

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

On representation dated January 19, 2017 in the matter of Pine Animation Limited made by:

Sl.No.	Name of the entity	PAN
1	Mayank Dhanuka	ADLPD5568J
2	Umang Dhanuka	ADLPD0494K
3	Madan Mohan Dhanuka	ADQPD6035P
4	Neha Dhanuka	ADOPB3260E
5	Bina Devi Dhanuka	AEZPD5474N
6	Nikunj Dhanuka	ADNPD6220D
7	Rajkumari Dhanuka	ADUPD7020N

In continuation of orders dated August 22, 2016 and May 8, 2015.

Background

1. Securities and Exchange Board of India ("SEBI"), vide an *ad interim ex-parte order* dated May 8, 2015 (hereinafter referred to as "*interim order*") restrained 178 entities, including (1) Mayank Dhanuka, (2) Umang Dhanuka, (3) Madan Mohan Dhanuka, (4) Neha Dhanuka, (5) Bina Devi Dhanuka, (6) Nikunj Dhanuka and (7) Rajkumari Dhanuka (hereinafter referred to as "Dhanuka Group entities"), from accessing the securities market and further prohibiting them from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever, till further directions.
2. The *interim order* was passed in view of the *prima facie* findings about a scheme/device or artifice involving a façade of preferential issue of equity shares of Pine Animation Limited (hereinafter referred to as "Pine") in order to provide fictitious Long Term Capital Gains ("LTCG") to preferential allottees and promoter related entities (i.e. entities to whom Pine's promoters directly/indirectly transferred their shares in physical form). It was observed that after the release of compulsory lock-in period, the preferential allottees and the promoter related entities were provided exit at an artificially inflated price by the entities related/connected amongst themselves and with Pine, by misusing stock exchange system, for making unlawful gains and to convert ill-gotten gains into genuine one to avail LTCG. With respect to Dhanuka Group entities, it has been alleged in the interim order that they are the promoter related entities. They had indirectly received shares from promoters of Pine and sold them at artificially inflated price in order to make unlawful gains to the tune of ₹7.53 Crore. It has been also alleged that subsequent to allotment of shares, Pine

immediately transferred the allotment money to Bihariji Constructions Pvt. Ltd. in which Dhanuka entities are directors. In view of aforesaid, it has been alleged that the acts and omissions of the debarred entities are in contravention of the provisions of regulations 3(a), (b), (c), (d), 4(1), 4(2)(a), (b), (e) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and section 12A(a), (b) and (c) of Securities and Exchange Board of India Act, 1992.

3. The debarred entities were given an opportunity to file their reply and appear for hearing. The Dhanuka Group entities had also filed their replies in the matter and availed opportunity of personal hearing. After considering the submissions of the entities, including Dhanuka Group entities and the fact that investigation in the matter is still continuing, SEBI vide order dated August 22, 2016 (read with corrigendum dated August 24, 2016) confirmed the directions issued against Dhanuka Group and 115 others for the reasons stated therein. Further, considering the request of many of the entities for at least partial relief, all entities, including Dhanuka Group entities, were granted certain common reliefs.
4. Dhanuka Group entities filed separate appeals (Appeal nos. 326 to 332 of 2016) against the SEBI order dated August 22, 2016 before Securities Appellate Tribunal (SAT). On January 12, 2017, they represented before SAT that in view of change in circumstances, there is difficulty in implementing the reliefs granted in the impugned order. Therefore, SAT vide order dated January 12, 2017 permitted the entities to make a representation before SEBI seeking modification/clarification of the reliefs granted to them within one week. Further, SAT directed SEBI to consider their representation and pass an order in accordance with law within a period of three weeks from the date of receiving such representation.

Representation

5. The Dhanuka Group entities have jointly made a representation dated January 19, 2017 wherein an opportunity of hearing was also sought. Accordingly, these entities were granted an opportunity of hearing on February 7, 2017. Mr. Archit Jayakar, Mr. Rahil Jhaveri, Ms. Surabhi Agarwal and Ms. Akansha Agarwal, Advocates appeared for hearing on behalf of the Dhanuka Group entities. It has been represented that the Dhanuka Group entities are regular traders on the Stock Exchange and have substantially large portfolios. They have been restrained from accessing, trading or dealing in the securities market from May 8, 2015 and they have no clue as to how long the restraint will continue, pending investigation. Though certain reliefs have been granted to them by letters dated January 19, 2016 and March 18, 2016 and order dated August 22, 2016, the restraint is still causing extreme commercial anguish to them. During the hearing, the counsel for the entities reiterated the submissions made vide letter dated January 19, 2017 and urged the following points for consideration.
 - (i) It has been submitted that the recent monetary announcement caused a substantial

dip in the index and fall in the prices of midcap/small cap shares which provides a huge upside potential and in such circumstances, a prudent trader/investor would purchase such shares, however, on account of the fetters imposed by the interim order upon the entities they are unable to do so, which is causing grave loss and prejudice to them. The order dated August 22, 2016 in para 83(a) permits the entities to enter into delivery based transactions in cash segment in the securities covered in NSE Nifty 500 Index and/or S&P BSE 500 Index. The restriction to trade only into these categories of scrips is too wide and far reaching in its ambit and it is causing extreme commercial anguish to the entities. Therefore, it has been urged that the scope of the relief granted in para 83(a) of the order dated August 22, 2016 may be widened to allow them to trade in shares of all companies listed on stock exchange except those involved in the case.

- (ii) On behalf of Mr. Umang Dhanuka and Mr. Madan Mohan Dhanuka, it was submitted by the counsel during the hearing that they are promoters of I G Petrochemicals Ltd. which is contemplating raising capital through Qualified Institutional Placement (QIP) however, the restrictions imposed in this matter would come in the way of their raising further capital.
- (iii) Submissions were also vaguely made to the effect that their replies and submissions made prior to the order dated August 22, 2016 were not considered in the order.

Consideration and findings

6. I have carefully considered the oral and written submissions made by the entities. The question that arises for consideration is whether or not the Dhanuka Group entities can be allowed to enter into delivery based transactions in cash segment in securities beyond NSE Nifty 500 Index or S&P BSE 500 Index companies.
7. In this connection, it is observed that in order to safeguard the interests of the genuine investors and to protect the integrity of the securities market, the interim order and the confirmatory order, have put certain restraints on several entities, including the entities of the Dhanuka Group based on the prima facie findings against them, pending investigation. It is also observed from para 82 of the order dated August 22, 2016 that several entities had made requests, similar to the present one made by the Dhanuka Group entities, to at least partially allow them to trade in securities other than those involved in the case. The then Whole Time Member of the Board considered such requests and being conscious of the fact that the restraint order dated May 8, 2015 should not cause disproportionate hardship to the entities and in order to avoid erosion of value of securities due to volatility, to maintain some investment avenue in capital market and to address the need of funds for meeting the business or other exigencies of the debarred entities, granted certain common reliefs to all entities, including Dhanuka Group entities. The relaxations granted are aimed at maintaining

balance between providing investment avenues to the debarred entities and safeguarding the interests of genuine investors and protecting the integrity of the securities market.

8. With regard to the submission of the entities about the reported impact of the recent monetary announcement on midcap and small cap shares and loss of investment opportunity to the debarred entities, it is observed that such policy changes at government level cannot be a ground that merit consideration, specifically with respect to the Dhanuka Group entities for the purpose of granting the relaxations as sought. Further, the confirmatory order permits entities, including the Dhanuka Group, to subscribe to units of mutual funds and redeem the units of the mutual funds so subscribed. Thus, the entities have opportunity to invest in midcap/smallcap scrips through appropriate mutual fund schemes. In view of above, there are no new grounds to expand the scope of relaxations already granted.
9. As far as the relaxation with respect to the contemplated QIP of I G Petrochemicals Ltd. is concerned, I find that this was not a ground before the Hon'ble SAT nor in the representation dated January 19, 2017 and no documents were submitted to substantiate their claim. These requests indicate that the group has made up a ground during the personal hearing to obtain some sort of relaxation from the restraint order.
10. While the whole issue of the veracity of the allegations against the entities in the interim order is under investigation, the issue of expanding the scope of the existing set of relaxations based on individual requests from each party subject to the restraint order, not only narrows down the scope of the proceedings that can be initiated against these entities after investigation but also undermines the statutory role and obligation of the regulator to insulate and protect the securities market from the alleged manipulative actions. All the grounds mentioned by the Dhanuka Group entities in the written representation and oral submissions are so generic in nature that any other entity covered in the order could have pressed for the same grounds and similar relaxations. The request for relaxation related to QIP appears to be an afterthought.
11. In view of the aforesaid, I find that there is no merit in the representation and submissions of the Dhanuka Group entities and hence they are accordingly disposed.

-Sd.-

DATE: February 9, 2017
PLACE: MUMBAI

G MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA