

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

SETTLEMENT ORDER NO. EAD-5/SVKM/06-09/2015-16

SETTLEMENT ORDER

On the Application Nos. 2910 of 2015, 2911 of 2015, 2912 of 2015 & 2915 of 2015

Submitted by

- i. B N Raveendra Babu**
- ii. I Unnikrishnan**
- iii. Rajesh Kumar K**
- iv. V.P Nandakumar**

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1. Securities and Exchange Board of India (*hereinafter referred to as SEBI*) conducted investigation into the alleged irregularities in the trading in the shares of Manappuram Finance Limited (*hereinafter referred to as MFL/company*) on the background of RBI's press release dated February 06, 2012 restraining the company from accepting/renewing public deposits. On February 07, 2012, the price of the scrip of the company declined by 19.95% from its previous day closing price.
 2. The investigation revealed that MFL, on February 2, 2012 announced Q3 Results & Limited Review Report for the quarter ended on December 31, 2011. Further, the Board of Directors of MFL inter alia, approved the declaration of interim dividend for Financial Year (FY) 2011-12 and fixed February 14, 2012 as the record date for the said purpose.

3. In terms of Regulation 2(ha) of SEBI (Prohibition of Insider Trading) Regulations, 1992, (***hereinafter referred to as PIT Regulations***), periodical financial results of the company and intended declaration of dividends (both interim and final) shall be deemed to be price sensitive information. Further, as per clause 3.2-3 of Part A of Schedule I read with regulation 12(1) of PIT Regulations, the trading window shall be closed at the time of declaration of financial results (quarterly, half yearly and annually) and declaration of dividends (interim and final).
4. The investigation revealed that during the period from January 1, 2012 to February 29, 2012, the trading window was closed once, for the period from January 27, 2012 to February 2, 2012, being the 7 (seven) day period prior to the date of declaration of the quarterly financial results of the company for the quarter ending December 31, 2011. As per Clause 3.2-4 of Part A of Schedule I read with regulation 12(1) of PIT Regulations, the trading window shall be opened 24 hours after the information is made public. It was revealed that MFL closed the trading window up to February 2, 2012 only and not up to 24 hours after the corporate announcement as required under PIT Regulations. It was thus alleged that the company has violated the provisions of clause 1.2 of the code of conduct specified under part A of the Schedule I read with regulation 12(1) of PIT Regulations.
5. Shri V P Nandakumar was the Executive Chairman, Shri I Unnikrishnan was the Managing Director, Shri B N Raveendra Babu was the Joint Managing Director and Shri Rajesh Kumar was the compliance officer (***hereinafter referred to as Applicants***) of the company at the relevant time. It was

alleged that the compliance officer who was responsible for implementation of the Code of Conduct of the company had failed to implement the same and the Directors who were in charge of the day to day affairs of the company failed to supervise the implementation of the Code.

6. In view of the above, SEBI initiated adjudication proceedings against the Applicants and vide order dated June 24, 2014 appointed Shri A Sunilkumar as Adjudicating Officer to inquire into and adjudge under section 15HB of the SEBI Act, 1992 (*hereinafter referred to as SEBI Act*) the aforementioned alleged violation of provisions of PIT Regulations .
7. Accordingly, a Show Cause notice no. EAD - 05/ADJ/ASK/SPV/OW/23156/2014 dated August 06, 2014 (SCN) was issued to the Applicants under Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (*hereinafter referred to as Rules*) alleging that they have violated the provisions of clause 1.2 of the code of conduct specified under part A of the Schedule I read with regulation 12(1) of PIT Regulations.
8. While the adjudication proceedings pursuant to the said SCN were in progress, the Applicants, vide letters dated November 29, 2014 submitted applications with SEBI in terms of SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 (*hereinafter referred to as the Settlement Regulations, 2014*) proposing to settle, through settlement order, the aforementioned adjudication proceedings for the alleged violations.

9. The Authorized Representative of the Applicants appeared before the Internal Committee of SEBI on April 29, 2015 where the terms of settlement were deliberated upon. Thereafter, the Applicants vide letter dated May 07, 2015 proposed to settle the aforesaid adjudication proceedings by offering to pay a sum of Rs.6,80,000/- (Rupees Six Lakhs Eighty Thousand only) each towards settlement charges.
10. The settlement terms as proposed by Applicants were placed before the High Powered Advisory Committee (*hereinafter referred to as HPAC*) on June 12, 2015, The HPAC, after considering the facts and circumstances of the matter, settlement terms offered by the applicants and the materials brought before it by SEBI, recommended that the aforesaid adjudication proceedings may be settled on payment of Rs.6,80,000/-- (Rupees Six Lakhs Eighty Thousand only) each by the Applicant towards settlement charges as proposed by the Applicants. The Panel of Whole Time Members of SEBI approved the said recommendations of the HPAC. The same was intimated to the Applicants vide e-mail dated August 21, 2015.
11. Accordingly, the Applicants, vide letter dated September 02, 2015, submitted Demand Drafts, the details of which are as under:

Sl. No.	Demand Draft No. & Date	Amount (Rs.)	Drawn on
1	063578 dated August 26, 2015	Rs.6,80,000/-	Axis Bank Limited
2	063579 dated August 26, 2015	Rs.6,80,000/-	Axis Bank Limited
3	200475 dated August 26, 2015	Rs.6,80,000/-	ICICI Bank
4	346823 dated August 26, 2015	Rs.6,80,000/-	Syndicate Bank
Total		27,20,000/-	

12. Consequent to the transfer of Shri A. Sunil Kumar, the Competent Authority has appointed the undersigned as the Adjudicating Officer, in the present matter, on June 22, 2015 under Section 19 of the SEBI Act, 1992 read with Section 15(I) of the SEBI Act, 1992 and Rule 3 of the Rules.

13. In view of above, in terms of Regulation 15(1) of Settlement Regulations, 2014, it is hereby ordered that this settlement order disposes of the aforesaid adjudication proceedings initiated against the Applicants vide Show Cause notice no.EAD -05/ADJ/ASK/SPV/OW/23160/2014 dated August 06, 2014.

14. This order is without prejudice to the right of SEBI to take enforcement actions including restoring or initiating the proceedings in respect to which this settlement order was passed against the applicants, if :

- a. any representation made by the applicants in the settlement proceedings is subsequently found to be untrue; or
- b. the applicants breach any of the clauses / conditions of undertakings / waivers filed during the current settlement proceedings.

15. This Settlement Order is passed on this **Twenty Third day of September, 2015** and shall come into force with immediate effect.

Place: Mumbai

S. V. Krishnamohan
Chief General Manager &
Adjudicating officer