

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. ORDER/BD/VS/2019-20/5246

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

In respect of:
M/s Man Industries (India) Ltd
[PAN No. AAACM2675G]
Man House, 101, S.V. Road,
Opp. Pawan Hans, Vile Parle (West),
Mumbai -400 056
Maharashtra

In the matter of M/s MAN Industries (India) Ltd

BACKGROUND

1. During the examination of the scrip of M/s MAN Industries (India) Ltd (hereinafter referred to as "**MIL**" / "**Company**" / "**Noticee**"), it was observed by BSE Limited (hereinafter referred to as "**BSE**") that promoter entity i.e. Jagdishchandra Jhamaklal Manshukhani (hereinafter referred to as "**JCM**") sold 1,72,922 shares aggregating to Rs.1,81,91,337/- for which disclosures were required to be filed under Regulation 7(2)(a) of SEBI (Prohibition of Insider Trading) Act, 2015 (hereinafter referred to as "**PIT Regulations, 2015**") by the promoter with the company. BSE vide their letter dated August 27, 2018 to SEBI, informed *inter alia* that the company have not filed necessary disclosures under Regulation 7(2)(b) of PIT Regulations, 2015..
2. Upon specific query to NSE vide email dated September 11, 2018, seeking confirmation as to whether the said Exchange has received any disclosures *inter alia* from the Noticee under Regulation 7(2)(b) of PIT Regulations, 2015. The NSE confirmed vide email dated September 17, 2018 that it had not received any disclosures from it.
3. From the trading details of the JCM, during the examination period May 24, 2017 to January 15, 2018, it was observed that the said promoter entity has sold 5,99,666 shares of the scrip company i.e. 1,72,922 shares on BSE and 4,26,744 shares on NSE on 22 trading

days. The total value of such shares was Rs.6,02,25,050.90. The details of the trade are as under:

Broker Name	Exch	Date	Gr Buy Vol	Gr Sell Vol	Gr Trd Vol	Gr Buy Value	Gr Sell Value
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	25/05/2017	0	20000	20000	0.00	1010280.00
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	30/08/2017	0	71728	71728	0.00	6368854.85
MANGAL KESHAV SECURITIES LTD.	BSE	30/08/2017	0	13347	13347	0.00	1185664.80
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	31/08/2017	0	44349	44349	0.00	3908739.35
MANGAL KESHAV SECURITIES LTD.	BSE	31/08/2017	0	5651	5651	0.00	499741.30
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	01/09/2017	0	9000	9000	0.00	807550.00
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	04/09/2017	0	3925	3925	0.00	351212.50
MANGAL KESHAV SECURITIES LTD.	BSE	04/09/2017	0	2000	2000	0.00	178000.00
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	06/09/2017	0	26500	26500	0.00	2428045.00
MANGAL KESHAV SECURITIES LTD.	BSE	06/09/2017	0	1000	1000	0.00	92000.00
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	07/09/2017	0	12500	12500	0.00	1185765.60
MANGAL KESHAV SECURITIES LTD.	BSE	07/09/2017	0	10000	10000	0.00	948760.00
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	12/09/2017	0	2000	2000	0.00	187000.00
MANGAL KESHAV SECURITIES LTD.	BSE	12/09/2017	0	2000	2000	0.00	187000.00
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	13/09/2017	0	10000	10000	0.00	947500.00
MANGAL KESHAV SECURITIES LTD.	BSE	13/09/2017	0	10000	10000	0.00	947500.00
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	21/09/2017	0	6400	6400	0.00	595253.70
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	11/10/2017	0	10000	10000	0.00	955000.00
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	12/10/2017	0	8095	8095	0.00	825690.00
MANGAL KESHAV SECURITIES LTD.	BSE	12/10/2017	0	34430	34430	0.00	3621489.00
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	25/10/2017	0	69029	69029	0.00	7611806.75
MANGAL KESHAV SECURITIES LTD.	BSE	25/10/2017	0	24244	24244	0.00	2688175.45
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	26/10/2017	0	54791	54791	0.00	6091669.30
MANGAL KESHAV SECURITIES LTD.	BSE	26/10/2017	0	23000	23000	0.00	2558239.50
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	27/10/2017	0	19436	19436	0.00	2168573.30
MANGAL KESHAV SECURITIES LTD.	BSE	27/10/2017	0	9500	9500	0.00	1059770.15

Broker Name	Exch	Date	Gr Buy Vol	Gr Sell Vol	Gr Trd Vol	Gr Buy Value	Gr Sell Value
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	31/10/2017	0	2500	2500	0.00	277500.00
MANGAL KESHAV SECURITIES LTD.	BSE	31/10/2017	0	700	700	0.00	77700.00
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	01/11/2017	0	9823	9823	0.00	1085862.70
MANGAL KESHAV SECURITIES LTD.	BSE	01/11/2017	0	9000	9000	0.00	994233.50
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	03/11/2017	0	10785	10785	0.00	1207889.25
MANGAL KESHAV SECURITIES LTD.	BSE	03/11/2017	0	650	650	0.00	71964.15
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	08/11/2017	0	11283	11283	0.00	1226620.75
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	09/11/2017	0	1000	1000	0.00	109000.00
MANGAL KESHAV SECURITIES LTD.	BSE	09/11/2017	0	5000	5000	0.00	545000.00
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	21/11/2017	0	2000	2000	0.00	223500.00
MANGAL KESHAV SECURITIES LTD.	BSE	21/11/2017	0	4000	4000	0.00	448500.00
MANGAL KESHAV FINANCIAL SERVICES LLP	NSE	23/11/2017	0	21600	21600	0.00	2460400.00
MANGAL KESHAV SECURITIES LTD.	BSE	23/11/2017	0	18400	18400	0.00	2087600.00

4. Further, it was observed that, out of the said trading on 22 days, on 17 trading days the disclosure requirements under Regulation 7(2)(b) of PIT Regulations, 2015 was attracted on the Noticee and the provisions of above Regulation were observed to be not applicable on remaining 5 days as the value of the securities traded was below Rs.10 Lakh, the details of which are as under:

Date	Gr Buy Vol	Gr Sell Vol	Gr Buy Value	Gr Sell Value	Whether disclosure required under Regulations 7(2)(a) & 7(2)(b) of PIT Regulations, 2015 (Y/N)
25-05-2017	0	20000	0	1010280.00	Y
30-08-2017	0	85075	0	7554519.65	Y
31-08-2017	0	50000	0	4408480.65	Y
01-09-2017	0	9000	0	807550.00	N
04-09-2017	0	5925	0	529212.50	Y
06-09-2017	0	27500	0	2520045.00	Y

07-09-2017	0	22500	0	2134525.60	Y
12-09-2017	0	4000	0	374000.00	N
13-09-2017	0	20000	0	1895000.00	Y
21-09-2017	0	6400	0	595253.70	N
11-10-2017	0	10000	0	955000.00	Y
12-10-2017	0	42525	0	4447179.00	Y
25-10-2017	0	93273	0	10299982.20	Y
26-10-2017	0	77791	0	8649908.80	Y
27-10-2017	0	28936	0	3228343.45	Y
31-10-2017	0	3200	0	355200.00	N
01-11-2017	0	18823	0	2080096.20	Y
03-11-2017	0	11435	0	1279853.40	Y
08-11-2017	0	11283	0	1226620.75	Y
09-11-2017	0	6000	0	654000.00	N
21-11-2017	0	6000	0	672000.00	Y
23-11-2017	0	40000	0	4548000.00	Y
Total	0	599666	0	60225050.90	Y: 17; N: 5

5. In terms of Regulations 7(2) (a) and 7(2) (b) of PIT Regulations, 2015,

(a) Every promoter, employee and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified;

(b) Every company shall notify the particulars of such trading to the stock Exchange on which the securities are listed within two trading days of receipt of the disclosure or from becoming aware of such information.

6. BSE vide their email dated August 21, 2018 and NSE vide email dated September 12, 2018 sought clarification from the company whether the promoter entity i.e. JCM had filed the disclosure for sale of 1,72,922 shares aggregating to Rs.1,81,91,337/- on BSE and sale of 4,26,744 shares aggregating to Rs.4,20,33,713/- on NSE. The Noticee vide emails dated August 22, 2018 to BSE and September 14, 2018 to NSE, informed that it has not received any disclosure from the said promoter entity under Regulation 7(2)(a) of PIT Regulations, 2015.
7. BSE, vide letter dated August 27, 2018 informed SEBI that the Noticee had confirmed that it had not received any disclosure from the promoter under regulation 7(2)(a) of PIT Regulations, 2015 and that the Noticee has not filed necessary disclosures under Regulation 7(2)(b) of PIT Regulations, 2015.
8. NSE, vide email dated September 17, 2018 informed SEBI that it has not received any disclosures from the Noticee under Regulation 7(2)(a) & 7(2)(b) of PIT Regulations, 2015 with respect to 4,26,744 shares sold by the promoter. NSE further stated that the company has informed them that it has not received regular and proper disclosures from the promoter entity regarding acquisition, disposal etc. of the company's shares under regulation 7(2)(a) of SEBI PIT Regulations, 2015 and the company has not informed the Exchange about the same under regulation 7(2)(b) of PIT Regulations, 2015.
9. It was observed from the letter of the company dated January 25, 2018 written to NSE that the company was aware of the frequent trading activities of its promoter into the scrip of the company but no disclosures were received from him.
10. A confirmation was sought from M/s. Link Intime India Pvt. Ltd., the Registrar and Share Transfer Agent (RTA) of the company vide email dated March 29, 2019 as to whether the company's "BenPos(Beneficiary Position) " of all the shareholder including promoters are being provided to the company regularly & if so, to provide the dates on which such BenPos was given to the company during the period of examination May 24, 2017 to January 15, 2018.

11. The RTA also confirmed vide their email dated April 8, 2019 regarding providing of BenPos regularly and also including the entire period covered under examination to the company indicating the changes, if any, in the shareholding position of all the shareholders including the promoters. RTA also provided the various data which such information was given to the company and the same covers the period of examination.
12. From the above, it was alleged that the company was aware of the transactions of the said promoter JCM requiring disclosures under Regulation 7(2)(b) of SEBI (PIT) Regulations, 2015.
13. It was further observed from the letter dated November 16, 2016 of the company to the promoter JCM that the company was aware of the trades of the said promoter in the shares of the company and had not been providing the disclosures to it under PIT Regulations, 2015. The said position was reiterated by the company to NSE vide its letter dated January 25, 2018 which was observed to be indicating that the company was fully aware of the trades of the said promoter. However, it was observed that the company had not sought any information on disclosures from the said promoter for his trades during the examination period.
14. It was observed that when the company was fully aware of the trades of the said promote entity, the company should have considered it necessary to seek such information from the promoter entity under Regulation 7(3) of PIT Regulations, 2015 in order to comply with Regulations 7(2)(b) of PIT Regulations, 2015. However, the company did not state or furnish any documentary evidence in support of any such action taken. Therefore, it was observed that the contention of the company that the promoter entity had not furnished such information to the company to comply with Regulation 7(2)(b) to be not acceptable and therefore the Noticee is alleged to have violated the said Regulation 7(2)(b) of the PIT Regulations, 2015.

APPOINTMENT OF ADJUDICATING OFFICER

15. The undersigned has been appointed as the Adjudicating Officer ('AO') vide order dated May 29, 2019 under section 15 I of SEBI Act, 1992 to inquire into and adjudge the alleged violation of Regulation 7(2)(b) of PIT Regulations, 2015 by the Noticee.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

16. A Show Cause Notice bearing number EAD/BJD/VS/14638/2019 dated June 12, 2019 (hereinafter referred to as 'SCN') was issued to the Noticee with respect to the aforesaid allegations mentioned at para above calling upon the Noticee to show cause why an inquiry should not be held against him in accordance with Rule 4 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "AO Rules") and penalty be not imposed under Section 15A(b) of the SEBI Act, 1992. The SCN issued to the Noticee was duly served on it as per the signed acknowledgment card received which is on record. In response to the same, the Noticee vide its letter dated June 26 2019 sought further time of 2 weeks to submit its reply. The same was granted to the Noticee vide email dated June 28, 2019. In response, the Noticee vide its letter dated July 5, 2019 submitted its reply *inter alia* stating as under:

"

1) We say and submit that MAN is well managed, compliant, diligent, ethical, system driven, and renowned Company promoted by highly reputed Industrialist Dr. Ramesh Chandra Mansukhani. The Company is into large scale business of Manufacturing L-Saw pipes being supplied across the globe and thereby being one of the best steel pipes manufacturers in India. MAN was initially Promoted by Two brothers viz. Ramesh Chandra Jhamaklal Mansukhani Group (hereinafter referred to as "RCM Group") & Jagdish Chandra Jhamaklal Mansukhani Group (hereinafter referred to as "JCM Group" or "JCM") RCM Group & JCM Group shall hereinafter be collectively termed as "the said two Group". In the year 2009 full scale disputes started cropping between the said two groups. JCM had also filed Petition under Oppression & Mismanagement Before the Erstwhile Hon'ble Company Law Board in 2009 & 2011 against MAN by making vexatious, malafide, camouflaged, concoctive & tainted claims which Erstwhile Hon'ble Company Law Board ruled against his favour as they being suppressio veri suggestio falsi. MAN vide letter dated 22/11/2011 have already intimated to Stock Exchanges about separation of the said two groups & Removal of JCM as a Director of the Company on 28/09/2010. JCM in its letter dated 27/09/2010 & 06/10/2010 to the Company has admitted that all his dealing in shares of MAN are in independent capacity and not in any way related to Person Acting in Concern.

Annexed hereto and marked as "Exhibit - A" are the copies of Orders passed by Erstwhile Hon'ble Company Law Board dated 12/09/2011 & 30/05/2013.

Annexed hereto and marked as "Exhibit - B" is the copy of Letter dated 22/11/2011 written by MAN to Stock Exchanges.

Annexed hereto and marked as "Exhibit - C" is the copy of intimation by MAN to Stock Exchange about JCM removal as a Director of the Company

Annexed hereto and marked as "Exhibit - D" is the copy of Letters dated 27/09/ 2010 & 06/10/2010 written by JCM to MAN.

2) It is further submitted that JCM is a habitual & wilful defaulter who is being time and again penalised by SEBI for improper Disclosures, Non-Disclosures and non-adherence of laws in dealing with shares of MAN. It has been his aura in the eyes of law of being a vindictive persona by having vicious intentions to taint the image of the Company and thereby cause serious loss to the investors and thereby straddle the business of the Company in his own whims and fancies. This malafide mens rea of JCM has always made MAN as a scapegoat and made to pay for its innocence.

Annexed hereto and marked as "Exhibit - E Colly" are the copies of Orders passed against JCM & his Companies in the matter of MAN Industries India Limited

3) We say and submit that MAN has always in the best interest of the Company and its shareholders has made several attempts to remove JCM as Co- Promoter by making Application under Regulation 31A of SEBI LODR Regulations, 2015 for Reclassification of Promoter & Promoter Group Shareholders. However, SEBI its Reply made MAN to take approvals from Stock Exchanges for the same in due adherence of law. MAN on directions of SEBI made Application before Stock Exchanges, however, in adherence of Rules & Procedures framed by the Stock Exchanges it is necessary to take No Objection/Consent/Undertaking from the outgoing Promoter, which is nothing less than a grim possibility to do so. MAN stranded with no option against Rules & Regulations of Stock Exchanges is paying continuous cost for the same on account of JCM's failure of Non-Compliances before the Regulatory.

Annexed hereto and marked as "Exhibit-F" are the copies of Applications made to SEBI & Stock Exchanges.

4) We further say and submit that on dealing with the alleged violations made by MAN under PIT Regulations which can be read as under: -

Regulation 7 (2) (a) - Every promoter, employee and director of every company shall disclose to the Company the number of such securities acquired or disposed of within two trading days of such transaction of the value of securities traded, whether in one transaction or a series of transaction over a calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified.

Regulation 7 (2) (b) - Every company shall notify the particulars of such trading to the stock exchange on which the securities are listed within two trading days of receipt of the disclosure or from becoming aware of such information.

Regulation 7 (3) - Any company whose securities are listed on a stock exchange may, at its discretion require any other connected person or class of connected persons to make disclosures of holdings and trading in securities of the company in such form and at such frequency as may be determined by the company in order to monitor compliance with these regulations.

As per the necessary disclosures to be made under the PIT Regulations, it is per se to give timely disclosures to the stock exchanges as and when required at given time and necessity. It is pertinent to note that under PIT Regulations some disclosures can only be made on making and on reliance of disclosures which are necessary to be made by the required person, entity or connected person firstly to the Company, for the Company to make its disclosures to the stock exchanges. It is further pertinent to state that SCN tendered to MAN under PIT Regulations are nothing less than the reliance on disclosures required to be made by JCM to MAN for its to make disclosures to the Stock Exchanges. It is further pertinent to state that there are technical and logical aspects which make MAN unable to make its disclosures under PIT Regulations. It is a necessity for the Company to receive complete, accurate and proper disclosure from the persons falling in the aforesaid Regulations in order to make the same by the Company to the Public at Large. Moreover, as mentioned in the SCN, the Company on receiving Benpos cannot have all the details about acquisitions & disposals which are required to be disclosed/filled in the format as prescribed. It is pertinent to note that for MAN itself is practically not possible to track all its shareholders counting to approximately 30,000 in numbers and their weekly acquisitions and disposals. Details given in Benpos do not provide for exact date of acquisition, price, Name of Acquiror in case acquired by Stockbroker on behalf of the acquirer, Exchange on which it was acquired/ disposed. These details are material and necessary to be given in order to complete details on NEAPS Portal (NSE) or Listing Centre (BSE). You shall appreciate and understand the sanctity of making disclosures which are

complete and accurate in nature as they are to be given to Public at large. MAN cannot give false & incomplete disclosures under Regulation 7 (2) (b) if the aforesaid details are not available with MAN in authenticated manner from the persons falling under the PIT Regulations as stated above. You will further appreciate from your records that MAN has time and again made JCM aware of him not giving disclosures as required in due adherence of Law of which no Reply was made anytime by JCM Group. It is further pertinent to state that as per your SCN & records in the Benpos, Acquisition & Disposals made by JCM are done through its Stockbroker viz. Mangal Keshav Securities Limited & Mangal Keshav Financial Services LLP, which in normal course other than disclosure made cannot be known to the Company. Further to submit that though JCM being classified as Co-Promoter as out of the aforesaid evidences shown in relation to dispute between the two groups, it has always been difficult for the Company to make JCM to do necessary Compliances in the best interest of the Company and its Shareholders. It is further pertinent to state that RCM group as on date of incorporation of the Company till date has never sold a single share of the Company in order to build confidence of the shareholders and with a vision to take the Company to new heights of success whereas on the other side JCM Group as on 11/09/2013 as Co-Promoters were holding 1,48,23,704 shares of the Company and as on last date of examination period of this SCN were holding 32,85,092 shares, moreover, as on date of this Reply to SCN they hold only 11,39,264 shares of the Company. This is showing their continuous selling of shares of the Company thereby putting a stigma in the eyes of investors as Promoter selling shares in the Company and thereby give a signal of having company lose investors confidence. May it every time the company to ask estranged Co-Promoter to give details of unauthorized dealing in shares of the Company behind its back and thereby cause loss to investor confidence. Furthermore, MAN is a Listed Company having its Insider Trading Policy, have it been so that as per the Policy he would had taken pre-clearance from the Company, the Company would had asked him to make necessary disclosures in adherence of law, but the same was never taken from the Company. Hence, it is pertinent to say that the Company is not in privy to selling of shares by the JCM group. Selling of shares by JCM group is fanatic in its own whims and fancies & governed by its own fiefdom. Hence, the company does not have any details on dealing of shares by JCM group in any whatsoever.

5) JCM's failure & his intentions to let down Company before the Public at large through SEBI is not first instance as stated above, a JCM leaves no stone unturned to taint the image of the Company & make Company pay for his deceit acts.

...."

17. Considering the reply of the Noticee and in view of the facts and circumstances of the case, the undersigned was of the opinion that an inquiry should be held in the matter and for that purpose vide Notice dated August 6, 2019, the Noticee was provided with an opportunity of hearing on August 20, 2019. In response to the same, the Noticee vide its email dated August 16, 2019 sought for an extension of the hearing and accordingly the hearing was postponed to August 23, 2019. In response, the Noticee vide his emails dated August 19, 2019 confirmed its attendance for the hearing scheduled on August 23, 2019.
18. On the day of hearing, Mr. Shashank Belkhede along with Mr. Prathmesh Bhatt (hereinafter referred to as 'ARs') appeared on behalf of the Noticee. During the hearing, the ARs reiterated the submissions dated July 5, 2019. Further, ARs sought 2 weeks time to make additional submissions along with documents to demonstrate the events that were beyond their control to make disclosures under Regulation 7(2)(b) of PIT

Regulations, 2015. The request of the Noticee was acceded and the hearing proceedings were concluded therewith.

19. Further, the Noticee vide its letter dated September 03, 2019 submitted a letter dated November 16, 2019 (which was already a part of Annexure 5 to the SCN issued to the Noticee). The Noticee further reiterated the submission regarding its difficulty to forward the information to Stock Exchanges when the company had to rely on the disclosures to be given by the Promoter, JCM who it claimed to be a continuous and wilful defaulter.

CONSIDERATION OF ISSUES AND FINDINGS

20. After perusal of the material available on record, I have the following issues for consideration, viz.,

- I. Whether the Noticee has violated the provisions of Regulation 7(2)(b) of PIT Regulations, 2015?
- II. Whether the Noticee is liable for monetary penalty under section 15A (b) of the SEBI Act, 1992?
- III. If so, what quantum of monetary penalty should be imposed on the Noticee?

FINDINGS

21. On perusal of the material available on record and giving regard to the facts and circumstances of the case, I record my findings hereunder.

Issue I: Whether the Noticee has violated the provisions of Regulation 7(2)(a) of PIT Regulations, 2015?

22. I note that during the examination period from May 24, 2017 to January 15, 2018, JCM one of the promoters of the Noticee had sold 5,99,666 shares of the scrip company i.e. 1,72,922 shares on BSE and 4,26,744 shares on NSE on 22 trading days whereby the total value of such shares was Rs.6,02,25,050.90. The details of the said trades by JCM are as mentioned at para 3 above. Further it was also observed that, out of the said trading on 22 days, on 17 trading days, the value of the securities traded by JCM was above Rs.10 Lakh which *inter alia* attracted the duty of disclosure on the Noticee as per the provisions of Regulation 7(2)(b) of PIT Regulations, 2015. The details of the trades on the said 17

days by the Noticee are as mentioned at para 4 above. In this regard, it is the allegation against the Noticee that he has failed to submit disclosures in terms of the provisions of Regulation 7(2)(b) of PIT Regulations, 2015 which is reproduced hereunder:

PIT Regulations, 2015

Disclosures by certain persons.

7.(2) Continual Disclosures.

- (a). Every promoter, employee and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified;*
- (b) Every company shall notify the particulars of such trading to the stock Exchange on which the securities are listed within two trading days of receipt of the disclosure or from becoming aware of such information.*

23. With respect to the aforesaid alleged trades carried out by the Noticee, I have perused the reply of the Noticee dated September 13, 2019. From the same, I primarily note that the aforesaid transactions carried out by JCM on 17 days are not in dispute as the same has also been admitted by the Noticee. Further, the Noticee has also not disputed the fact that no disclosure under Regulation 7(2)(b) was submitted by it with respect to the trades carried on 17 days as mentioned above. However, the Noticee has denied the alleged violation of the Regulation 7(2)(b) on the grounds that are discussed hereinafter.

24. Firstly, the Noticee has stated that the Company (MIL) was originally promoted by two brothers Ramesh Chandra Jhamaklal Mansukhani group (hereinafter referred to as “**RCM Group**”) and Jagdish Chandra Jhamaklal Mansukhani group (hereinafter referred to as “**JCM Group**”). It has been contended by the Noticee that due to the dispute that arose in 2009, the two groups were divided and JCM was removed as the director from the Company. The Noticee has contended that JCM has been a habitual and wilful defaulter who holds vicious intentions to taint the image of the Company and cause serious loss to the investors and thereby straddle the business of the company in his own whims and fancies. Refuting the charges levelled against it, in support of the same, the Noticee has

stated the detailed facts and circumstances with respect to the trades by JCM and stated the difficulty in complying with the disclosure requirement in light of the same. The Noticee has stated that there are technical and logical aspects that disallowed MIL to make disclosures in the instant case. The Noticee submitted that the disclosures under Regulation 7(2)(b) can only be made once the disclosures are received by it from the Promoter entity who has traded triggering the disclosure requirements. It is contended that unless and until the Company received complete, accurate and proper disclosure from such promoters, the disclosure cannot be made by the Noticee. Furthermore, the hostility of the Noticee with JCM, the entity whose trades have triggered the disclosure requirements in the instant case has been stated to be the additional hindrance in obtaining the details of the trade to comply with Regulation 7(2)(b) by the Noticee.

25. With respect to the aforesaid submissions, I find it pertinent to note the gravity of the nature of trades by JCM that has triggered the Disclosure requirement as in the instant case. Firstly, from the shareholding pattern as published on the website of BSE which is in public domain I note that JCM has been recorded as one of the promoters of MIL for all the quarters between the quarters ending on June 2016 to the one ending on December 2017. Further, for the two quarters ending on March 2017 and June 2017, the status of JCM has been recorded as that being *declassified from the Promoter Group* and for the quarter ending on September 2017, the status has been recorded as *being Reclassified from Promoter Group*. Further, I note that JCM has continued to be a promoter entity holding 9,50,952 shares as per the recent shareholding pattern published on the website of BSE. I am of the opinion that all the aforesaid directly implies the status of the Noticee that he was holding the shares of MIL in the capacity of being a promoter. Therefore, in light of JCM being a promoter, his sale of shares on 17 days exceeding 10 lakhs in value on each day has placed the Noticee under a statutory obligation to make disclosures in terms of Regulation 7(2)(b) of PIT Regulations, 2015. However, the Noticee has claimed its inability to disclose the same citing the reasons as mentioned above. In this regard, I note that the provisions of Regulation 7(2)(b) require the company to make disclosures within 2 trading days from the date of receipt of the disclosure or from becoming aware of such information. While it is not in dispute that JCM, the promoter entity failed to submit disclosures to the Noticee, it is the awareness of the Noticee with respect to the trades is the basis of the charges against it. I note that the significance of the intent behind the legislators to specifically include the factor of awareness to trigger the disclosure

requirement under Regulation 7(2)(b) cannot be ignored. I note that such inclusion is in view of the impact that a trade by promoters holds on the price movement of the shares of the Company. Furthermore, the company being brought under the obligation to disclose within two days even from the date of awareness also indicates higher degree of accountability that a company is required to hold with respect to the investors. In this regard, the submission of the Noticee that the company cannot submit disclosures unless and until it receives complete and proper disclosures from the promoter cannot be accepted if the company is aware of such trades.

26. In light of the aforesaid observations, I note that Registrar and Share Transfer agent of the Noticee, i.e. M/s. Link Intime India Pvt. Ltd., (hereinafter referred to as “RTA”) has confirmed vide its email dated April 8, 2019 that BenPos was regularly provided to the company *inter alia* indicating the changes, if any, in the shareholding position of all the shareholders including the promoters during the entire period covered under examination. I note that the receipt of the said details under BenPos has not been disputed by the Noticee. However, it is the contention of the Noticee that the Company on receiving BenPos cannot have all the details about acquisitions & disposals as the same do not provide for exact date of acquisition, price, name of acquirer in case acquired by Stockbroker on behalf of the acquirer, Exchange on which it was acquired/ disposed, which are required to be disclosed/filled in the format as prescribed. The Noticee contended that it is practically not possible to track all its 30,000 shareholders and their weekly acquisitions and disposals. The Noticee contended that it could not have ventured to give false and incomplete disclosures under Regulation 7 (2)(b) if the aforesaid details are not available with the Noticee in the authenticated manner from the persons falling under the PIT Regulations as stated above. In this regard, referring to my observations made above, where the Company is noted to be holding a higher degree of accountability towards the interest of its investors, I also find it pertinent to note the nature of entity (promoter entity) and trades by such entity in the instant matter. I note that the promoter entity JCM, had sold a considerable number of shares i.e. 5,99,666 shares amounting to Rs. 6,02,25,050.90 during the said period. However, the said information that a Promoter of MIL was selling his shares in such high volume failed to be disseminated to the public during the period due to the default of the Noticee. I note that such sale of shares in high volume by a promoter has a scope of impacting the price of the scrip, had such information been available to the investors in public. By depriving the investor of such

significant information, I am of the opinion that the investor's rights as well the interests have been adversely impacted. While the Noticee has claimed that it could not have access to the complete information based on BenPos and that it could not have submitted incomplete disclosures, it is very apparent that the information about such high volume sale by the Promoter was within the knowledge of the Noticee. The significance of such trade as noted above cannot be expected to be ignored by the Noticee if the intentions of the Noticee was to act fairly and transparently in the interest of the investors. However, I note from the record that the only significant action that has been displayed by the Noticee with respect to the trades by JCM is that vide letter dated November 16, 2016, it had intimated the said promoter entity to submit timely disclosures drawing its attention towards its frequent trades in the scrip. While I note that said communication was made internally to the promoter during the period before the examination period, the Noticee has not made any submission projecting its attempts to bring the aforesaid information, after the examination period, to the notice of the Exchanges or to the notice of the general public. Such failure to act is evident on the part of the Noticee in spite of the fact that statutory requirement was triggered as soon as the awareness about the trades were gathered by the Noticee, in this case which is by way of BenPos. Therefore, from all the above, I am of the opinion that the Noticee by its failure to disclose even after becoming aware of such information has violated Regulation 7(2)(b) of PIT Regulation, 2015.

27. Furthermore, I also find it pertinent to note that the Noticee has also *inter alia* stated, *"This is showing their continuous selling of shares of the company thereby putting a stigma in the eyes of the investors as Promoter selling shares in the Company and thereby give a signal of having company lose investors confidence."* I note that the foremost and primary duty of the Noticee is to safeguard the interest of its investors. The internal dispute between the promoters should in no way be allowed to have an adverse impact on the investors. However, in the instant case, the Noticee has claimed that the continuous sale of shares by the promoter JCM would make the company lose investors' confidence. I do not agree with said submission of the Noticee. The information as mandated by the statutory requirement have to be complied by the Noticee and the Noticee is expected to be diligent in bringing the significant information to the public, especially dealing of promoters, even if the same is not favourable for Company's share price. I am of the opinion that any failure to make timely and accurate disclosures with respect to the promoter's sale of shares as in the instant case comes at the cost of the interest of

investors at large. In the instant case, failure to disclosure information regarding substantial sale of shares facilitated promoter entity to sell shares at higher price at the instance of investors. When seen in the context of dispute between promoters, the possibility of deliberately withholding information appear to be work in favour of one of the promoter entity, as reduction of shareholding by another promoter (promoter who sold shares) would mean greater control by other promoter entity.

ISSUE II. Whether the Noticee is liable for monetary penalty under Section 15A (b) of the SEBI Act?

28. From the conclusions arrived at para 27 above, I further conclude that the Noticee is liable for monetary penalty under section 15A (b) of the SEBI Act. The text of the said provision is as follows:

Penalty for failure to furnish information, return, etc.-

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

(a)

(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 which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

ISSUE III: If so, what quantum of monetary penalty should be imposed on the Noticee?

29. While determining the quantum of monetary penalty, it is important to consider the factors stipulated in Section 15 J of the SEBI Act, which reads as under :

SEBI Act

Factors to be taken into account by the adjudicating officer

15J. While adjudging 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 a group of investors as a result of the default ;*
- c) *the repetitive nature of the default*

30. The material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee. From the record, I note that the default is not repetitive in nature.

31. Considering the nature of default by the Noticee in the facts and circumstances of the instant case, I also find it pertinent to refer to the following observation of Hon'ble SAT in the case of Mr. Ankur Chaturvedi vs. SEBI (Appeal No. 434 of 2014 decided on August 04, 2014):

"..As rightly pointed out by the adjudicating officer the entire securities market stands on disclosure based regime and accurate and timely disclosures are fundamental in maintaining the integrity of the securities market. Therefore omission on the part of the appellant in failing to make disclosures was detrimental to the interest of the investors in the securities market and hence no fault can be found with the decision of SEBI in imposing penalty of Rs. 5 lac and Rs. 2 lac under section 15A(b)/15HB of the SEBI Act for violating the provisions of PIT Regulations and Model Code of Conduct respectively.."

32. As per the aforesaid observation recorded by the Hon'ble SAT in the aforesaid matter, the significance of accurate and timely disclosures in the disclosure based regime of the securities market cannot be stressed enough especially as in the instant matter where the a promoter of MIL had carried out sale of shares of value about Rs. 5,74,39,047.20 on 17 days during the examination period i.e. May 24, 2017 to January 15, 2018 and the Noticee failed to make disclosures with respect to the same under Regulation 7(2)(b) of PIT Regulations, 2015. Therefore, I am of the opinion that the violation of the Noticee cannot be viewed leniently. However, considering that in the past, the Noticee has made attempts to bring to the notice of the promoter, his failure in disclosure of sales albeit in the past, I note that the same may be considered in favour of the Noticee in deciding the quantum of penalty to be imposed for its proven default.

ORDER

33. In exercise of the powers conferred under Section 15 I of the Securities and Exchange Board of India Act, 1992, and Rule 5 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, considering all the observations made in the preceding paragraphs above, I hereby impose a penalty of Rs. 5,00,000/- (Rupees Five Lakhs only) on M/s Man Industries (India) Ltd in terms of the provisions of Section 15A(b) of the Securities and Exchange Board of India Act, 1992 for the violation of Regulation 7(2)(b) of SEBI (Prohibition of Insider Trading) Regulations, 2015 by it.
34. M/s Man Industries (India) Ltd shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of “SEBI -Penalties Remittable to Government of India”, payable at Mumbai, OR through online payment facility available on the SEBI website www.sebi.gov.in on the following path, by clicking on the payment link.

ENFORCEMENT → Orders → Orders of AO → PAY NOW

35. M/s Man Industries (India) Ltd shall forward said Demand Draft or the details / confirmation of penalty so paid to the “The Division Chief, Division of Regulatory Action-2, Enforcement Department (EFD1 – DRA II), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C –4 A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051”. M/s Man Industries (India) Ltd shall provide the following details while forwarding DD/ payment information:

- a) Name and PAN of the entity
- b) Name of the case / matter
- c) Purpose of Payment – Payment of penalty under AO proceedings
- d) Bank Name and Account Number
- e) Transaction Number

36. 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.

37. In terms of the provisions of Rule 6 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules 1995, a copy of this order is being sent to M/s Man Industries (India) Ltd at its address on record and also to the Securities and Exchange Board of India, Mumbai.

October 30, 2019
Mumbai

B J Dilip
Adjudicating Officer