

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

SETTLEMENT ORDER NO. EAD-2/AO/DSR/RG/307/2014

**On the Application No. 2810/2014 submitted by
Brady & Morris Engineering Company Limited and its promoters namely W.H.
Brady & Company Limited, Shri Pavan Gokulchand Morarka, Ms. Rachna
Morarka, Shri Vaibhav Morarka and Shivum Holding Pvt. Ltd**

1. The Government of India, vide two notifications dated June 04, 2010 and August 09, 2010 amended the Securities Contracts (Regulation) Rules, 1957 (hereinafter referred to as SCRR) to provide for revised minimum and continuous public shareholding requirements in the listed companies. The amended provisions require all listed companies in to achieve and maintain the minimum public shareholding (hereinafter referred to as 'MPS') of atleast 25% of each class or kind of equity shares or debentures convertible into equity shares issued by such companies. Those companies with public shareholding of less than 25% are required to achieve the same, within a period of three years from the date of commencement of the first amendment i.e. by June 03, 2013 in the manner specified by the Securities and Exchange Board of India (SEBI).
2. Further, in order to align the requirements in the Listing Agreement with the requirements specified in Rule 19(2)(b) and Rule 19A of SCRR and to specify the manner in which public shareholding may be raised to the prescribed minimum level, SEBI had issued a Circular bearing No. CIR/CFD/DIL/10/2010 dated December 16, 2010 to suitably amend Clause 40A of the Listing Agreement. This circular, *inter-alia*, provided the following methods for complying with the MPS requirement.
 1. *Issuance of shares to the public through prospectus;*
 2. *Offer for sale of shares held by promoters to public through prospectus;*

3. *Sale of shares held by promoters through the secondary market i.e. OFS through Stock Exchange;*
3. Subsequently, SEBI had issued another circular dated February 08, 2012 which *inter-alia* provided that listed companies may achieve the MPS requirement through Institutional Placement Programme. With a view to further facilitate listed companies to comply with MPS requirement within the time specified in the SCRR, SEBI had also issued the circular dated August 29, 2012 which specified the following additional methods to comply with the MPS requirement:-
 1. *Rights Issues to public shareholders, with promoters/promoter group shareholders forgoing their rights entitlement.*
 2. *Bonus Issues to public shareholders, with promoters/promoter group shareholders forgoing their bonus entitlement.*
 3. *Any other method as may be approved by SEBI, on a case to case basis.*
4. Vide the said circular dated August 29, 2012, SEBI had specified that listed entities desirous of achieving the MPS requirement through other means may approach SEBI with appropriate details that would be considered by SEBI based on merit. SEBI also had initiated a consultative process with these companies and market participants to elicit a concrete plan of action as regards ensuring compliance with the MPS requirement and held a series of meetings with active companies to enable the process of complying with the MPS requirement.
5. It was observed that despite issuance of the above mentioned circulars and the efforts of SEBI to facilitate achieving the MPS requirement, many companies did not fulfil the said requirement. Accordingly, SEBI had passed an interim order dated June 04, 2013 with respect to the 105 listed companies, including Brady & Morris Engineering Company Limited, who did not comply with the MPS requirement as stipulated under Rule 19(2)(b) and 19A of the SCRR within the due date i.e. June 03, 2013. The said interim order was passed without prejudice to the right of SEBI to take any other action, against the non-compliant companies, their promoters and/ or directors or issuing such directions in accordance with law.

6. It was noticed that Brady & Morris Engineering Company Limited had sold 1,60,000 equity shares representing 70.11% of the paid up capital of the Company on May 20, 2013 in the open market to one Transparent Agro Private Limited and others, pursuant to which the promoter holding was reduced to 73.75%. It is, therefore, alleged that the method adopted by the Brady & Morris Engineering Company Limited along with its promoters namely, W.H. Brady Company Limited, Shri Pavan Gokulchand Morarka, Ms. Rachna Morarka, Shri Vaibhav Morarka and Shivum Holding Pvt. Ltd (hereinafter referred to as the Applicants) was not a prescribed mode of compliance in terms of the above referred circulars.
7. SEBI, therefore, initiated adjudication proceedings against the Applicants and I was appointed as the Adjudicating Officer vide order dated December 13, 2013, to inquire and adjudge under Section 23E and 23H of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as the SCRA) for the alleged violation of the SEBI Circulars bearing Nos. CIR/CFD/DIL/10/2010 dated December 16, 2010, CIR/CFD/DIL/1/2012 dated February 08, 2012 and CIR/CFD/DIL/11/2012 dated August 29, 2012 read with proviso to Rule 19A(1) of the SCRR read with Clause 40A of the Listing Agreement and for violating the provisions of Section 21 of the SCRA. Thereafter, a common show cause notice dated February 05, 2014 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 the 'Adjudication Rules').
8. Pending the adjudication proceedings, the Applicants vide their letter dated March 14, 2014 filed an application for settlement and an affidavit of 'Undertakings and Waivers' under the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 (hereinafter referred to as Settlement Regulations) by proposing to pay the settlement amount in terms of the Settlement Regulations in the matter. The Applicants, vide letter dated June 16, 2014, submitted their revised settlement terms of ₹ 6,80,000/- (Rupees Six Lakh Eighty Thousand Only) towards the settlement of the alleged violations. Accordingly, the revised settlement terms as proposed by the Applicants were

placed before the High Powered Advisory Committee (HPAC) in its meeting held on September 26, 2014. After considering the facts and circumstances of the case, the HPAC recommended that the case may be settled on payment of ₹ 6,80,000/- (Rupees Six Lakh Eighty Thousand Only) towards settlement charges which were approved by the panel of the Whole Time Members, SEBI on November 12, 2014. Thereafter, vide e-mail dated November 25, 2014, the acceptance of the said proposal was communicated to the Applicants by SEBI.

9. Accordingly, the Applicants have remitted a sum of ₹ 6,80,000/- (Rupees Six Lakh Eighty Thousand Only), vide demand draft bearing No. 929445 dated November 27, 2014, drawn on Union Bank of India, payable at Mumbai, towards the terms of settlement in the matter.
10. In view of the above, in terms of Regulation 15(1) of Settlement Regulations, it is hereby ordered that this settlement order disposes of the adjudication proceedings initiated against the Applicants vide the common show cause notice dated February 05, 2014.
11. This order is without prejudice to the right of SEBI to take enforcement actions including commencing/ reopening of the pending proceedings against the Applicants, if SEBI finds that:
 - i. any representations made by the Applicants in the settlement proceedings are subsequently discovered to be untrue.
 - ii. the Applicants have breached any of the clauses/conditions of undertakings/waivers filed during the current settlement proceedings.
12. In terms of Regulation 17 of Settlement Regulations, a copy of this order is being sent to the Applicants and is published on the website of SEBI.

Date: December 02, 2014

Place: Mumbai

**D. SURA REDDY
GENERAL MANAGER &
ADJUDICATING OFFICER**