BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO: AO/SBM-VB/EAD-3/12/2015]

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

In respect of:

Mangal Keshav Capital Limited
501, Heritage Plaza,
J P Road, Andheri (West),
Mumbai 400 053
(PAN: AAECM2998N)
In the matter of Arms Paper Limited

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') observed during the course of an examination in the scrip of Arms Paper Limited (hereinafter referred to as **"Company / APL"')** conducted for the period from April 1, 2013 to December 31, 2013 that Mangal Keshav Capital Limited (hereinafter referred to as '**Noticee / MKCL**') who was holding 6,91,848 shares of APL had sold these shares to M/s Devkant Synthetics (India) Private Limited (hereinafter referred to as '**Devkant')** on December 28, 2013 in an off-market transaction. In this regard, it was observed by SEBI that the Noticee had failed to make the relevant disclosures to APL and to the Stock Exchange, within the prescribed time period, as required under the relevant provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as "**SAST Regulations, 2011"**) and SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as "**PIT Regulations, 1992"**).

2. APL is a company listed on the Bombay Stock Exchange **(BSE).** The total paid up capital of the company as on 31st March 2010 is Rs 5,51,82,000/- represented by 55,18,200 shares of Rs 10/- each. As per the share holding pattern submitted by the company to the BSE, it is observed that both Devkant and the Noticee were

shown in the list of persons belonging to the category of public and holding more than 1% of the total share capital of the Company.

3. It was observed from the transaction statement of the Noticee viz. Client ID-00162906 maintained with Mangal Keshav Securities Limited (DP – CDSL) that they had received 6,91,848 shares of APL (representing 12.54 % of the total paid up capital of APL) from Devkant on August 19, 2011 by way of an off-market transaction. It was observed from the submissions of the Noticee that these shares were received by the Noticee from Devkant as collateral security against the loan facility extended by them to Devkant. The Noticee was holding on to these shares since then and the same is evident from the transaction statement of the Noticee, as aforesaid. On December 28, 2013, the Noticee had disposed of the entire shares i.e sold 6,91,848 shares of APL back to Devkant in an off–market transaction. Since the Noticee was holding substantial quantities of shares of APL (i.e 12.54% of the total paid up capital of APL) and the off-market sale/ disposal of these shares by them on December 28, 2013 was in excess of 2% of the total paid up share capital of APL, the Noticee was required to make necessary disclosures to the Stock Exchange and to the Company under the provisions of Regulation 29 (2) read with Regulation 29 (3) of the SAST Regulations, 2011, within two working days of the disposal of these shares by them. Similarly, under the provisions of Regulation 13 (3) read with Regulation 13 (5) of the PIT Regulations, 1992, since the Noticee was holding more than 5 % shares of the company, they were required to disclose to the Company in the prescribed format (Form C) any change in their shareholding within two working days of the sale/disposal of the shares by them.

4. It was alleged that the Noticee failed to make these disclosures to the Company and to the Stock Exchange in the specified format within the time prescribed under the provisions of SAST Regulations, 2011. It was also alleged that disclosures under the relevant provisions of the PIT Regulations, 1992 were not made by the Noticee in the specified format (Form C) to the Company within the prescribed time. Thus, it was alleged that the Noticee had violated the provisions of Regulation 29 (2) read with Regulation 29 (3) of the SAST Regulations, 2011 and also Regulation 13 (3) read with Regulation 13 (5) of the PIT Regulations, 1992. Consequently, the Noticee was liable for penalty under the provisions of Section 15 A (b) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act")** for the aforementioned violations allegedly committed by them.

APPOINTMENT OF ADJUDICATING OFFICER

5. SEBI vide Order dated April 26, 2013 appointed Shri D Ravikumar as the Adjudicating Officer under Section 15 I of the SEBI Act read with Rule 3 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) to inquire into and adjudge under the provisions of Section 15 A (b) of the SEBI Act for the alleged violation of the provisions of Regulation 13 (3) read with Regulation 13 (5) of the PIT Regulations, 1992 and Regulation 29 (2) read with Regulation 29 (3) of the SAST Regulations, 2011 committed by the Noticee. Subsequently, upon the transfer of Shri D Ravikumar, I have been appointed as the Adjudicating Officer vide an Order dated June 22, 2015.

SHOW CAUSE NOTICE, REPLY AND HEARING

6. Show Cause Notice No. A&E/EAD-3/DRK-DS/22889/2014 dated August 01, 2014 (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 initiated against the Noticee and penalty be not imposed under the provisions of Section 15 A (b) of the SEBI Act for the alleged violation of the provisions of Regulation 13 (3) read with Regulation 13 (5) of the PIT Regulations, 1992 and Regulation 29 (2) read with Regulation 29 (3) of the SAST Regulations, 2011 by the Noticee.

7. The Noticee mentioned that after they received the SCN from SEBI, the relevant disclosures required under the above mentioned Regulations were made by them to the Company and to the Stock Exchange i.e BSE on August 28, 2014. Thereafter, on September 12, 2014, the Noticee mentioned that they had filed a consent application under SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 for settlement of the proceedings initiated against them. The Noticee stated that the consent application filed by them was rejected by SEBI on technical ground. The Noticee also mentioned that they had subsequently made a representation to SEBI on November 28, 2014 to consider and accept the consent application filed by them in the said matter, which was also rejected by SEBI on December 8, 2014.

8. The relevant provisions of the SAST Regulations, 2011 and PIT Regulations, 1992 alleged to have been violated by the Noticee and as brought out in the SCN issued to the Noticee are reproduced hereunder:

SAST Regulations, 2011

29 (2) *Any acquirer, who together with persons acting in concert with him, holds shares or voting rights entitling them to five per cent or more of the shares or voting rights in a target company, shall disclose every acquisition or disposal of shares of such target company representing two per cent or more of the shares or voting rights in such target company in such form as may be specified.*

29 (3) The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within two working days of the receipt of intimation of allotment of shares, or the acquisition of shares or voting rights in the target company to,—
(a) every stock exchange where the shares of the target company are listed; and
(b) the target company at its registered office.

PIT Regulations, 1992

13(3) Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company in Form C the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds 2% of total shareholding or voting rights in the company.

13 (5) The disclosure mentioned in sub-regulations (3), (4) and (4A) shall be made within two working days of:
(a) the receipts of intimation of allotment of shares, or
(b) the acquisition or sale of shares or voting rights, as the case may be.

9. Vide letter dated December 16, 2014, Noticee submitted their reply to the SCN. In the interest of natural justice and in order to conduct an inquiry in terms of Rule 4 (3) of the Adjudication Rules, the Noticee was granted an opportunity of personal hearing on March 16, 2015 vide letter dated March 03, 2015. It was mentioned by the Noticee vide their email dated March 12, 2015 that Mr Sukumar Kaimal (Authorised Representative) and Mr. Manan Shah (Company Secretary of the Noticee) would attend the hearing on behalf of the Noticee.

10. The Authorised Representatives on behalf of the Noticee viz. Mr Sukumar Kaimal and Mr Manan Shah appeared on behalf of the Noticee for the hearing held on March 16, 2015. The Authorised Representatives reiterated the submissions made by the Noticee vide their letter dated December 16, 2014. Further, it was mentioned by the Noticee that they were not aware of the disclosure requirements to be made under the relevant provisions of SAST Regulations, 2011 and PIT

Regulations, 1992 in respect of the 6,91,848 shares of APL taken by them as collateral security from Devkant and the disclosures to be made by them at the time of the sale of these shares. The Noticee assured that such instances of non-compliances w.r.t the disclosure requirements by them would not recur in future. Subsequently, in view of the change in the Adjudicating Officer vide Order dated June 22, 2015, another opportunity of hearing was granted to the Noticee on August 5, 2015 vide letter dated July 24, 2015. The Authorised Representatives on behalf of the Noticee viz. Mr S P Toshniwal and Mr Sukumar Kaimal appeared on August 5, 2015 for the hearing. The Authorized Representatives reiterated the submissions made by the Noticee vide their letter dated December 16, 2014 and also made additional submissions vide their letter dated August 5, 2015. The Authorized Representatives requested for a lenient view to be taken in the matter.

11. The excerpts of the submissions made by the Noticee vide their letters dated December 16, 2014 and August 5, 2015 *inter alia* are as follows :

- *We are a non- banking financial company (NBFC) registered with the RBI as a non deposit taking NBFC vide registration no- N-13.01824. We are primarily engaged in the business of providing loans to our clients, which are secured through collateral provided by the clients by way of pledge / transfer of shares. Devkant Synthetics (India) Private Ltd (Borrower) was one of our clients who had availed loan from us against the security of shares given by them as collateral. The 6,91,848 shares of Arms Paper Ltd were held by us as collateral in respect of the loan advanced to Devkant and the same were transferred back to the account of Devkant by us on December 28, 2013 in the ordinary course of our business activity.*
- *There was never any intention on our part to breach any of the regulatory provisions and the delay in disclosure was wholly unintentional. Further, upon the regulatory requirement coming to our notice, we had immediately made the necessary disclosures and also sought to settle the matter through consent mechanism.*
- *The inadvertent delay in making the disclosure was only due to ignorance of the mandatory disclosure requirements under the Regulations. We were under a bonafide belief that the Regulations applied only in case of transactions of purchase and sale of shares. We honestly believed that given the nature of the transaction, the Regulations were not applicable to us.*
- *We were not aware at the contemporaneous time that under the deeming provisions in the Regulations, the disclosure requirements would get triggered even in case of non-sale transactions, such as transfer back of shares held as collateral security by a non-banking financial company such as ours.*
- *We did not make any profits or gains as a result of the unintentional delay in making the mandatory disclosure. The delay in making the required disclosure did not also cause any*

financial or other loss to any person. It may please be noted that there was no reason for us, economic or otherwise, not to make the disclosure and as such there is no malafide in this case.

- *We never intended or consciously or deliberately avoided to comply with the obligations under the SEBI Act and the Regulations and the delay in making the disclosure in respect of the transfer of the shares back to the borrower's account may please be considered as a minor and technical defect or breach based on a bonafide belief that we were not liable to make the disclosures for such transactions.*
- *The shares transferred by the Borrower to our account were purely taken as a collateral security in respect of the loan availed by the Borrower from us. The transfer of shares from the Borrower's account to our account and the transfer of these shares back to the Borrower's account by us were done in the ordinary course of business of lending against the collateral of securities. We did not exercise any beneficial interest in the shares transferred to our account and these shares were held by us purely as a collateral security for the loan advanced to the Borrower by us. We did not exercise any voting rights in respect of these shares transferred by the Borrower as collateral.*
- *There was no malafide on our part in not making the disclosures. The violation is purely technical in nature and of no consequence to anybody. We did not make any unlawful gains due to the delayed disclosure.*
- *We were not aware at the contemporaneous time that the shares of Arms Paper Ltd transferred to us by the Borrower i.e 6,91,848 shares constituted 12.54 % of the total paid up capital of the company (i.e Arms Paper Ltd). We were also not aware at the contemporaneous time of any disclosure requirements under the Regulations in respect of the shares held by us as collateral security for loans granted to the Borrowers, without claiming any benefits or exercising any rights attaching to the beneficial ownership of the shares.*
- *The necessary disclosure under the SAST Regulations, 2011 and PIT Regulations, 1992 were made by us subsequently. The Noticee also enclosed a copy of the relevant formats of the disclosures made by them in this regard to Arms Paper Ltd and to the BSE. These disclosures were made by them on August 28, 2014.*
- *We have an excellent track record of compliance with all regulatory requirements and have never received any show cause notice in the past. No enquiry proceedings have been held against us so far; nor has any penalty been imposed on us by any regulatory authority. This is the first time that we have received show cause notice on the ground of violation of the mandatory disclosure requirements under the Regulations.*

12. Pursuant to the hearing held on August 5, 2015, the Noticee vide their letter dated August 11, 2015 also submitted a copy of the Loan Agreement dated 19th November 2009, which they had entered into with Devkant and also a copy of their Demat account confirming the entries w.r.t both receipt and disposal of the

6,91,848 shares of Arms Paper Ltd to/from their Beneficiary Account (hereinafter referred to as "**BO Account**"), as aforesaid.

CONSIDERATION OF EVIDENCE AND FINDINGS

13. I have taken into consideration the facts and circumstances of the case, the material available on record and the submissions made by the Noticee during the course of the personal hearing. I observe that the allegation leveled against the Noticee is that they have failed to make the relevant disclosures in respect of their sale of 6,91,848 shares of APL required under the provisions of SAST Regulations, 2011 and PIT Regulations, 1992, as applicable.

14. I observe that the Noticee is a non-banking financial company (NBFC) and registered with the RBI as a non-deposit taking NBFC vide registration no. N–13.01824. The Noticee is primarily engaged in the business of providing loans to its clients, which are secured through collateral provided by the clients either by way of pledge and/or by way of transfer of shares. I find that Devkant was one of the clients who was granted loan by the Noticee against the collateral security of shares given by Devkant. In this regard, I find that a loan agreement dated November 19, 2009 was also executed by the parties' viz. the Noticee and Devkant. I also observe from the Transaction Statement of the Noticee viz. Client ID 00162906, which the Noticee had submitted during the course of the proceedings that they had received 6,91,848 shares of APL from Devkant on August 19, 2011 as collateral security. I further observe that the 6,91,848 shares of APL received by the Noticee from Devkant's account represented 12.54 % of the total paid up capital of APL. It is also on record that on December 28, 2013, the Noticee had disposed of the entire 6,91,848 shares of APL (which they were holding since August 19, 2011) by selling these shares back to the account of Devkant. I find that both the transactions i.e receipt of 6,91,848 shares of APL into the BO account of the Noticee from Devkant's account on August 19, 2011 and the subsequent sale of these shares back to Devkant's account by the Noticee on December 28, 2013 were in the nature of off- market transfers.

15. I observe from the submissions made by the Noticee that no pledge was created by Devkant in favour of the Noticee in respect of the 6,91,848 shares of APL in terms of the provisions of Section 12 of the Depositories Act, 1996 and Regulation 58 of the SEBI (Depositories and Participants) Regulations, 1996 (hereinafter referred to as "**DP Regulations"**). I observe from the submissions made by the

Noticee that these shares were received by the Noticee from Devkant's account purely by way of collateral security against the loan facility extended by the Noticee to Devkant in the normal course of business. If a pledge in respect of these shares was created in terms of the aforementioned provisions of the Depositories Act and the DP Regulations, then the 6,91,848 shares of APL would have remained in the beneficiary account of Devkant with only a lien marked in favour of the Noticee.

In the instant case, I have observed that the Noticee had received the 6,91,848 shares of APL into their BO account from Devkant's account by way of an off-market transfer on August 19, 2011. Therefore, I am of the view that the Noticee had acquired 6,91,848 shares of APL on the above said date and consequently they were entitled to receive all benefits arising out of such shares acquired by them, including the power to exercise the voting rights in respect of these shares held by them in their account. Therefore, I do not find any merit in the argument put forth by the Noticee that they did not have any beneficial interest in respect of the 6,91,848 shares of APL, which were held by them as collateral security. The fact that the Noticee was holding 6,91,848 shares of APL was also mentioned in the shareholding pattern submitted by APL to BSE, in terms of the disclosures mandated under the provisions of the Listing Agreement. Therefore, from the facts narrated above, it is amply clear that the Noticee was the beneficial owner in respect of the 6,91,848 shares of APL and their argument that the off-market transfer of these shares on December 28, 2013 to Devkant's account was a non-sale transaction arising out of shares taken by them as collateral from the borrower is baseless and without any force. The Noticee cannot claim any immunity for not making the necessary disclosures in respect of the off-market sale of 6,91,848 shares of APL by them to Devkant's account on December 28, 2013.

16. I observe that the requirements under both SAST Regulations, 2011 as well as PIT Regulations, 1992 are triggered when a minimum of 5% of the shares of a company is acquired by an entity. I find from the material available on record that the Noticee was holding substantial quantities of shares of the company as on August 19, 2011 (i.e 6,91,848 shares representing 12.54% of the total paid up capital of the company viz. APL), which the Noticee continued to hold till the disposal of these shares by them on December 28, 2013. As mentioned above, the Noticee sold the entire 6,91,848 shares to Devkant's account on December 28, 2013 by way of an off-market transaction. The aforesaid disposal of shares by the Noticee to Devkant on December 28, 2013 resulted in change in shareholding

of the Noticee in the company, which exceeded 2% of the shareholding of the company. Hence, in terms of the provisions of Regulation 29 (2) read with Regulation 29 (3) of the SAST Regulations, 2011, the Noticee was required to make the necessary disclosures in the prescribed format to the Company and to BSE within two working days of the disposal of these shares by them i.e in the instant case, disclosures were to be made by the Noticee by December 31, 2013. Similarly, in terms of the provisions of Regulation 13(3) read with Regulation 13 (5) of the PIT Regulations, 1992, the Noticee was required to make the relevant disclosures in the prescribed format (Form C) to the Company as regards their disposal of 6,91,848 shares within two working days of the disposal of these shares by them i.e disclosures were to be made by the Noticee to the Company by December 31, 2013.

Admittedly, the Noticee failed to make these disclosures prescribed under the SAST Regulations, 2011 and PIT Regulations, 1992 within the stipulated time frame, as mentioned above. I find from the records that after the Noticee had received the SCN, they made these disclosures in terms of the aforementioned Regulations on August 28, 2014. Further, it is on record that the Company and BSE in their respective emails dated April 3, 2014 and March 10, 2014 have confirmed to SEBI that the Noticee had not made the necessary disclosures mandated under the aforementioned Regulations within the stipulated time frame. Thus, I hold that the Noticee has violated the provisions of Regulation 29 (2) read with Regulation 29 (3) of the SAST Regulations, 2011 and Regulation 13 (3) read with Regulation 13 (5) of the PIT Regulations, 1992.

17. I observe that the Noticee, while admitting to the lapse on their part in not making the relevant disclosures under the provisions of SAST Regulations, 2011 and PIT Regulations, 1992 within the prescribed time frame, has placed reliance on the decision of the Hon'ble Bombay High Court in the matter of SEBI vs Cabot International (2001) 29 SCL 399 (Mumbai) wherein the Hon'ble High Court had held that "*the authority may refuse to impose penalty for justifiable reasons like the default occurred due to bonafide belief that he was not liable to act in the manner prescribed by the statute or there was too technical or venial breach etc"*. I am of the view that the facts and circumstances of the present case are totally different and the violations committed by the Noticee in the instant matter cannot be treated as a mere technical lapse. The Noticee is a registered NBFC and is in the business of lending against collateral. In the case of shares of listed companies, which are accepted as collateral by the Noticee from various entities, it is

expected that the Noticee is aware of the regulatory requirements of the disclosures to be made/mandated under the relevant provisions of SAST Regulations, 2011 and PIT Regulations, 1992. The Noticee cannot escape liability by stating ignorance of the provisions of the regulatory requirements.

Furthermore, in a subsequent order passed by the Hon'ble Supreme Court of India vide Order dated May 23, 2006 in the case of Chairman, SEBI Vs Shriram Mutual Fund and Anr. {[2006] 5 SCC 361} wherein it was held that decision in the case of Hindustan Steel Ltd relating to Criminal/Quasi Criminal Proceedings would not apply to imposition of Civil Liabilities under the SEBI Act and the Regulations made there under. In the said case, the Hon'ble Supreme Court also held that *"In our opinion, mens rea is not an essential ingredient for contravention of the provisions of Civil Act. In our view, the penalty is attracted as soon as contravention of the statutory obligations as contemplated by the Act is established and, therefore, the intention of the parties committing such violation becomes immaterial ……. Hence, we are of the view that once the contravention is established, then the penalty has to follow and only the quantum of penalty is discretionary ''*

18. It is also pertinent to quote the observations of Hon'ble Securities Appellate Tribunal (SAT) in the matter of Milan Mahendra Securities Pvt Ltd Vs SEBI wherein the Hon'ble SAT (in Appeal No- 66 of 2003 vide Order dated April 15, 2005) has observed that "the *purpose of these disclosures is to bring about transparency in the transactions and assist the Regulator to effectively monitor the transactions in the market. We cannot therefore subscribe to the view that the violation was technical in nature"*

19. In the instant matter, I find that the Noticee also made the disclosure under Regulation 29 (1) of the SAST Regulations, 2011 on August 28, 2014 along with the disclosures made by them under Regulation 29 (2) read with Regulation 29 (3) of the SAST Regulations, 2011. While I have observed that the disclosure under Regulation 29 (1) was also made belatedly by the Noticee, I also note that the present proceedings against the Noticee has been initiated for their failure to make the necessary disclosures within the prescribed time period under the provisions of Regulation 29 (2) read with Regulation 29 (3) of the SAST Regulations, 2011 and Regulation 13 (3) read with Regulation 13 (5) of the PIT Regulations, 1992. As such, in the present proceedings, I do not think it necessary to deal with the delayed disclosure made by the Noticee under the provisions of

Regulation 29 (1) of the SAST Regulations, 2011, in view of the reasons stated above.

20. The Noticee mentioned that the relevant disclosures under Regulation 29 (2) read with Regulation 29 (3) of the SAST Regulations, 2011 and Regulation 13 (3) read with Regulation 13 (5) of the PIT Regulations, 1992 were not made by them in the instant matter within the prescribed time period due to sheer ignorance on their part and there was no malafide intention behind it. I find that the Noticee in their submissions had mentioned that they were not aware at the contemporaneous time of any disclosure requirements to be made under the relevant provisions of SAST Regulations and PIT Regulations in respect of the 6,91,848 shares of APL taken by them as collateral security from Devkant on August 19, 2011 and also at the time of the subsequent sale of these shares to Devkant on December 28, 2013. The submissions of the Noticee are baseless and without any merit. Ignorance of the provisions of law cannot be ascribed as an excuse by the Noticee to escape from the penalty for the breach of the law committed by the Noticee. The Noticee is liable for penalty for their failure to make timely disclosures under the provisions of Regulation 29 (2) read with Regulation 29 (3) of the SAST Regulations, 2011 and Regulation 13 (3) read with Regulation 13 (5) of the PIT Regulations, 1992, as aforesaid.

21. In view of the foregoing, I am convinced that the Noticee has violated the provisions of Regulation 29 (2) read with Regulation 29 (3) of the SAST Regulations, 2011 and Regulation 13 (3) read with Regulation 13 (5) of the PIT Regulations, 1992. Therefore, I am of the view that it is a fit case to impose monetary penalty on the Noticee under the provisions of Section 15 A (b) of the SEBI Act, which reads as under;

Penalty for failure to furnish information, returns, etc

15 A - If any person, who is required under this Act or any rules or regulations made there under:

….

(b). To file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.

22. While determining the quantum of penalty under Section 15A (b) of the SEBI Act, it is important to consider the factors stipulated in Section 15J of the SEBI Act, which reads as under:

"*15J - Factors to be taken into account by the adjudicating officer*

While adjudging the quantum of penalty under Section 15- I , the adjudicating officer shall have due regard to the following factors, namely:-

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default."

23. From the material available on record, the amount of disproportionate gain or unfair advantage to the Noticee or the loss caused to the investors as a result of the Noticee's default is not quantifiable. Though it may not be possible to ascertain the monetary loss to the investors on account of the default committed by the Noticee, the details of the shareholding of the persons having substantial stake in the company, subsequent changes in their shareholding and the timely disclosures made by these persons in this regard etc were of importance from the point of view of the investors of the company, as such information received by them in a time bound manner would facilitate them immensely in taking a balanced investment decision as regards their holdings in the company. Further, the purpose of these disclosures is to bring about transparency in the transactions and to assist the Regulator to effectively monitor the transactions in the securities market. Although I observe that the violations committed by the Noticee is not repetitive in nature, the Noticee made the relevant disclosures under the SAST Regulations, 2011 and PIT Regulations, 1992 to BSE and to the Company only after they received the SCN from SEBI.

ORDER

24. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by the Noticee (both oral and written) and also the factors mentioned in Section 15 J of the SEBI Act, as aforesaid, I, in exercise of the powers conferred upon me under Section 15 I of the SEBI Act read with Rule 5 of the Adjudication Rules, hereby impose a penalty of Rs 5,00,000/- (Rupees Five Lakh only) on the Noticee viz. Mangal Keshav Capital Limited under the provisions of Section 15A (b) of the SEBI Act for the failure on the part of the

Noticee to make timely disclosures under the provisions of Regulation 29 (2) read with Regulation 29 (3) of the SAST Regulations, 2011 and Regulation 13 (3) read with Regulation 13 (5) of the PIT Regulations, 1992. I am of the view that the said penalty is commensurate with the default committed by the Noticee.

25. The penalty shall be paid by way of Demand Draft drawn in favour of "SEBI-Penalties Remittable to Government of India" payable at Mumbai within 45 days of the receipt of this order. The said demand draft shall be forwarded to the Chief General Manager, EFD, SEBI, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.

26. In terms of the provisions of Rule 6 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules 1995, a copy of this order is being sent to the Noticee viz. Mangal Keshav Capital Limited and also to Securities and Exchange Board of India.

Place: Chennai
Date: 07.12.2015

SURESH B MENON
ADJUDICATING OFFICER