be granted.

58. In this regard, I note that the policy of materiality of the company deems an event to be material where the value involved or the impact exceeds 5% of the gross turnover or revenue or total income; or exceeds 20% of the net worth, whichever is lower.

59. In this regard, I note that a report by property consultant Jones Lang LaSalle Property Consultants (India) Private Limited (hereinafter referred to as 'JLL') dated March 21, 2017 was sought by the Noticee for the purpose of valuation of the disputed premise i.e. J K House and the said report was forwarded by the Noticee to SEBI. As per the said report the value of the said property is as given below:

Particulars	Constructed Area (Sq. Ft.)	Rate (Rs. Per sq. ft.)	Total Value (in Rs. Crores)
Commercial Space	19,493.68	1,17,000	228
Residential Space	68,661.39	1,17,000	803
Other saleable amenities and service space (rate calculated as one third of Residential rates)	1,56,746.62	39,000	611
Total	2,44,901.69		1,643

Further, the Cost incurred in redeveloping JK House (in Rs. per Sq. Feet) was as below:

Cumulative cost incurred as Capital work in progress till March 31,2017 (in Rs. Crores)	A	Rs. 270.00 crores
Total Constructed Area (in Sq. ft)	B	2,44,901.69 sq. ft
Cost of Construction (in Rs. Per Sq. feet)	C=A/B	Rs. 11,036 sq. ft

(source: Raymond Annual Report 2017)

Therefore, the total value of the abovementioned property was calculated by SEBI keeping in mind the value of property per square feet along with the money invested by the Noticee in redevelopment of the said property as the same money would required to be invested by any person in purchasing a property at a similar location and then redevelop the same. Therefore, I principally agree

with the said method of calculation of the cost of per square feet of the said property by SEBI.

60. Therefore, keeping in mind the cost per square feet of residential space of J K House, the opportunity cost to the Noticee and in-turn to the shareholders of the Noticee are required to be calculated. I note from the SCN that it is alleged that the opportunity cost was Rs. 623 crores. However, I note that the said opportunity cost was arrived at by keeping in mind that all 4 duplex flats would be sold at the price agreed upon in the respective tripartite agreements with the respective sub-lessees. However, I am unable to accept the said amount of Rs. 623 crores as the possible impact of the abovementioned two arbitration petitions for reasons mentioned subsequently. I note that the abovementioned two arbitration petitions were filed by Mr. Akshaypat Singhania and Mrs. Veenadevi Singhania along with Mr. Anant Singhania for the specific performance of their respective tripartite agreement i.e. to purchase 2 duplex flats that they were entitled to as per the tripartite agreements. Therefore, the opportunity cost in respect of the said litigations was required to be calculated only for those two duplex flats.

61. Further, I note that the two litigations were filed by Mr. Akshaypat Singhania and Mrs. Veenadevi Singhania along with Mr. Anant Singhania claiming specific performance of the said tripartite agreements along with compensation for shortfall in the area of the suit premises, if any. In this regard, I note from the order dated February 08, 2019 that the Hon'ble High Court of Judicature at Bombay had granted Mr. Akshaypat Singhania and Mrs. Veenadevi Singhania

along with Mr. Anant Singhania a right to inspect the Floors 21-24 of the redeveloped J K House. This indicates that the claims filed by Mr. Akshaypat Singhania and Mrs. Veenadevi Singhania along with Mr. Anant Singhania were for the flats located on floors 21-24. Therefore, the opportunity cost has to be calculated for the sale of flat(s) located on 21-24 floors at the price mentioned in the respective tripartite agreements. Having said that, irrespective of the floor whichever taken into consideration, the entitlement for the specified area at the specified cost as detailed in the tripartite agreement remains the same.

62. Keeping the above in mind and the agreed area of flat as per the tripartite agreement which comes to 5185 sq. ft. In view of the agreed area of flat to be handed over to each of the two litigants I note that the total area of two duplex flats would be 10,370 sq. ft. (i.e., 5185x2). Relying on the valuation report of JLL I note that the rate per sq. ft. comes to Rs.1,17,000/-. Also, I note that the cost of construction is said to be Rs.11,036/- per sq. ft. Therefore, the opportunity cost for two duplex flats in litigation would be as below (adopting the same methodology of calculation used in the investigation report):

Agreed area of the two duplex flats	10,370 sq. ft.
Adjusted Value per sq. ft. of constructed area as per JLL Report	Rs.1,17,000/-
Cost of Construction per sq. ft.	Rs.11,036/-
Total Value of the two duplex flats	Rs.1,32,77,33,320/- {10,370 sq. ft. x (Rs.1,17,000 + Rs.11, 036)}

Consideration to be paid by the litigants for the two duplex flats	Rs.9,54,04,000/- (10,370 sq. ft. x Rs.9,200)
Net opportunity cost	Rs.1, 23, 23,29, 320/- (Rs.1,32,77,33,320/- - Rs.9,54,04,000/-)

In this regard, I note from the Consolidated Statement of Profit and Loss for the year ended March 31, 2016 that the Noticee's Gross Revenue from Operations for the FY 2015-16 (Consolidated) was Rs.5,62,069 lakhs. Therefore, in terms of the Policy on Materiality determined by the Company, 5% of gross turnover of last audited consolidated financial statements i.e. FY 2015-16 is Rs.281.03 crores. Also the other parameter for determining "Materiality" as per the policy of the Company is 20% of the networth. From the Balance Sheet of the Company for the year 2015 -16, I note the Subscribed & Paid up Capital alone of the Noticee is Rs.6,138/- lakhs (source: https://www.raymond.in/sites/default/files/r_ar_15_16.pdf). In light of the above, I note that the opportunity cost arising out of the litigations will not meet the networth threshold also. Therefore, I hold that the said opportunity cost falls short of the threshold of materiality as mentioned in the Materiality Policy of the Noticee and thus, is a non-material transaction; hence does not call for any disclosure under Regulation 30(1), 30(3), 30(4) and 30(6) read with clause (8) of para B of Part A of Schedule III of LODR Regulations and clause (8) of Para B of Annexure I of SEBI Circular CIR/CFD/CMD/4/2015 dated September 09, 2015. Therefore,

I hold that the same was not required to be disclosed as per the terms of materiality policy of the Noticee.

c. Whether the Noticee has violated the provisions of Regulation 31A of the LODR Regulations?

63. It is observed from the shareholding pattern for quarter ended March 2017 that one Ritwik A Ruia was holding 2000 shares of the Company under the category 'Promoter and Promoter Group'. Thereafter, for the quarter ended June 2017, Ritwik A Ruia was not shown as part of the Promoter and Promoter Group of the Company. In this regard, it is alleged that the Noticee has not followed any procedures specified under Regulation 31A of Listing Regulations, 2015 for reclassification of promoter to public shareholders and accordingly filed an incorrect information with stock exchange. Thus, it was alleged that the Noticee had violated Regulation 31A of the Listing Regulations, 2015.

64. In this regard, the Noticee has contended that Mr. Ritwik A. Ruia held 2,000 equity shares of the Company as on March 31, 2017, of which 1,000 shares were thereafter transferred to his brother, Mr. Advait A. Ruia (also a part of the promoter group), on April 5, 2017. Thereafter, Mr. Ritwik A. Ruia's balance shares (being 1,000) were transferred to his father, Mr. Ajaykant Ruia (who is not a part of the promoter & promoter group), on June 2, 2017.

65. Given the fact that Mr. Ritwik Ruia's shareholding was nil as on June 30, 2017, his name was inadvertently missed out from the 'promoter and promoter group' category in the shareholding pattern filed for quarter ending June 30, 2017, although Mr. Ritwik still continued to be a part of the 'promoter and promoter

group' category. However, this was rectified later and Mr. Ritwik Ruia was shown to be a part of the 'promoter and promoter group' category in the shareholding pattern filed by the Company subsequently on September 11, 2017.

66. Therefore, in terms of the above submissions of the Noticee, I note that Mr. Ritvik Ruia was not reclassified from Promoter Category to public shareholder category and the Noticee had only failed to include Mr. Ritwik A Ruia in the list of 'promoter and promoter group' category in the shareholding pattern filed for quarter ending June 30, 2017. Therefore, I am of the view that the Noticee was not required to follow the procedure laid down under Regulation 31A of LODR Regulations. Therefore, no violation of the said provision of law is established against the Noticee.

d. If yes, whether the Noticee is liable for penalty and what should be the quantum of penalty?

67. As established in the pre-paragraphs, the Noticee has violated the provisions of Clause 49(VIII)(D) of the listing agreement. Therefore, the Noticee is liable for a penalty under Section 23E of SCRA. The text of the said provisions of law is being reproduced below:

SCRA

Penalty for failure to comply with provisions of listing conditions or delisting conditions or grounds.

23E. If a company or any person managing collective investment scheme or mutual fund, fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof, it or he shall be liable

to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees.

68. In this regard, the provisions of Section 23J of the SCRA and Rule 5 of the Adjudication Rules require that while adjudging the quantum of penalty, 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.

69. With regard to the above factors, it may be noted that the examination report has not quantified the profit made or loss caused to general investors on account of the violation committed by the Noticee. However, I note that the Noticee, in the garb of literal interpretation of law, has continued the mischief of providing accommodation to sub-lessees for almost 2 years subsequent to implementation SEBI Circular dated April 17, 2014.

70. However, I note that considering the stature of the Noticee I expect the Noticee to maintain a higher level of due diligence in its compliance with the provisions related to corporate governance. However, the Noticee has not only failed to do so but also allowed the sub-lessees to unduly benefit at the loss of itself and its public shareholders. While not alleged in the SCN, I clearly note that the Noticee has failed to adhere to the best practices of Corporate Good Governance.

71. At this juncture, it is noteworthy to quote the observations of the Hon'ble Supreme Court of India in the matter of SEBI Vs. Shriram Mutual Fund [2006] 68 SCL 216(SC) 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....*".

ORDER

72. After taking into consideration the facts and circumstances of the case, material/facts on record, the reply submitted by the Noticee and also the factors mentioned in the preceding paragraphs, I, in exercise of the powers conferred upon me under Section 23-I of the SCRA read with Rule 5 of the Adjudication Rules, I, in exercise of the powers conferred upon me under Section 23-I of the SCRA read with Rule 5 of the Adjudication Rules, hereby impose a penalty of Rs.7,00,000/- (Rupees Seven Lakh Only) on the Noticee under the provisions of Section 23E of SCRA for the violation of Clause 49(VIII)(D) of the listing agreement as instructed vide SEBI Circular dated April 17, 2014. I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee. I also note that the charges that lead to imposition of penalty under Section 23A(a) of SCRA have not been proved, consequently no penalty can be levied under the said section.

73. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through 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.

74. 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.
75. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee viz. Raymond Limited and also to the Securities and Exchange Board of India.

Place: Mumbai

Date: November 19, 2020

**K SARAVANAN
CHIEF GENERAL MANAGER &
ADJUDICATING OFFICER**