

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**ADJUDICATION ORDER NO. ORDER/BD/VS/2019-20/5160**

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**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:**  
**Mr. Jagdishchandra Jhamaklal Mansukhani**  
**[PAN: AACPM2147G]**  
Plot No. 43, Aadhya,  
Jai Hind Co Op Hsg. Society  
N. S. Road No. 10, JVPD Scheme,  
Vile Parle (West),  
Mumbai – 400 049

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

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**BACKGROUND**

1. During the examination of the scrip of M/s MAN Industries (India) Ltd (hereinafter referred to as “**MIL**”/“**Company**”), it was observed by BSE Limited (hereinafter referred to as ‘**BSE**’) that promoter entity i.e. Jagdishchandra Jhamaklal Mansukhani (hereinafter referred to as “**Noticee**”) 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 that the aforementioned entity had not filed necessary disclosures under Regulation 7(2) (a) 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 from Noticee, one of the promoters of MIL under Regulation 7(2)(a) of PIT Regulations, 2015. The NSE confirmed vide email dated September 17, 2018 that it had not received any disclosures from him.
3. From the trading details of the Noticee, 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 Noticee had violated the provisions of Regulation 7(2)(a) of PIT Regulations, 2015 and the provisions of above Regulations 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 Regulation 7(2)(a) of PIT Regulation 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. the Noticee 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 company 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 company has confirmed that it has not received any disclosure from the promoter under regulation 7(2)(a) of PIT Regulations, 2015.
8. NSE, vide email dated September 17, 2018 informed SEBI that it has not received any disclosures from the company 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 PIT Regulations, 2015 and as a result the company had not informed the Exchange about the same under regulation 7(2)(b) of PIT Regulations, 2015.
9. From the above, it was alleged that the Noticee has violated the provisions of Regulation 7(2)(a) of PIT Regulations, 2015, in as much as not providing any disclosures to the company about his trading in the scrip for amount exceeding value of Rs.10 Lakh.

#### **APPOINTMENT OF ADJUDICATING OFFICER**

10. 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)(a) of PIT Regulations, 2015 by the Noticee in the scrip of MIL.

## **SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING**

11. A Show Cause Notice bearing number EAD/BJD/VS/14640/2019 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 him as per the signed acknowledgment card received which is on record. In response to the same, the Noticee vide his email dated July 1, 2019 sought further time of 4 weeks to submit his reply. However, no reply was submitted by the Noticee even after the expiry of such extended time. Considering the same and in view of the facts and circumstances of the case, it was opined that an inquiry should be held in the matter and accordingly vide Notice dated August 6, 2019, the Noticee was provided with an opportunity of hearing on August 20, 2019 along with another opportunity to submit his reply. In response to the same, the Noticee vide his email dated August 7, 2019 once again sought for extension of the hearing and further time to submit his reply.
12. Considering the aforesaid request for extension by the Noticee, vide email dated August 8, 2019, the Noticee was granted one final opportunity of hearing on August 30, 2019 with another opportunity to submit its reply. In response, the Noticee vide his emails dated August 29, 2019 submitted their reply and also confirmed his attendance for the hearing scheduled on August 30, 2019.
13. Further, on the day of hearing, Mr. Rajesh Khandelwal along with Ms. Mayuri Thakkar (hereinafter referred to as '**ARs**') appeared on behalf of the Noticee. During the hearing, the ARs requested to withdraw the submission made vide Noticee's email dated August 29, 2019. During the hearing, the ARs were also provided with a copy of the letter by MIL addressed to the Noticee dated November 16, 2016, (whereby the Noticee was communicated by MIL of his continuous non-disclosures to the Company with respect to his trades during the period before the examination period) and were advised to submit their comments on the same. Further, ARs sought time of 1 week to make detailed submissions including the price impact on the sale of shares forming part of the allegation against the Noticee in the instant adjudication proceedings. The request of the ARs were

acceded to and the Noticee was granted time till September 6, 2019 to submit their reply and the hearing proceedings were concluded therewith.

14. Further, the Noticee vide its letter dated September 13, 2019 submitted its reply *inter alia* stating as under:

“\_\_\_\_ 5. I submit that the Company was originally promoted by members of the Mansukhani family, i.e. Mr. J. L. Mansukhani and his two sons, Mr. R. C. Mansukhani and me i.e. Mr. J. C. Mansukhani. Mr. R. C. Mansukhani presently is the Chairman of the Company. I was the Vice-Chairman and Managing Director of the Company till 19th May, 2011 as the Board had withdrawn all my powers as Managing Director. However, I was reinstated to the Board of Directors on 23rd November, 2011. After that I had resigned from the company on 15th September, 2013 pursuant to the Deed of Family Settlement.

6. Although Mr. R. C. Mansukhani and I, are sons of same mother and we were disclosed as a part of the promoter group of the Company at the relevant time, various differences cropped up between us sometime in the year 2009. In view of the said disputes between us, the Mansukhani family has split into two promoter groups. Mr. R. C. Mansukhani, members of his family as well as persons / entities acting under his control are hereinafter referred to collectively as the "RCM Group" and me i.e. Mr. J. C. Mansukhani, members of my family as well as persons/ entities acting under my control are hereinafter referred to collectively as the "JCM Group". The members of the RCM Group and the JCM Group are not persons acting in concert (hereinafter referred to as "PACs") and have been acquiring/selling shares of the Company independently.

7. I further state that pursuant to the said disputes, the RCM Group has been attempting to usurp control of the Company and its board of directors by different means and ways, whereas JCM Group had been marginalized by the RCM Group. The list of entities/individuals which/who constitute the RCM Group and JCM Group, as disclosed to the stock exchanges by the Company vide its letter dated 22nd April, 2011 is as under:

<b>Sr. No.</b>	<b>RCM Group</b>	<b>JCM Group</b>
1	Mr. Rameshchandra Mansukhani	Mr. Jagdishchandra Mansukhani
2	Mrs. Deepa Mansukhani	Mrs. Anita Mansukhani
3	Mr. Nikhil Mansukhani	Ms. Priyal Mansukhani
4	Rameshchandra Mansukhani HUF	Jagdish Mansukhani HUF
5	Mr. Jhamaklal M. Mansukhani	JPA Holdings Pvt. Ltd.
6	Mrs. Kematdevi J. Mansukhani	
7	J. Mansukhani HUF	
8	MAN Global Ltd.	

8. On or about 8th October, 2010, I had filed a petition under Sections 397 and 398 of the Companies Act, 1956 before the Company Law Board (hereinafter referred to as the "CLB Petition") alleging oppression and mismanagement by Mr. R. C. Mansukhani. One of the reliefs sought in the CLB Petition is as follows: "That this Hon'ble Board be pleased to restrain the 3<sup>rd</sup> Respondent [Mr. R. C. Mansukhani] and their respective servants, agents and assigns by an order and injunction of this Hon'ble Board from in any manner:

a. Increasing, issuing and/or allotting any further shares in any form or manner whatsoever in the 1<sup>st</sup> Respondent [the Company], save and except with the prior written consent of the Petitioners [persons belonging to the Mr. J. C. Mansukhani group including, but not limited to the said Noticees];

b. Investing, selling, disposing off, encumbering or alienating any property or assets of the 1<sup>st</sup> Respondent [the Company] and/or the said immovable property, save and except with the prior written consent of the Petitioners [persons belonging to the Mr. J. C. Mansukhani group including, but not limited to the said Noticees];

c. Interfering with or disturbing the shareholding of the Petitioners [persons belonging to the Mr. J. C. Mansukhani group including, but not limited to the said Noticees] in the 1st Respondent {the Company};

d. Creating any liability in the 1st Respondent [the Company], giving loans or transfers in the 1st Respondent [the Company] save and except with the prior written permission of the Petitioners [persons belonging to the Mr. J. C. Mansukhani group including, but not limited to the said Noticees];

e. Utilizing the funds of the Company for the purpose of the instant litigation in any manner whatsoever; "I state that on 15<sup>th</sup> October, 2010, a Memorandum of Understanding was signed between Mr. R. C. Mansukhani and me. Vide a letter dated 15<sup>th</sup> October, 2010, I was informed that my suspension had been revoked. Vide a letter dated 19<sup>th</sup> January, 2011, Dr. Ramesh Baheti, one of the mediators, informed me that the mediation had fallen through on account of Mr. R. C. Mansukhani's unreasonableness. Vide an email dated 31<sup>st</sup> January, 2011, I repeated the allegations of violations of corporate governance norms by Mr. R. C. Mansukhani and requested that some action be taken, failing which, I would approach the regulatory authorities. Further, vide a letter dated 10<sup>th</sup> February, 2011, I informed SEBI of alleged violations of, inter alia, the SEBI Takeover Regulations committed by Mr. R. C. Mansukhani. Vide another letter dated 10<sup>th</sup> February, 2011, I informed SEBI that Mr. R. C. Mansukhani and his son, Mr. Nikhil Mansukhani, had engaged in insider trading. On 22<sup>nd</sup> April, 2011, the Company, in a notice to the BSE and the NSE, informed them that there were 2 (two) groups of promoters in the Company which were not acting in concert with each other.

10. I therefore submit that it would be clear from the above chronology of events that there has been a serious rift between Mr. R. C. Mansukhani and me and our respective groups from as far back as in October 2009. The fact Mr. J. C. Mansukhani has addressed a letter dated 13<sup>th</sup> May, 2011 to the Inspector in Charge, Santa Cruz Police Station alleging criminal breach of trust of the Company's funds by Mr. R. C. Mansukhani and his group indicates that the rift between both the groups continues till date in serious propositions.

11. I submit that since year 2010, I am no more a promoter of the Company and that we i.e. JCM group have been declassified as the promoter of the Company.

12. I submit that in the Annual Report of the Company for 2016-17, it has been expressly stated that the JCM group be reclassified from the category of Promoter and promoter group to the category of Public. Hence, it is undeniably clear that the JCM group is no longer a promoter group and I may no longer be classified as the promoter of the Company for the applicability of the PIT Regulations, 2015 and SAST Regulations.

13. I further submit that in the Annual report of 2016-17 it is stated that in terms of the DFS/Scheme of arrangement, the business interest have been separated and JCM resigned from the Company way back in 2013 since 2013 itself and as such, JCM group has ceased to be the promoter of the Company. As on date, none of the persons belonging to JCM group or PACs or relatives act as Directors or key managerial personnel of the Company.

14. However, I state that to my surprise, the company has re-categorized me as the promoter after being declassified and in its annual report for 2016-17 and also disclosed my shareholding pattern in the annual report and quarterly shareholding pattern. Therefore, this again makes it evident that the company had the knowledge about the changes in my shareholdings. Hereto marked and annexed the Annual report for the years 2016-17.

I submit that the in the email dated 17.09.2018 sent by NSE, it is mentioned that the response cited by the company is as follows:

"Company did not receive regular and proper disclosures from the aforesaid promoter regarding acquisition, disposal, pledge, lease etc. of the company's shares."

Therefore, in reference to the above, it is amply clear that the company had the knowledge of the dealings in shares since the company merely mentioned that it did not receive regular and proper disclosure but did not deny that the company had received the disclosures. It is pertinent to note that as per the disclosure requirement under provisions of Regulation 7(2) (a) of PIT Regulations, 2015 and SAST Regulations, there is no specific requirement that the disclosure should be regular and proper but merely that the company has knowledge of the same. Therefore, I state that the company had the complete knowledge about the dealings in the company's shares by me.

16. I further state that to the best of my knowledge, no investor complaints have been received in respect of the dealings in the shares of the Company by me.



17. I submit that even the price movement of the scrip of the company during the investigation period wherein I had sold the shares, do not reflect any volatility in prices which could affect the shareholders at large. As directed by your good self, the historic data of price movements of the scrip of the Company during the investigation period is annexed hereto as ANNEXURE 1. It clearly depicts that the prices of the shares of the Company had no abnormal movements during the days when I had sold the shares and also during the investigation period.

18. I humbly submit that as explained above, I cannot be said to have violated the provisions of Regulation 7(2) (a) of PIT Regulations, 2015 as I was not required to make any disclosures as alleged. Alternatively, the company and the promoters RCM group, due to extreme hostility between us, was always aware of my selling of the shares and hence be deemed as disclosure by me. I had made oral disclosures to the RCM group. It can be corroborated from the communications by the Company to BSE and NSE wherein it contends that I had not made "regular and proper" disclosure implying the company was aware and in knowledge but harped on the technicality of the manner of disclosure. The Regulation 7(2) (a) does not mandate any specific format in which the disclosure is to be made. It may be interpreted as "awareness" in the company about the sale of shares by a promoter even I am assumed to be promoter.

**PARA -WISE REPLY TO SCN**

1. With reference to para 1 of the Show Cause Notice, I submit that the said paras do not make any specific allegations against me and hence do not merit any comments from me at this stage. However I deny that I have violated any regulations of SEBI and much less PIT regulations as alleged.

With reference to para 2, 3 and 4 of the Show Cause Notice in view of the circumstances detailed above, I submit that I was no longer the promoter of the Company during the period of investigation (i.e. May 24, 2017 to January 15, 2018) and hence no disclosures were required to be made by me as alleged. I reiterate that I was absolutely marginalized by RCM group and even they had relinquished me as a promoter as can be verified from the stand taken by them during various proceedings as also with the ROC. The details as above have been put up to enable your attention to the fact that all the shareholders (erstwhile promoters) have always been aware of all the happenings and more particularly the buying/selling of shares by either of them. The Company being in absolute control of RCM had full knowledge of the sale of shares by me during the examination/investigation period. In fact the company through RCM has been keeping a regular track on me qua the shareholding of mine in the Company. The same can be verified by the fact that in the year 2016-2017, I have been decategorized by the Company as a promoter. Therefore the fact remains that the company and the RCM group/promoters were always aware of my sales which therefore tantamount to the fact being disclosed to them. The knowledge has been absolute irrespective of the fact whether disclosures (even if assumed to be required as mandatory) was made by me or not. I have no hesitation in putting it that I had orally communicated the other shareholders and the Company that I had sold shares as enumerated in the SCN. I have further gathered knowledge that even the Company through RCM group has been projecting that I am not the promoter any more. This can be verified from the Annual report of the company for the year 2016-2017. Therefore during the investigation period, I may not be treated as a promoter and much less a violator of PIT regulations.

2. With reference to para 5 of the Show Cause Notice, I deny the allegation that I have violated the provisions of Regulation 7(2) (a) of PIT Regulations, 2015. I submit that as has been reiterated by me in foregoing paras, clearly the Company was neither in my control in any manner nor was I classified as a promoter by the company in the year 2016-2017. The investigation period being May 24, 2017 to January 15, 2018 the company as an afterthought has again reclassified me as a promoter in the year 2018-2019 at its own whims and fancies and for reasons best known to it. I have been made a victim by the RCM group who are in absolute control of the Company ever since 2013 when I resigned from the Company. Therefore I humbly submit that I was not required to make any disclosures for my sale in the investigation period and hence no allegations be levelled against me for the purported non disclosures. This is without prejudice to the fact that the Company and the promoters more particularly RCM group was always in knowledge and aware of the change in shareholding by me.

3. With reference to para 6 of the Show Cause Notice, I request your attention to the provisions 7(2) (a) and 7(2) (b) of PIT Regulations 2015 as reproduced in the para under reply. In terms of Regulation 7(2) (a), the provisions are applicable only to "every promoter, employee and director of every company". Admittedly, during the investigation period May 24, 2017 to January 15, 2018 I was neither an employee nor a director

*of the Company since it is on record also that I had resigned from any directorship way back in 2013. Therefore even for sake of assumptions, the only criteria which could be purported against me is that of promoter. I have detailed out the facts, circumstances and reasons in foregoing paras to enable me put up that I no longer remained a promoter in the Company in letter and spirit nor in conduct of the Company. The entire control of the Company was under RCM group and I have been removed from the group of promoters by the Company in its Annual Report 2017-2018. Copy of the Annual Report for the year 2017-2018 is enclosed herewith as Annexure 1. Emphasis drawn on page 30. I also submit that the provisions of Regulation 7(2)(b) are applicable to the Company who in fact has violated the provisions if at all assumed to be applicable qua me.*

*4. With reference to para 7 to 9 of the Show Cause Notice, the contents are pertaining to communications between the BSE and the Company and NSE and the Company to which I was not privy. I repeat and reiterate that first and foremost I was not the promoter of the Company during the investigation period and hence I was not required to give any disclosures as alleged under Regulation 7(2) (a) of PIT Regulations, 2015. Without prejudice, I further state that the Company was always aware through RCM group who was in absolute control of the Company and had the knowledge about my sale of shares of the Company at BSE and NSE. The Company in communications to BSE and NSE had vaguely indicated that I had not made proper and regular disclosure. Thus the admitted fact is that I had disclosed to the company and the company was always in knowledge about sale of shares of the Company by me. The Regulation 7(2) (a) does not mandate any specific format in which the disclosure is to be made. It may be interpreted as "awareness" in the company about the sale of shares by a promoter even I am assumed to be promoter Therefore even if assumed, it is the Company and the RCM group who have violated any provisions. Attention is drawn to the fact that the Company had depicted its knowledge about change in my shareholding from the weekly reports from RTA.  
....."*

## **CONSIDERATION OF ISSUES AND FINDINGS**

15. 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)(a) 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**

16. 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?***

17. I note that during the examination period from May 24, 2017 to January 15, 2018, the Noticee 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 whereby the total value of such shares was Rs. 6,02,25,050.90. The details of the said trades by the Noticee are as mentioned at para 5 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 the Noticee was above Rs. 10 Lakh which attracted the duty of disclosure on the Noticee as per the provisions of Regulation 7(2)(a) of PIT Regulations, 2015. The details of the trades on the said 17 days by the Noticee are as mentioned at para 6 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)(a) 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;*

18. 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 the Noticee on 17 days are not in dispute as the same has been admitted by him. However, the Noticee has denied the charges levelled against him in the instant proceedings primarily on two grounds pleaded by him. Firstly, it is the contention of the Noticee that he was not a promoter of MIL during the examination period which involved the aforesaid 17 days of his trades. Secondly, he has contended that the Company i.e. MIL had the complete knowledge of the said transactions carried out by him.

19. In his contention whereby the Noticee disputed being a promoter of MIL during the period of allegation, he has stated that the Company (MIL) was originally promoted by the members of the Mansukhani Family i.e Mr. J. L. Mansukhani and his two sons, Mr. R. C. Mansukhani and the Noticee and that pursuant to a dispute between the family members in 2009, the Mansukhani family was split into two promoter groups. It is stated that RC Mansukhani and his family members/ persons acting under him formed one promoter group (hereinafter referred to as “**RCM Group**”) while the other group was formed by the Noticee and his family members/ persons acting under him (hereinafter referred to as “**JCM Group**”) Further, the Noticee has stated a chronology of events referring to which the Noticee has contended that there was a serious rift between the aforesaid two groups. It has been contended by the Noticee that he has been marginalised by the RCM group and that the Company was not in his control in any manner. The Noticee has also contended that he was not classified as promoter in the year 2016-17 and was reclassified as a promoted in the year 2018-19 as an afterthought by the Company at its own whims and fancies. On the aforesaid grounds, the Noticee has contended he was not bound by the requirement of disclosure under Regulation 7(2)(a) of PIT Regulations, 2015. With respect to the aforesaid contentions of the Noticee, considering that the Noticee has not submitted any evidence with respect to the shareholding of the MIL during the period as mentioned by him in disputing the status of him being the promoter, I find it pertinent to refer to the shareholding pattern as published on the website of BSE which is in public domain. On perusal of the said details from the website of BSE, I note that the promoter shareholding of MIL during the relevant period is as under:

Quarter ending	Status of Noticee	No of shares held
June 2016	Promoter	83,71,288
September 2016	Promoter	77,41,743
December 2016	Promoter	57,43,922
March 2017	Appearing under Promoter group with a remark as <u>Being Declassified from Promoter Group</u>	55,43,922
June 2017	Appearing under Promoter group with a remark as	39,89.737

	<u>Being Declassified from Promoter Group</u>	
September 2017	Appearing under Promoter group with a remark as <u>Being Reclassified from Promoter Group</u>	31,81,539
December 2017	Promoter	26,24,798

20. From the above, I note that the Noticee 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 the Noticee has been recorded as that being *declassified from the Promoter Group* and for the quarter ending on September 2017, the status of the Noticee has been recorded as *being Reclassified from Promoter Group*. Further, I note that the Noticee has continued to be a promoter entity holding 9,50,952 shares as per the recent shareholding pattern as published on the website of BSE. I am of the opinion that all the aforesaid directly implies the status of the Noticee that he is holding the shares of MIL in the capacity of being a promoter. With respect to the quarters ending on March 2017 and June 2017, in spite of carrying a remark of being declassified as a promoter, I note that the Noticee has been included in the promoter group in the published shareholding pattern. Furthermore, the Noticee has been appearing in the promoter group in all the subsequent quarterly disclosures filed by MIL on BSE. I note that the Noticee has referred to the dispute between RCM group and JCM group in contending that he is no more a part of promoter group since 2010. However, I note that any such dispute between the promoter groups as contended by the Noticee cannot be taken into consideration to treat the Noticee as an entity not forming part of the promoter group especially in the absence of any evidence whatsoever produced before me by the Noticee to counter the published facts as mentioned above. I further note that the Noticee has been continuously been listed a promoter entity in the shareholding of MIL which is displayed in the public domain, yet the Noticee has not disputed such status of being listed any time in the past. Especially I note that the Noticee has not produced any document addressing to the exchanges disputing his name being shown as a promoter entity in the shareholding pattern of MIL. Furthermore no submissions to demonstrate any of his attempts to get his

status amended in the shareholding pattern in MIL is made before me. Considering all the above, I am not inclined to accept the submission of the Noticee that he had ceased to be a promoter of MIL as on the period of the alleged transactions forming part of the instant proceedings.

21. The Noticee has also made further submissions, in case if he is considered as a promoter which is as under:

*"...Alternatively, the company and the promoters RCM group, due to extreme hostility between us, was always aware of my selling of the shares and hence be deemed as disclosure by me. I had made oral disclosures to the RCM group. It can be corroborated from the communications by the Company to BSE and NSE wherein it contends that I had not made "regular and proper" disclosure implying the company was aware and in knowledge but harped on the technicality of the manner of disclosure. The Regulation 7(2) (a) does not mandate any specific format in which the disclosure is to be made. It may be interpreted as "awareness" in the company about the sale of shares by a promoter even I am assumed to be promoter."*

22. With respect to the aforesaid contention raised by the Noticee, prima facie, I do not find any merit in the submission of the Noticee claiming that if the company is aware of sale, it would absolve the promoter from disclosing the details of his shares exceeding Rs. 10 lakh in value. The provisions of Regulation 7(2)(a) of the PIT Regulations, 2015 has casted upon the promoter a direct liability to disclose such transactions to the company within two trading days. I note that the regulation does not provide any exemption from such liability to the Promoter. Furthermore, even if such meaning, as claimed by the Noticee, is to be read into the Regulations, no material has been placed before me by the Noticee with respect to such awareness by the Company to even consider aforesaid submission by the Noticee. In claiming the awareness of Noticee's transactions by the Company, the Noticee has referred to the email dated September 17, 2018 by NSE which cited the response by the company that MIL had not received "regular and proper" disclosures from the Noticee. It is the contention of the Noticee that the company was aware of the sales but *harped on the technicality of the manner of disclosure*. I do not find any merit in the said submission of the Noticee and unless expressly stated by the Company, it cannot be inferred that the Company had any knowledge or awareness of the sales of Noticee. Even in such case, as

noted above, the duty to disclose cannot be escaped from by the Noticee who has already been concluded to be a promoter above.

23. Furthermore, the Noticee has submitted that Regulation 7(2)(a) of PIT Regulations, 2015 does not mandate any specific format in which the disclosures are to be made and in view of the same, he had made an oral disclosure to the Company. In this regard, I note that SEBI vide its Circular No CIR/ISD/01/2015 dated May 11, 2015 issued the Formats for Disclosures and subsequently vide Circular No. CIR/ISD/02/2015 dated September 16, 2015 issued the Revised Disclosure Formats for disclosure under PIT Regulations, 2015 whereby Form C of the annexure to the said Circular prescribed the format for disclosure under Regulation 7(2) of PIT Regulations, 2015. Since the said formats have been issued by SEBI and available in public domain since 2015, I note that the submission of the Noticee that there is no prescribed format for disclosure under Regulations 7(2)(a) is factually incorrect and displays a reckless approach in dealing with shares of the Company in spite of being one of its promoters. In spite of such ignorance about prescribed formats, the Noticee has not even produced any document evidencing the submission of those details to the company, which are specifically stated in the provisions of Regulation 7(2)(a) of PIT Regulations, 2015 itself. Furthermore, with respect to the Noticee's submission of oral disclosure been made by him, I note that all the details prescribed in Form C a mentioned above are required to be submitted by the promoter to the company in order to constitute a satisfactory compliance. However, when the Noticee is clearly ignorant of the prescribed format for disclosure, the submission that he had made an oral disclosures cannot be accepted since the fact that he had disclosed all the required details as per the prescribed format and such disclosure was made within 2 trading days from the date of sale cannot be ascertained from such oral disclosures. I find the said submissions of the Noticee is afterthought, false and misleading.

24. Further, I note that the Noticee has produced before me the historic data of price movement in the scrip of MIL during the period of his sales during the period of examination. From the same, I note that the Weighted average Price (**WAP**) of the scrip was Rs. 49.026 on May 22, 2017 and the price of the scrip constantly raised during the examination period and the WAP of the scrip on January 29, 2018 was 143.48. Referring to the same, the Noticee has contended that there was no impact on the price of the scrip due to his sale of shares. I note that the Noticee was a promoter of MIL and 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 was not disseminated to the public during the period. By not disclosing such material fact to the public, the Promoter has taken undue advantage by continuously selling his shares on 22 days during the examination period when the price of the shares were on the rise. Further, it is the fact that selling of shares by the promoter entity has a higher probability of having a considerable impact on the price of the scrip if disclosed to the public. In view of the same, the possibility of Noticee having deliberately avoided disclosing his sale transactions cannot be ruled out. I am also of the opinion that any failure to make timely and accurate disclosures from a promoter comes at the cost of the interest of investors at large.

25. As concluded above, with respect to the sale transactions carried out on the abovementioned 17 day, the Noticee was under an obligation to make disclosures under Regulation 7(2)(a) of PIT Regulations, 2015 in the prescribed format within two trading days. However, from the record I note that the company vide emails dated August 22, 2018 to BSE and September 14, 2018 to NSE informed that it did not receive any disclosure from the Noticee under Regulation 7(2)(a) of PIT Regulations, 2015. Therefore, I conclude that the Noticee has violated the provisions of Regulation 7(2)(a) of PIT Regulations, 2015.

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

26. From the conclusions arrived at para 25 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?**

27. 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*

28. The material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee. Further, the Noticee has submitted that as per the knowledge of him, no investor complaint with respect to his transactions have been filed with the Company. In this regard, I refer to the observation of Hon'ble Securities Appellate Tribunal (hereinafter referred to as '**SAT**') in the case of Mrs. Komal Nahata vs. SEBI ( Appeal No. 5 of 2014 decided on January 27, 2014 ) "*...Argument that no investor has suffered on account of non disclosure and that the AO has not considered the mitigating factors set out under Section 15J of SEBI Act, 1992 is without any merit because firstly penalty for non compliance of SAST Regulations, 1997 and PIT Regulations, 1992 is not dependent upon the investors actually suffering on account of such non-disclosure.*"

29. 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..”*

30. 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 Noticee was a promoter of MIL and has 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 has failed to make disclosures with respect to the same under Regulation 7(2)(a) of PIT Regulations, 2015. Therefore, I am of the opinion that the violation of the Noticee cannot be viewed leniently.

### **ORDER**

31. 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, I hereby impose a consolidated penalty of Rs. 10,00,000/- (Rupees Ten Lakhs only) on Mr. Jagdishchandra Jhamaklal Mansukhani 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)(a) of SEBI (Prohibition of Insider Trading) Regulations, 2015 by him.
32. Mr. Jagdishchandra Jhamaklal Mansukhani 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](http://www.sebi.gov.in) on the following path, by clicking on the payment link.

33. Mr. Jagdishchandra Jhamaklal Mansukhani 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”. Mr. Jagdishchandra Jhamaklal Mansukhani 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

34. 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.

35. 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 Mr. Jagdishchandra Jhamaklal Mansukhani at his address on record and also to the Securities and Exchange Board of India, Mumbai.

**October 24, 2019  
Mumbai**

**B J Dilip  
Adjudicating Officer**