

ADJUDICATION ORDER NO. AO/JS/VRP/ 7-11/2018

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 BY ADJUDICATING OFFICER) RULES, 1995

In respect of:

Sr. NO.	Name of the Entity and PAN No.	Sr. NO.	Name of the Entity and PAN No.
1	Jagdish T Jain PAN No. AAFPJ8045D	4	Manoharmal Jain PAN No. -AACPJ2237Q
2	Chunnilal Jain PAN- AAEPJ5214A	5	Pavan Kumar Jain PAN No.- AACPJ2266M
3	Ms. Nisha Jain PAN No.- AFDPJ7713H		

In the matter of Refex Industries Limited

BACKGROUND

1. Securities and Exchange Board of India (**SEBI**) conducted investigation in the scrip of Refex Industries Limited (**the company**) during the period of July 1, 2015 to July 23, 2015 (**investigation period**).
2. Pursuant to investigations, it was alleged by SEBI that the entities viz. by Jagdish T Jain, Chunnilal Jain, Ms. Nisha Jain, Manoharmal Jain and Pavan Kumar Jain (**'Noticees'**) were connected persons as Jagdish T Jain was Whole Time Director of the company and brother of T. Anil Jain Managing Director of the company and the Noticees Chunnilal Jain, Ms. Nisha Jain, Manoharmal Jain and Pavan Kumar Jain were connected to the promoter and management (T. Anil Jain) through family connections and hence were in a position to have access to unpublished price sensitive information (**UPSI**) related to financial results. Further, the Noticees Chunnilal Jain and Ms. Nisha Jain had same residential address as that of the company Managing Director (T. Anil Jain). Thus, they being an insider in terms of Regulation 2(1)(g) of PIT Regulation, 2015, they were in possession of UPSI while executing trade in the scrip of the company thereby violated section 12A(d),(e) of SEBI Act, 1992 & Regulation 4(1) read with 4(2) of SEBI (Prohibition of Insider Trading) Regulations, 2015 (**PIT Regulation, 2015**).

3. It is noted that the company made corporate announcements as under as under and the price movement on the days of the announcements at BSE is as tabulated for impact on the price:-

(source :bseindia.com)

Date of Announcement on BSE	Announcement	Price movement in the scrip of Refex	Impact on price																																				
June 01, 2015 @ 12:47 p.m.	Refex Industries Ltd has informed BSE about the Standalone Financial Results for the period ended March 31, 2015.	June 01, 2015 <table><tr><td></td><td>O</td><td>H</td><td>L</td><td>C</td><td>Vol.</td></tr><tr><td>NSE</td><td>8.55</td><td>8.55</td><td>8.55</td><td>8.55</td><td>1,831</td></tr><tr><td>BSE</td><td>8.85</td><td>8.85</td><td>8.85</td><td>8.85</td><td>27,439</td></tr></table>		O	H	L	C	Vol.	NSE	8.55	8.55	8.55	8.55	1,831	BSE	8.85	8.85	8.85	8.85	27,439	After the announcement, the scrip price hit the upper circuit of 10% on next day																		
	O	H	L	C	Vol.																																		
NSE	8.55	8.55	8.55	8.55	1,831																																		
BSE	8.85	8.85	8.85	8.85	27,439																																		
July 02, 2015	Refex Industries Limited intimated exchanges regarding Board Meeting to be held on July 10, 2015 to consider and take on record the Unaudited Financial Results of the Company for the Quarter ended 30 th June 2015.	July 2, 2015 <table><tr><td></td><td>O</td><td>H</td><td>L</td><td>C</td><td>Vol.</td></tr><tr><td>NSE</td><td>19.05</td><td>19.05</td><td>18.55</td><td>19.05</td><td>2,44,836</td></tr><tr><td>BSE</td><td>18.55</td><td>18.55</td><td>18.50</td><td>18.55</td><td>16,004</td></tr></table> July 3, 2015 <table><tr><td></td><td>O</td><td>H</td><td>L</td><td>C</td><td>Vol.</td></tr><tr><td>NSE</td><td>19.00</td><td>19.85</td><td>18.10</td><td>18.10</td><td>1,08,458</td></tr><tr><td>BSE</td><td>18.25</td><td>19.45</td><td>17.65</td><td>17.75</td><td>1,22,306</td></tr></table>		O	H	L	C	Vol.	NSE	19.05	19.05	18.55	19.05	2,44,836	BSE	18.55	18.55	18.50	18.55	16,004		O	H	L	C	Vol.	NSE	19.00	19.85	18.10	18.10	1,08,458	BSE	18.25	19.45	17.65	17.75	1,22,306	After the announcement, the scrip price hit the lower circuit of 5% on next day
	O	H	L	C	Vol.																																		
NSE	19.05	19.05	18.55	19.05	2,44,836																																		
BSE	18.55	18.55	18.50	18.55	16,004																																		
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NSE	19.00	19.85	18.10	18.10	1,08,458																																		
BSE	18.25	19.45	17.65	17.75	1,22,306																																		
July 10 2015 @ 17:37 p.m.	Refex Industries Ltd has informed BSE about the Standalone Financial Results for the period ended June 30, 2015.	July 10, 2015 <table><tr><td></td><td>O</td><td>H</td><td>L</td><td>C</td><td>Vol.</td></tr><tr><td>NSE</td><td>18.75</td><td>18.75</td><td>18.75</td><td>18.75</td><td>17,506</td></tr><tr><td>BSE</td><td>18.50</td><td>18.50</td><td>18.50</td><td>18.50</td><td>30,622</td></tr></table> July 13, 2015 <table><tr><td></td><td>O</td><td>H</td><td>L</td><td>C</td><td>Vol.</td></tr><tr><td>NSE</td><td>17.85</td><td>17.85</td><td>17.85</td><td>17.85</td><td>2,386</td></tr><tr><td>BSE</td><td>17.60</td><td>17.60</td><td>17.60</td><td>17.60</td><td>2,818</td></tr></table>		O	H	L	C	Vol.	NSE	18.75	18.75	18.75	18.75	17,506	BSE	18.50	18.50	18.50	18.50	30,622		O	H	L	C	Vol.	NSE	17.85	17.85	17.85	17.85	2,386	BSE	17.60	17.60	17.60	17.60	2,818	After the announcement, the scrip price hit the lower circuit of 5% on next day
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NSE	17.85	17.85	17.85	17.85	2,386																																		
BSE	17.60	17.60	17.60	17.60	2,818																																		

4. It is noted from the financial results of the company available on BSE website that the total income as well as the net profit of the company had gone up from 2012-13 to 2014-15. Further, the revenue in the quarter ending March 31, 2015 was disproportionately more than the revenue in other quarters resulting into significantly high annual revenue for the year 2014-15 (last column) compared to two previous year. The financial results for the various quarters are as under:

	Quarter ending (Rs cr.)					Annual Results (Rs cr.)		
	Jun'14	Sep'14	Dec'14	Mar'15	Jun'15	2012-13	2013-14	2014-15
Total Income	4.38	3.06	3.93	72.62	3.52	17.00	28.02	84.72
Total Expenditure	-3.54	-2.35	-3.83	-68.89	-3.43	-28.39	-22.22	-79.17
Net Profit / Loss	3.37	0.20	-0.41	2.78	-0.03	-15.66	1.18	3.05
EPS	0.54	0.13	-0.26	1.78	-0.02	-10.12	0.76	1.97

5. Breakup of annual revenue for the years 2012 to 2015 into quarterly revenues is presented in the table below:

Financial Year	Total Income for the quarter ending (Rs cr)				Total Expenditure for the quarter ending (Rs cr)			
	Mar	June	Sept	Dec	Mar	June	Sept	Dec
2013	5.33	4.26	2.99	4.50	-17.61	-3.42	-3.21	-3.93
2014	9.53	5.95	5.80	6.69	-7.16	-4.99	-4.39	-5.64
2015	72.62	4.39	3.06	3.93	-68.89	-3.54	-2.35	-3.83

6. The chronology of events leading up to the disclosure of quarterly results on July 10, 2015 as submitted by the company is as under :-

Sl. No.	Subject Matter of the Event	Relevant Date
1.	Notice of Intimation of Board Meeting and Audit Committee Meeting to Directors and Exchanges	July 2, 2015
2.	Commencement of the Work relating to preparation of Financial Results	July 3, 2015
3.	Completion of the work	July 9, 2015
4.	Audit Committee meeting reviews the Results	July 10, 2015
5.	Board Meeting approves the Results	July 10, 2015
6.	Announcement of the quarterly results to the Exchanges	July 10, 2015

7. It is noted that Ms. Lalitha, the CFO of the company, has stated that the company had an idea about revenue and expenses of the previous quarter by July 01, 2015, as the accounts are maintained by them on daily basis. Hence, UPSI period is taken from July 01, 2015 to July 10, 2015.

8. Company mentioned that the following persons were having access to the UPSI:-

Sl. No.	Name	PAN	Organization	Designation
1.	T. Anil Jain	AADPA8582A	Refex	Managing Director
2.	S. Gopalakrishnan	AFWPG9619Q	Refex	Company Secretary
3.	U. Lalitha	ACQPL1682F	Refex	Chief Financial Officer

9. It is noted that five entities had sold shares of the scrip during pre-announcement period. The list of five entities/ Noticees along with their trading details during UPSI period and post announcement period is tabulated as under-

S. No.			UPSI Period (01-Jul-15 - 10-Jul-15)			Post announcement (13-Jul-15 - 23-Jul-15)			Net Net Sell Vol.
	Client Name	PAN	Gr Buy Vol.	Gr Sell Vol.	Net Vol.	Gr Buy Vol.	Gr Sell Vol.	Net Vol.	
1	Jagdish T Jain	AAFPJ8045D	-	1,99,500	1,99,500	-	50,000	50,000	2,49,500
2	Chunnilal A Jain	AAEPC5214A	-	75,600	75,600	-	-	-	75,600
3	Nisha Jain	AFDPJ7713H	-	44,277	44,277	-	-	-	44,277
4	Manoharmal Jain	AACPJ2237Q	-	31,556	31,556	-	-	-	31,556
5	Pavan Kumar Jain	AACPJ2266M	-	31,000	31,000	-	-	-	31,000

*July 11 & July 12, 2015 were trading holidays

APPOINTMENT OF ADJUDICATING OFFICER

10. An Adjudicating Officer was appointed vide order dated May 16, 2017 under Section 19 read with section 15-I of the Securities and Exchange Board of India Act, 1992 (**SEBI Act, 1992**) and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rule, 1995 (**Adjudication Rules**), to inquire into and adjudge under Section 15G of SEBI Act, 1992, as applicable.

SHOW CAUSE NOTICE, REPLY AND HEARING

11. A common Show Cause Notice (**SCN**) in terms of the provisions of Rule 4 of Adjudication Rules read with Section 15I of SEBI Act, 1992 was issued on October 25, 2017 to the Noticees calling upon the Noticees to show cause as to why an inquiry should not be held against them under Rule 4 of the Adjudication Rules and penalty be not imposed for the alleged violation. The SCN was duly delivered to the Noticees.
12. The Noticees submitted their reply as under:

- 12.1. The Noticee viz Jagdish Jain vide letter/ email dated November 14, 2017, December 07, 2017, December 08, 2017, December 19, 2017, January 01, 2018 inter alia submitted as under:

Reply dated November 14, 2017, December 07, 2017, December 08, 2017, and December 19, 2017

I request you to please refer to the notice issued to me under Rule 4(1) of SEBI (Procedure for Holding Inquiry and imposing Penalties by Adjudicating Officer) Rules, 1995 vide communication no. EAD-8/JS/VRP/OW/25961/2017 dated 25/10/2017. I had requested your goodself to kindly grant me some time to reply to your notice and you were kind enough to grant me time upto 07/12/2017 vide your mail dated 27/11/2017.

Sir, I would like to humbly submit that I was holding 3,89,704 shares as of 06/03/2015 which represents 2.52% of the total share capital of the Company. Subsequently I had disposed off 2,89,500 equity shares upto 17/07/2015 which represents 1.87% of the total share capital of the Company. Sir, I beg to submit that I was a non-executive Director in Refex Industries Ltd. until 20/03/2015 on which date I resigned my directorship of the Company and ceased all my relationship with the Company. I understand the necessary ROC formalities had also been completed by the Company. I would also like to submit that I do not have any pecuniary relationship with the Company since my ceasing to be the Whole Time Director of the Company. I had ceased to be the Whole Time Director w.e.f. 01/01/2014 after which I continued only as non-executive non independent Director till 20/03/2015 and on which date as mentioned earlier I had submitted my resignation and resigned from the Board.

You will appreciate that after my resignation I have not received any intimation from the Company regarding any of the Board meetings since I ceased to be the Director of the Company from 20/03/2015. In the notice sent to me, two violations have been alleged namely violation of Regulation 29(2) read with 29(3) of SAST Regulation 2011 for the transaction of 23/07/2015 and also under the Regulation 7(2)(a) of SEBI (PIT) Regulation 2015.

Sir, I would like to state that I am financially independent and as such I do not look to Refex Industries Ltd. or its promoters for any monetary help and assistance. The intention to sell the shares of Refex Industries Ltd. was to provide funds to my Company which is into the business of steel trading. I run my own steel trading business and due to urgent fund requirement I had sold the shares in good faith to support my financial requirements in my business and also repay the certain outstanding loans taken by me.

Sir, you will therefore appreciate that any non-disclosure of change in shareholding has been consequential and not deliberate. You will also appreciate that I have not traded in the shares of Refex Industries but only sold the shares to meet my pressing financial requirements. Hence you will appreciate that I did neither have nor possess any information as an insider of the Company.

In view of my above submission in case you require any further details which I will be pleased to submit. I humbly request you to drop the proceedings against me both under Regulation 29(2) read with 29(3) of SAST Regulation 2011 and the Regulation 7(2) (a) of SEBI (PIT) Regulation 2015 for which I shall be ever grateful.

Reply dated January 1 and 6, 2018

At the outset we are thankful to you for granting us an opportunity of personal hearing on 21/12/2017. After oral submissions were made by our authorized representative Mr. B. Madhuprasad, Chartered Accountant, Keynote Corporate Services Ltd., Mumbai, you were pleased to direct that in case we wish to file additional written submissions, the same may be submitted. You were pleased to grant us time up to 8th January 2018 and accordingly we are pleased to give below our further submissions. Sir, you will be pleased to observe that the shareholding of Smt. Seema Jain has remained unchanged since the quarter ending March 2015 and consequent to which there has not been any change in the percentage of shareholding.

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Sir, in case of my shareholding in Refex Industries, I was holding 3,89,704 shares as of quarter ending 31/03/2015 which represented 2.52% of the total paid up share capital of Refex Industries Ltd. (1,54,75,176 equity shares of Rs.10/- each). This had come down to 50,204 equity shares as of quarter ended September 2015 resulting in my total shareholding being reduced to 0.32% of the total paid up capital of Refex. Presently my shareholding is only 0.05% of the paid up share capital of Refex Industries. Sir, I had in my earlier written submission stated that I ceased to be the Whole Time Director of Refex Industries w.e.f. 01/01/2014.

After my resignation as Whole time Director I continued only as a non executive non independent Director till 20/03/2015. On 20/03/2015 I had submitted my resignation to the Board which was accepted by them and I had resigned from the Board w.e.f. 20/03/2015. The necessary documentary proof as filed with ROC is attached. Sir, our authorized representative had also submitted the audited annual reports for the year ended 31/03/2015 where you will be pleased to observe that I had resigned from the Board of Refex and the same has been in the knowledge of the shareholders of the Company as also in the public domain as necessary filing had been made to the stock exchanges.

Sir, you will appreciate that after my resignation I have not received any communication from the Company regarding any of the Board Meetings since I ceased to be the Director of the Company from 20/03/2015. I would like to submit that I am financially independent and as such I do not look to Refex Industries or its promoters for any monetary assistance. The equity shares held by me in Refex were sold with the purpose of providing funds to my steel trading business for working capital. The equity shares have been sold by me in good faith and to meet to financial needs for my business and to repay certain outstanding loans. The investigation department of SEBI had also sent a notice (Ref. No. IVD/ID4/GRM/DB/24871/4 dated 1st September 2016) to explain the sale of shares in Refex for which I had submitted my replies vide letter dated 22/10/2016 and no further communication has been received so far.

12.2. The Noticee viz Chunilal Jain and Nisha Jain vide letter dated January 08, 2018 inter alia submitted as under:

This has reference to the captioned letter and this may be treated as a reply on behalf of myself and Ms Nisha Jain (Noticee 3). Necessary letters of authority authorizing me to file this reply on her behalf is enclosed as Annexure 1.

At the outset, we deny the allegations made the said letter, save and except those, which are specifically admitted herein. Nothing stated in the said Order shall be deemed to be admitted by us merely on account of non traverse, unless the same is specifically admitted in this reply.

Our point wise reply is as under:

- 1. Paragraphs 1 and 2 are statements of facts and we have nothing to comment on the same.*
- 2. Paragraphs 3 to 8 pertain to the investigation into the price rise of the scrip of Refex Industries Limited by SEBI and as we are not connected to the investigation or to the company, we have no comments to offer.*
- 3. Paragraph 9 discusses the entities who were in possession of UPSI and since our name is not mentioned as one which was in possession of UPSI, we have no comments to offer.*

4. Paragraph 10 discusses the fact that both of us had sold shares during the pre announcement period. We confirm that we have sold the shares during the period. However we deny that we have avoided any loss by way of sale of shares during that period, as we were not in possession of UPSI as already stated by you in Paragraph No: 9 and we merely sold the shares as there was an increase in price of the shares during this period and we had some financial requirements in our family

5. We have no comments to offer on the contents of Paragraph No: 11 as they pertain to Mr Jagdish Jain,.

6. With regard to the contents in Paragraph No: 12, we would like to state that although we share a common address with Mr Jagdish Jain, Mr Chunilal Jain stays at a separate bungalow that has a separate entrance and he is not on good terms with Mr Jagdish Jain. While confirming the sales mentioned by you, it is humbly submitted that the sales were done in order to reduce the losses being incurred by Mr Chunilal Jain and also to meet financial requirements . The shares were purchased in the year 2011 at an average price of Rs.28.54 approximately . The share price started to decline after that period and were always quoting below Rs.10. Since the price started to rise, Mr Chunilal Jain sold the shares with the sole intention of reducing the losses. It is also submitted that the price after touching Rs.19 on July 02, 2015 again started to decline and hence the entire lot of his holding was sold in order to reduce the losses and meet our financial requirements . There was no other intention. It is totally denied that Mr Chunilal Jain was in possession of UPSI. He is a senior citizen aged 84 years and is not involved in the day to day administration of Refex Industries Limited. He is neither a director or a promoter of the company. He is merely related to Mr Anil Jain who happens to be his brother's son. There is no other connection whatsoever with Mr Anil Jain and there is no means by which Mr Chunilal would have been in possession of UPSI. The allegation made by you is based on assumptions and surmises and is completely devoid of any merit.

7. With regard to the contents in Paragraph No: 13, we would like to state that although we share a common address with Mr Jagdish Jain, Ms Nisha Jain stays at a separate bungalow with Mr Chunilal Jain that has a separate entrance and is not on good terms with Mr Jagdish Jain. While confirming the sales mentioned by you, it is humbly submitted that the sales were done in order to reduce the losses being incurred and also to meet the family financial requirements by Ms Nisha Jain. The shares were purchased in the year 2011 at an average price of Rs.27.89. The share price started to decline after that period and were always quoting below Rs.10. Since the price started to rise, Ms Nisha Jain sold the shares with the sole intention of reducing the losses. There was no other intention. It is totally denied that Ms Nisha Jain was in possession of UPSI. She is not involved in the day to day administration of Refex Industries Limited. She is neither a director or a promoter of the company. There is no means by which she could have had access to UPSI and the allegation made by you is based on assumptions and surmises and is completely devoid of any merit.

8. Paragraph 14 and 15 do not pertain to us and we have no comments to offer.

9. We do not deny the connection depicted in the Chart in Paragraph 15. With regard to the details pertaining to Mr Jagdish Jain we have no comments to offer. As regards the trading pattern of Mr Chunilal Jain and Ms Nisha Jain, we have already stated in the earlier paragraph that we have sold the shares at a loss and the only objective was to reduce the losses as the shares have been quoting below the purchase price since the date we purchased the shares and also due to our urgent financial requirements.

10. We deny that we are connected to Mr Jagdish Jain, Mr Manoharmal Jain and Mr Pavan Kumar Jain as alleged by you in paragraph 16. Except for our family relationship, our businesses are not connected and we have no idea of what is the business activity or revenue generated by Refex Industries Limited. We totally deny that we were in possession of UPSI while executing the trade and have violated Section 12(d)(e) of SEBI Act, 1992 and Regulation 4(1) read with 4(2) of SEBI (PIT) Regulations, 2015. The allegation is made by based on surmises and assumptions due to our family relationship and completely devoid of any facts or merit.

11. Paragraph 17 and 18 is a statement of the Regulations and we have no comments to offer.

12. We submit a copy of the PAN Card of all the notices as Annexure 2 to this letter and we also undertake to keep you informed of the change in our correspondence address till the proceedings are completed. Our address and email ids with phone number is as under:

Address : Old no 52 New No 151 Habibulla Road , T.Nagar , Chennai 600017 ,
Ph : +91 9841068494

In view of the above submissions we also request you to take a lenient view in the matter.

12.3. The Noticee viz Manoharmal Jain vide letter dated January 08, 2018 inter alia submitted as under:

At the outset, I deny the allegations made the said letter, save and except those, which are specifically admitted herein. Nothing stated in the said Order shall be deemed to be admitted by us merely on account of non-traverse, unless the same is specifically admitted in this reply.

Our point wise reply is as under:

1. Paragraphs 1 and 2 are statements of facts and I have nothing to comment on the same.
2. Paragraphs 3 to 8 pertain to the investigation into the price rise of the scrip of Refex Industries Limited by SEBI and as I are not connected to the investigation or to the company, I have no comments to offer.
3. Paragraph 9 discusses the entities who I re in possession of UPSI and since my name is not mentioned as one which was in possession of UPSI, I have no comments to offer.
4. Paragraph 10 discusses the fact that I had sold shares during the pre-announcement period. I confirm that I have sold the shares during the period. However. I deny that I have avoided any loss by way of sale of shares during that period, as I was not in possession of UPSI as already stated by you in Paragraph No: 9 and I merely sold the shares as there was an increase in price of the shares during this period.
5. I have no comments to offer on the contents of Paragraph No: 11, 12 and 13 as they pertain to Mr Jagdish Jain, Mr Chunilal Jain and Ms Nisha Jain with whom I have no connection.
6. With regard to the contents in Paragraph No: 14, while confirming the sales mentioned by you, it is humbly submitted that the sales I have done is in order to reduce the losses being incurred by me. The shares were purchased in the year 2011 at an average price of Rs 40-50 The share price started to decline after that period and were always quoting below Rs. 10. Since the price started to rise. I totally deny that was in possession of UPSI. I am not involved in the day to day administration of Refex Industries Limited. I am neither a director nor a promoter of the company. I am merely related to Mr Anil Jain as he happens to be my Cousin brother. There is no other connection whatsoever with Mr Anil Jain and there is no means by which I could have been in possession of UPSI. The allegation made by you is based on assumptions and surmises and is completely devoid of any merit.
7. Paragraph 14 and 15 do not pertain to us and I have no comments to offer.
8. I do not deny the connection depicted in the Chart in Paragraph 15. With regard to the details pertaining to Mr Jagdish Jain, Mr Chunilal Jain, Ms Nisha Jain and Mr Pawan Jain, I have no comments to offer. As regards the trading pattern I have already stated in the earlier paragraph that I have sold the shares at a loss and the only objective was to reduce the losses as the shares have been quoting below the purchase price since the date I purchased the shares.
9. I deny that I am connected to Mr Jagdish Jain, , Mr Chunilal Jain , Ms Nisha Jain and Mr Pawan Jain as alleged by you in paragraph 16. Except for our family relationship, our businesses are not connected and I have no idea of what is the business activity or revenue generated by Refex Industries Limited. I totally deny that I was in possession of UPSI while executing the trade and have violated Section 12(d)(e) of SEBI Act, 1992 and Regulation 4(1)

read with 4(2) of SEBI (PIT) Regulations, 2015. The allegation is made by based on surmises and assumptions due to our family relationship and completely devoid of any facts or merit.

10. Paragraph 17 and 18 is a statement of the Regulations and I have no comments to offer.

11. I submit a copy of the PAN Card of all the notices as Annexure 2 to this letter and I also undertake to keep you informed of the change in our correspondence address till the proceedings are completed. Our address and email ids with phone number is as under:

12.4. The Noticee viz Pavan Kumar Jain vide letter dated January 08, 2018 inter alia submitted as under:

This has reference to the captioned letter and I am submitting my reply as under:

At the outset, I deny the allegations made the said letter save and except those, which are specifically admitted herein. Nothing stated in the said Order shall be deemed to be admitted by us merely on account of non-traverse, unless the same is specifically admitted in this reply. Our point wise reply is as under:

1. Paragraphs 1 and 2 are statements of facts and I have nothing to comment on the same.
2. Paragraphs 3 to 8 pertain to the investigation into the price rise of the scrip of Refex Industries Limited by SEBI and as I am not connected to the investigation or to the company, I have no comments to offer.
3. Paragraph 9 discusses the entities who I re in possession of UPSI and since my name is not mentioned as one which was in possession of UPSI, I have no comments to offer.
4. Paragraph 10 discusses the fact that I had sold shares during the pre-announcement period. I confirm that I have sold the shares during the period. However. I deny that I have avoided any loss by way of sale of shares during that period, as I was not in possession of UPSI as already stated by you in Paragraph No: 9 and I merely sold the shares as there was an increase in price of the shares during this period.
5. I have no comments to offer on the contents of Paragraph No: 11, 12 13 and 14 as they pertain to Mr Jagdish Jain, Mr Chunilal Jain, Ms Nisha Jain and Mr Manoharmal Jain with whom I have no connection.
6. With regard to the contents in Paragraph No: 15, while confirming the sales mentioned by you, it is humbly submitted that the sales I have done is in order to reduce the losses being incurred by me. The shares were purchased in the year 2011 at an average price of Rs. 40-50 The share price started to decline after that period and were always quoting below Rs.10. Since the price started to rise. I totally deny that was in possession of UPSI. I am not involved in the day to day administration of Refex Industries Limited. I am neither a director nor a promoter of the company. I am merely related to Mr Anil Jain as he happens to be my Cousin brother. There is no other connection whatsoever with Mr Anil Jain and there is no means by which I could have been in possession of UPSI. The allegation made by you is based on assumptions and surmises and is completely devoid of any merit.
7. Paragraph 14 and 15 do not pertain to us and I have no comments to offer.
8. I do not deny the connection depicted in the Chart in Paragraph 15. With regard to the details pertaining to Mr Jagdish Jain, Mr Chunilal Jain, Ms Nisha Jain and Mr Mr Manoharmal Jain, I have no comments to offer. As regards the trading pattern I have already stated in the earlier paragraph that I have sold the shares at a loss and the only objective was to reduce the losses as the shares have been quoting below the purchase price since the date I purchased the shares.
9. I deny that I am connected to Mr Jagdish Jain, , Mr Chunilal Jain , Ms Nisha Jain and Mr Manoharmal Jain as alleged by you in paragraph 16. Except for our family relationship, our businesses are not connected and I have no idea of what is the business activity or revenue

generated by Refex Industries Limited. I totally deny that I was in possession of UPSI while executing the trade and have violated Section 12(d)(e) of SEBI Act, 1992 and Regulation 4(1) read with 4(2) of SEBI (PIT) Regulations, 2015. The allegation is made by based on surmises and assumptions due to our family relationship and completely devoid of any facts or merit.

10. Paragraph 17 and 18 is a statement of the Regulations and I have no comments to offer.

*11. I submit a copy of the PAN Card of all the notices as Annexure 2 to this letter and I also undertake to keep you informed of the change in our correspondence address till the proceedings are completed. Our address and email ids with phone number is as under:
In view of the above submissions I also request you to take a lenient view in the matter.*

13. In the interest of natural justice an opportunity of personal hearing was granted to the Noticees on December 21, 2017 vide letter dated December 05, 2017. The Authorized Representative (**AR**) appeared on behalf of the Noticee Jagdish Jain and reiterated the submission made vide letters dated November 14, 2017, December 07-08, 2017 and submitted that they would like to make additional submissions. The AR submitted their additional submissions vide letter dated January 08, 2018. The Noticee submitted that additional submission vide email dated January 06, 2018. The Noticees Chunnilal Jain, Ms. Nisha Jain, Manoharmal Jain and Pavan Kumar Jain vide their letters/ email dated December 12, 2017 had requested adjournment of the personal hearing granted to them on December 21, 2017 the same was acceded to. Another opportunity of personal hearing was granted to the Noticees on January 08, 2018.

14. The AR appeared on behalf of the Noticee Chunnilal Jain, Ms. Nisha Jain, Manoharmal Jain and Pavan Kumar Jain and submitted that Chunnilal Jain and Nisha Jain has submitted that they are connected with each other by relationship, however, they were not privy to the unpublished price sensitive information. In respect of the common address the AR submitted that they are staying in different house but in same compound. The AR relied on the Judgment of Hon'ble SAT in the case Mrs. Chandrakala Versus SEBI in the matter of M/s. Raasi Electrodes Ltd.

15. The AR in respect of Manoharmal Jain and Pavan Kumar Jain submitted that they are connected with each other by relationship, however, they were not privy to the unpublished price sensitive information.

16. The AR submitted that the detail reply in respect of the Noticees would be submitted shortly." The Noticees submitted their replies to the show cause notice vide letter dated January 08, 2018.

ISSUES FOR CONSIDERATION

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

- I. Whether there was Unpublished Price Sensitive Information during July 01, 2015 to July 10, 2015?**
- II. Whether the Noticees Jagdish T Jain, Chunnilal Jain, Ms. Nisha Jain, Manoharmal Jain and Pavan Kumar Jain are connected persons in terms of Regulation 2(1)(d) of PIT Regulations, 2015 and being connected persons they were insider in terms of Regulation 2(1)(g) of PIT Regulation, 2015 and were in possession of UPSI while executing trade in the scrip of the company thereby violated section 12A(d),(e) of SEBI Act, 1992 & Regulation 4(1 read with 4(2) of SEBI (PIT) Regulations, 2015?**
- III. Does the violation, if any, on the part of the Noticee viz, , Jagdish T Jain, Chunnilal Jain, Ms. Nisha Jain, Manoharmal Jain and Pavan Kumar Jagdish T Jain attract monetary penalty under Section 15G of the SEBI Act, 1992?**
- IV. If so, what quantum of monetary penalty should be imposed on the Noticees considering the factors stated in section 15J of SEBI Act, 1992?**

FINDINGS

18. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticees, the findings are as hereunder.

ISSUE I: Whether there was Unpublished Price Sensitive Information during July 01, 2015 to July 10, 2015?

19. The Regulation 2 sub Regulation 1 clause (n) of PIT Regulations, 2015 defines UPSI. The text of the definition of Section 2(1)(n) of PIT Regulations, 2015 is reproduced as under:

Definitions.

2. (1) In these regulations, unless the context otherwise requires, the following words, expressions and derivations therefrom shall have the meanings assigned to them as under:—

.....

(n) "unpublished price sensitive information" means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: —

(i) financial results;

.....

NOTE: It is intended that information relating to a company or securities, that is not generally available would be unpublished price sensitive information if it is likely to materially affect the price upon coming into the public domain. The types of matters that would ordinarily give rise to unpublished price sensitive information have been listed above to give illustrative guidance of unpublished price sensitive information.

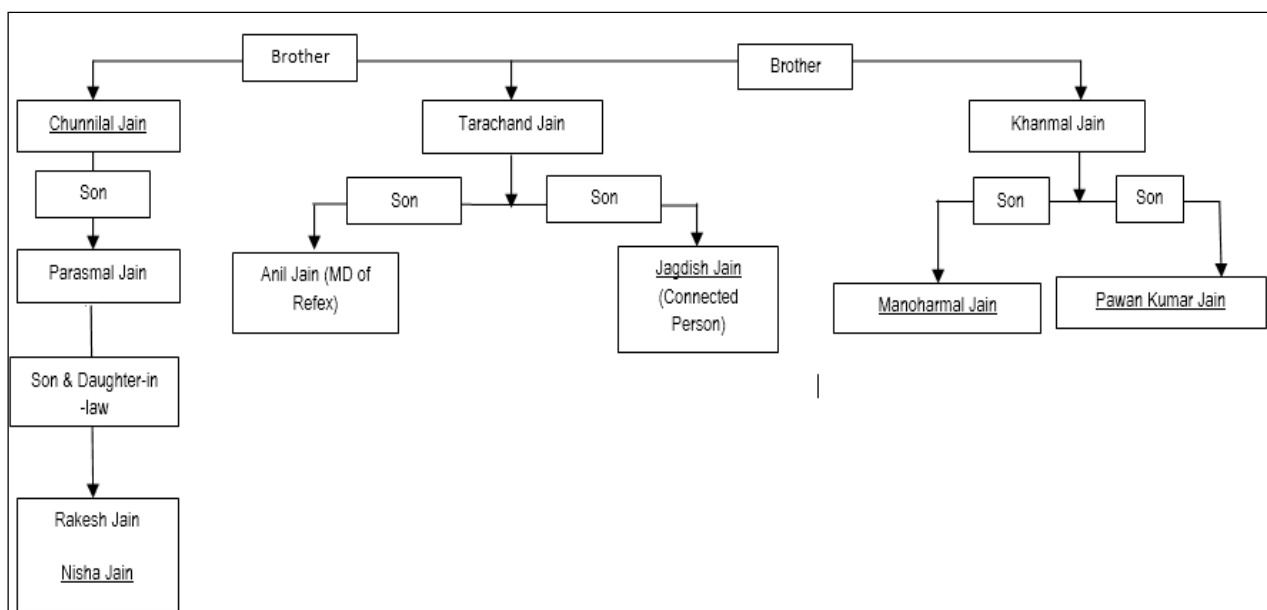
20. It is noted that Regulation 2(1)(n)(i) specifically states that any information relating to financial results shall be unpublished price sensitive information. In the present case, the financial result for quarter ending June 30, 2015 was declared on July 10, 2015 thus the period from July 01, 2015 to July 10, 2015 was unpublished i.e. till the time it was disclosed by the company on exchange platform.
21. Hence, it is concluded that there was in existence an unpublished price sensitive information during the investigation period and declaration of financial result of a company is UPSI.
22. It is noted that after the announcement i.e. between July 10, 2015 and July 23, 2015 the scrip fell down from Rs18.75 to Rs 14.55 i.e. It registered a fall of 22% in 9 trading days. It was stated in the SCN that the total income as well as the net profit of the company has gone up from 2012-13 to 2014-15. Further, revenue in the quarter ending March 31, 2015 was disproportionately more than the revenue in other quarters resulting into significantly high annual revenue for the year 2014-15 compared to two previous year. Breakup of annual revenue for the years 2012 to 2015 into quarterly revenues is presented in the table below:

Financial Year	Total Income for the quarter ending (Rs cr)				Total Expenditure for the quarter ending (Rs cr)			
	Mar	June	Sept	Dec	Mar	June	Sept	Dec
2013	5.33	4.26	2.99	4.50	-17.61	-3.42	-3.21	-3.93
2014	9.53	5.95	5.80	6.69	-7.16	-4.99	-4.39	-5.64
2015	72.62	4.39	3.06	3.93	-68.89	-3.54	-2.35	-3.83

From the above table, it is noted that the total income for the quarter ending March 2015 had been very high compared to the revenue of other quarters in the same financial year or that of the same quarter in previous financial years.

ISSUE II: Whether the Noticees Jagdish T Jain, Chunnilal Jain, Ms. Nisha Jain, Manoharmal Jain and Pavan Kumar Jain are connected persons in terms of Regulation 2(1)(d) of PIT Regulations, 2015 and being connected persons they were insider in terms of Regulation 2(1)(g) of PIT Regulation, 2015 and were in possession of UPSI while executing trade in the scrip of the company thereby violated section 12A(d),(e) of SEBI Act, 1992 & Regulation 4(1 read with 4(2) of SEBI (PIT) Regulations, 2015?

23. The connection/relationship among various entities and the Noticees is depicted in the diagram below: *(the connected Noticee are underlined)*.



24. It is noted that the Noticees in their replies have not disputed that they are relatives of each other, however they have mentioned that their relationship itself should not be considered as sole factor to determine connection. In this respect the connection and conduct of the entities is being examined.

In this respect the text of the provision of Regulation 2(1)(d)(ii)(a) & (j) is reproduced as under:

(d) "connected person" means, -

(i) any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

(ii) Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be connected persons unless the contrary is established, -

(a). an immediate relative of connected persons specified in clause (i); or

.....

(j) a concern, firm, trust, Hindu undivided family, company or association of persons wherein a director of a company or his immediate relative or banker of the company, has more than ten per cent. of the holding or interest

25. The Noticee Jagdish Jain submitted that he had resigned as Whole time Director of the company w.e.f. from March 20, 2015. In terms of Regulation 2(1)(d)(i) of the PIT Regulations, any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company he is a connected person.

26. Secondly, it is noted from the Annexure-7 of the SCN that the Noticee Jagdish Jain was designated employee of the company pursuant to his resignation that is after March 20, 2015 and had made application dated June 24, 2015 to

Compliance Officer (**CO**) requesting to deal in 1,00,000 equity shares of the company the same was approved with a condition that Jagdish Jain must completed the transaction on or before July 02, 2015. Similarly, another application dated July 20, 2015 was made by Jagdish Jain requesting to deal in 51,000 equity shares of the company the same was approved by the company with a condition that Jagdish Jain must completed the transaction on or before July 02, 2015. Similarly, Jagdish Jain vide application dated June 29, 2015 requested to deal in 1,45,000 equity shares of the company, the same was approved by the company with a condition that Jagdish Jain must complete the transaction on or before July 02, 2015 The said facts are not disputed by the Jagdish Jain.

27. It is noted from SCN, the Company Secretary Mr. S. Gopalakrishnan in his statement made before the Investigating Authority (IA) stated that Mr. Jagdish Jain who was on the Board of the Company till March 20, 2015 had day to day information of the company and was in the know that jump in revenues for quarter ending March 2015 was a onetime affair..
28. It is noted that the Jagdish Jain has merely refuted the said statement that he was not having day to day information. In terms of Regulation 2(1)(d)(i) of the PIT Regulations, Jagdish T Jain is to be treated as a connected person as he was director and associated with a company during the six months prior to the concerned act and was also a designated employee of the company.
29. It is noted that on July 10, 2015, after market hours, company announced financial results for the period ended June 30, 2015 wherein company reported net loss of Rs (3.38) lacs as compared to net profit of Rs 275.88 lacs for the quarter ended March 31, 2015.
30. As already concluded above that the declaration of financial result is an UPSI and is not "generally available information".
31. Thus, the Noticee Jagdish Jain was associated with the company during the prescribed six months period prior to the trading in the scrip of the company that is on July 01, 02, 08 & 09, 2015 and continued to be a connected person and designated employee after March 20, 2015. It is concluded that the Noticee viz, Jagdish T Jain was connected person in terms of Regulation 2(1)(d)(i) of PIT Regulations, 2017 and being connected person he was insider in terms of Regulation 2(1)(g) of PIT Regulation, 2015 and was in possession of UPSI while executing trade in the scrip of the company thereby violated section 12A(d),(e) of SEBI Act, 1992 & Regulation 4(1) read with 4(2) of SEBI (PIT) Regulations, 2015?
32. The details of trading of Jagdish Jain around the UPSI July 2, 2015 to July 23, 2015 is as under :

Date	Buy Volume	Sell Volume	Avg Buy Price (Rs)	Avg Sell Price (Rs)	Net Volume	Buy value (Rs lacs)		Sell value (Rs lacs)	% activity in this scrip compared to all other scrips traded by entity
	Pre analysis period (February 02, 2015 to June 30, 2015)								
30-Jun-15	-	90,000	-	18.11	90,000	-		16.29	100%
	UPSI period (July 01, 2015 to July 10, 2015)								
1-Jul-15	-	19,497	-	18.15	19,497	-		3.54	100%
2-Jul-15	-	1,25,000	-	19.05	1,25,000	-		23.81	
8-Jul-15	-	50,000	-	20.67	50,000	-		10.33	
9-Jul-15	-	5,003	-	19.70	5,003	-		0.98	
	Post announcement (July 13, 2015 to July 23, 2015)								
23-Jul-15	-	50,000	-	14.55	50,000	-		7.28	100%

33. It is to be mentioned that during the closure of the trading window, Jagdish Jain transacted in the scrip on July 08 & 09, 2015, for which separate proceedings have already been concluded vide order reference number AO/JS/VRP/75/2018 dated January 31, 2018.

34. The Noticees Chunnilal Jain, Ms. Nisha Jain, Manoharmal Jain and Pavan Kumar Jain had submitted that they are relatives of each other, however, they were not privy to the unpublished price sensitive information.

35. It is to be noted from the Regulation 2(1)(d)(ii)(a) & (j) of PIT Regulations, 2017 that an immediate relative of connected persons specified in sub clause (i) of clause (d) of sub Regulation (1) of Regulation 2 of PIT Regulations, 2015 shall be deemed to be connected persons unless the contrary is established.

36. Further it is noted from the Note to Regulation 2(1)(d)(ii) of PIT Regulations, 2017 the immediate relatives and other categories of persons specified in Regulation 2(1)(d)(ii) of PIT Regulations, 2017 are also presumed to be connected persons but such a presumption is a deeming legal fiction and is rebuttable.

37. The definition of immediate relative is provided in definition 2 (1)(f). The text of the definition is reproduced as under:

“Immediate relative” means a spouse of a person, and includes parent, sibling, and child of such person or of the spouse, any of whom is either dependent financially on such person, or consults such person in taking decisions relating to trading in securities;

NOTE: It is intended that the immediate relatives of a “connected person” too become connected persons for purposes of these regulations. Indeed, this is a rebuttable presumption.

38. In the case in hand the Noticees Manoharmal Jain and Pavan Kumar Jain have submitted that they are having only family relationship and apart from that they don’t have any relationship with Jagdish Jain. Further, Chunnilal Jain and Ms. Nisha Jain has submitted that they are merely related to Mr. Anil Jain who happens to be his brother’s son and there is no other connection whatsoever

with Mr Anil Jain and there is no means by which Mr. Chunilal would have been in possession of UPSI.

39. Further from records and the contentions of the Noticees it is noted that they are not “immediate” relatives of Jagdish Jain and Anil Jain and further they have denied that they are connected persons.
40. Records do not present any evidence to show as to how the other Noticees came in the possession of the UPSI which Jagdish Jain had access too. Neither any case has been made out against the other Noticees other than the fact that they are relatives. Further evidence is also lacking to show that these entities had access to information.
41. The AR relied of the Judgment of *Hon’ble SAT* in the case *Mrs. Chandrakala Versus SEBI in the matter of M/s. Rasi Electrodes Limited Appeal No. 209 of 2011* in support of their contentions that these were not connected person and were not in possession of the UPSI.
42. In view of the above it is concluded that the Noticees Chunnilal Jain, Ms. Nisha Jain, Manoharmal Jain and Pavan Kumar Jain were not connected person in terms of Regulation 2(1)(d)(i) of PIT Regulations, 2017 and hence, they were not insider in terms of Regulation 2(1)(g) of PIT Regulation, 2015 while executing trade in the scrip of the company thereby they were not in violation of section 12A(d),(e) of SEBI Act, 1992 & Regulation 4(1 read with 4(2) of SEBI (PIT) Regulations, 2015?

ISSUE III: Does the violation, if any, on the part of the Noticee viz , Jagdish T Jain, Chunnilal Jain, Ms. Nisha Jain, Manoharmal Jain and Pavan Kumar Jagdish T Jain attract monetary penalty under Section 15G of the SEBI Act, 1992?

43. The violations referred at para 31 on the part of the Noticee Jagdish T Jain attract monetary penalty under Section 15G of the SEBI Act. The text of the said provision is as follows:

Penalty for insider trading.

15G. If any insider who,—

- (i) either on his own behalf or on behalf of any other person, deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price-sensitive information; or*
- (ii) communicates any unpublished price-sensitive information to any person, with or without his request for such information except as required in the ordinary course of business or under any law; or*
- (iii) counsels, or procures for any other person to deal in any securities of anybody corporate on the basis of unpublished price-sensitive information,*
shall be liable to a penalty ¹[which shall not be less than ten lakh rupees but which may extend

¹ Substituted for the words —twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014. Prior to substitution, as substituted by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002 it read as under: —not exceeding five lakh rupees.

to twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher].

44. Further, I note that the Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216(SC) has also held 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..."*.

45. In view of the finding referred to at para 42 the Noticee Chunnilal Jain, Ms. Nisha Jain, Manoharmal Jain and Pavan Kumar Jain does not merit consideration of this issue.

ISSUE IV: If so, what quantum of monetary penalty should be imposed on the Noticees considering the factors stated in section 15J of SEBI Act, 1992?

46. While determining the quantum of monetary penalty under Section 15G of SEBI Act, 1992 the factors stipulated in Section 15-J of SEBI Act, which reads as under:

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 group of investors as a result of the default;

(c) the repetitive nature of the default.

²[Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.]

47. As per Section 15G of the SEBI Act, 1992 the Noticee Jagdish T Jain is liable for penalty, not be less than ten lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher. Further, under Section 15-I of the SEBI Act, the adjudicating officer has to give due regard to certain factors which have been stated as above while adjudging the quantum of penalty.

48. The material available on record shows that the Noticee Jagdish Jain has avoided notional loss of Rs 4,74,810/- by trading during UPSI period.

49. In view of the finding referred to at para 45 no penalty is imposed on the Noticee Chunnilal Jain, Ms. Nisha Jain, Manoharmal Jain and Pavan Kumar Jain, thus the issue needs no consideration.

² Inserted by Part VIII of Chapter VI of the Finance Act, 2017 vide Gazette Notification No. 7, Extraordinary Part II Section 1 dated March 31, 2017. This shall come into force from April 26, 2017.

ORDER

50. After taking into consideration all the facts and circumstances of the case, and after considering the factors enumerated in section 15J of SEBI Act, 1992. A penalty of **Rs 15, 00,000/- (Rupees Fifteen Lakh only)** under Section 15G on the Noticee Jagdish Jain is imposed which will commensurate with the violations committed by the Noticee.

51. The Noticee Jagdish T Jain 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 e-payment facility into Bank Account the details of which are given below;

Account No. for remittance of penalties levied by Adjudication Officer	
Bank Name	State Bank of India
Branch	Bandra Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No.	31465271959

52. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Chief General Manager of Enforcement Department of SEBI (EFD-DRA-1). The Format for forwarding details / confirmations of e-payments made to SEBI shall be in the form as provided At Annexure A of Press Release No. 131/2016 dated August 09, 2016 shown at the SEBI Website which is produced as under;

1. Case Name :
2. Name of Payee:
3. Date of payment:
4. Amount Paid:
5. Transaction No:
6. Bank Details in which payment is made:
7. Payment is made for: (like penalties/disgorgement/recovery/Settlement amount and legal charges along with order details)

53. In terms of rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee and also to the SEBI.

Date: April 13, 2018

Place: Mumbai

**Jeevan Sonparote
Adjudicating Officer**