

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11 AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 - IN THE MATTER OF PINE ANIMATION LIMITED.

In respect of:

Sl.No.	Name of the entity	PAN	Authorised Representatives
Directors of Pine Animation Limited:			
1	Krishnakumar Omprakash Murarka	AAJPM6827G	Mr. Mayur Shah, Chartered Accountant
Promoter Related:			
2	Madanlal Jain	ABEPJ7142D	Mr. Bharat Redij, Advocate
3	Moolchand Jain	ABEPJ7147G	
4	Mukesh Kumar Jain	ADIPJ9498C	
5	Vikas Jain	AFOPJ4431P	
Preferential Allotees:			
6	Brij Bhushan Singal	AEFPS6298M	Not appeared
7	Pankaj Dhanji Goshar	AACPG7709G	Mr. Prakash Shah, Advocate
8	Praveen K Arora	ABAPA2027N	Mr. Jaikishan Lakhwani, Advocate
Exit Providers:			
9	Dreamlight Exim Private Limited	AAECD5782B	Not appeared
10	Duari Marketing Private Limited	AAECD9323N	Not appeared
11	Gajgamini Merchandise Private Limited	AAFCG2554B	Not appeared
12	Gangeshwari Traders Private Limited	AAFCG5351A	Not appeared
13	Hanshika Dealers Private Limited	AADCH3599R	Not appeared
14	Ladios Trading Private Limited	AACCL3868N	Not appeared

15	Mobixa Distributors Private Limited	AAICM4750C	Not appeared
16	Muchmore Vincom Private Limited	AAICM6982C	Not appeared
17	Rangan Vincom Private Limited	AAGCR1715E	Not appeared
18	Reachsmart Developers Private Limited	AAGCR8144M	Not appeared
19	Rochak Vinimay Private Limited	AAGCR8142P	Not appeared
20	Rochi Dealcom Private Limited	AAGCR7017M	Not appeared
21	Sidhiman Vyapaar Private Limited	AATCS3687H	Not appeared
22	Vishnudham Marketing Private Limited	AAECV4988P	Not appeared
23	Function Financial Consultants Private Limited	AABCF5486H	Not appeared
24	Shivkhori Construction Private Limited	AAPCS7850L	Not appeared
25	Topwell Properties Private Limited	AADCT8403C	Not appeared
26	Helpful Investment Advisory Private Limited	AACCH4303G	Not appeared
27	Mc Pride Distillery Private Ltd	AACCM6582E	Mr. Ketan Rupani, Chartered Accountant
The aforesaid entities are hereinafter referred to by their respective names or by their respective category as described in the <i>interim order</i> dated May 08, 2015 or collectively as ‘the Noticees’.			

Background in brief

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 the Noticees, mentioned above, from accessing the securities market and further prohibited 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 facade 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 shares from 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 (hereinafter referred to as "Exit Providers"), by misusing stock exchange system, for making unlawful gains and to convert ill-gotten gains into genuine one to avail LTCG. The preliminary findings in the matter, as mentioned in the order are as under:

- a) Shares of Pine were listed on Bombay Stock Exchange on March 25, 1994. Subsequently, trading in the scrip was suspended w.e.f. November 09, 1998. The suspension on trading was revoked on June 22, 2012; however, trading in the scrip started only from March 28, 2013.
- b) Pine made a preferential allotment of 1,50,00,000 equity shares at the price of ₹ 10 per share on December 13, 2012 to 49 entities.
- c) Thereafter, during the period from December 28, 2012 to February 05, 2013, two promoters of Pine - First Entertainment Private Limited (First Entertainment) and Unique Image Production Pvt. Ltd. (Unique Image) - transferred their entire shareholding (9,27,400 shares) to 6 entities, who in turn transferred the shares to 62 entities (total 68 entities). Out of these 68 promoter related entities, 49 entities subsequently sold substantial shares (54.76% of the shares received from the promoters) in the market.
- d) Subsequently, on March 15, 2013, Pine made another preferential allotment of 97,00,000 equity shares at the price of ₹ 10 per share to 48 entities. This includes 5 entities who were allotted shares in preferential allotment on December 13, 2012. Thus, in total, Pine allotted 2,47,00,000 equity shares to 92 entities.
- e) The equity shares allotted on preferential basis were locked-in for a period of one year i.e. up to December 12, 2013 and March 14, 2014, respectively in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- f) On May 20, 2013, i.e., during the period when the shares were under lock-in, the equity shares of *Pine* were split in the ratio 1:10. Thereafter, between May 22, 2013 to June 19, 2013, the price of the shares increased from ₹ 472 (unadjusted and ₹ 47.2 adjusted to share split) on May 22, 2013 to ₹ 1006 (unadjusted and ₹ 100.6 adjusted to share split) on June 19, 2013 i.e. an increase of approximately 113%. During this period several entities

contributed to positive LTP through first trades with negligible order quantity (such entities are referred to as “LTP contributors”).

- g) During the period from June 20, 2013 to December 16, 2013, the shares were traded only on 13 trading days. The traded quantity was insignificant and the share price remained between ₹ 1006 (unadjusted and ₹ 100.6 adjusted to share split) and ₹ 910 (unadjusted and ₹ 91 adjusted to share split).
 - h) During the period from December 17, 2013 to January 30, 2015, i.e., after the lock-in period got over, there was substantial increase in the traded volume of the shares of Pine. It was observed that a group of connected/related entities were acting as counterparties to the trades done by the Preferential allottees/Promoter related entities. The direct/indirect relationship was observed among these entities from the analysis of information in Know Your Client ("KYC") forms, bank statements, off-market transactions amongst them and the information available on the Ministry of Corporate Affairs ("MCA") website.
 - i) The interim order observes that the sharp rise in price and volume of the scrip was not supported by any acceptable market factors such as fundamentals, trading history, corporate announcements, etc. but was on account of non-genuine and manipulative trading in the scrip by certain entities.
3. After passing of the ad interim ex-parte order and during the pendency of the investigation, the restrained entities were given opportunity to inspect documents and file objections. Several entities sought inspection/information/documents etc. They were provided with inspection, copies of documents or information relied upon for passing of the interim order in the matter. Entities, who sought opportunities of hearing were granted the same. It is also pertinent to mention here that, considering the peculiar facts and circumstances of the case several relaxations from the interim directions were given to entities, including the noticees.
4. Subsequent to the ad interim ex-parte order, several orders have been passed in the matter. Orders confirming the directions of the interim order have been passed with respect to 2 entities on June 2, 2016 and with respect to 26 entities on July 05, 2016. The order dated August 22, 2016 (read with corrigendum dated August 24, 2016) confirmed directions against 122 entities

and revoked it with respect to 1 entity. In view of the above, out of total 178 entities debarred vide the interim order dated May 8, 2015, orders have been passed in respect of 151 entities. The details are as under:

Sl. No	Particulars	Interim Order dated May 8, 2015	Confirmatory/revocation Order dated			
			June 2, 2016	July 5, 2016	August 22, 2016	Present Order
1	Company and its Directors and Promoters	14	--	--	13	01
2	Promoter related entities	43	--	--	39	04
3	Preferential allottees	52	02	01	46	03
4	Exit Providers	63	--	25	19	19
5	LTP Contributors	06	--	--	06*	--
	Total	178	02	26	123	27

*The interim directions were revoked against Mr. Rajesh Kumar Shukla.

5. The present order deals with the submissions made by the remaining 27 entities and materials available on record. It is also pertinent to mention here that, considering the peculiar facts and circumstances of the case, the Noticees, along with others, were granted certain reliefs vide letters dated January 15, 2016, January 19, 2016, January 20, 2016, January 29, 2016 and June 30, 2016. The details of reliefs granted will be discussed later.
6. With regard to these 27 Noticees, the preliminary findings, as per the interim order are as under:
 - (i) Mr. Krishnakumar Omprakash Murarka was one of the directors of Pine as per Annual Report for the year ending on March 31, 2014.
 - (ii) Mr. Brij Bhushan Singal, Mr. Pankaj Dhanji Goshar and Mr. Praveen K Arora were the preferential allottees. The details of number of shares allotted and the profit/gain made by these persons are as under:

Profit/gain made by the preferential allottees

Sl.No.	Name	Number of shares allotted	Profit earned on the sale of shares (₹)
1	Brij Bhushan Singal	12,00,000	1,17,22,500
2	Pankaj Dhanji Goshar	6,00,000	87,60,49,695
3	Praveen K Arora	1,00,000	1,07,63,600

- (iii) Mr. Madanlal Jain and Mr. Moolchand Jain had received physical shares in off-market deals from Mr. Nimesh S Joshi who had received it from one of the promoters of Pine – First Entertainment. Mr. Mukesh Kumar Jain had received physical shares in off-market deal from Mr. Roshni N Joshi who had also received it from First Entertainment. Mr. Vikas Jain had received physical shares in off-market deals from Mahaganapati Financial Services Pvt. Ltd. who had received it from another promoters of Pine – Unique Image. The details of shares purchased by these promoter related entities in off market deals are as under:

Table A – Shares purchased in off market deals

Sl. No.	Name	Promoter related entities	Promoters of Pine
1	Madanlal Jain	Nimesh S Joshi	First Entertainment
2	Moolchand Jain		
3	Mukesh Kumar Jain	Roshni N Joshi	
4	Vikas Jain	Mahaganapati Financial Services Pvt. Ltd.	Unique Image

The details of the profit/gain made by these promoter related entities are as under.

Table B - Profit/gain made by the entities

Sl. No.	Name	Gross Sell Vol	Gross Sell Value (₹)	Purchase value of the shares sold assumed to be ₹ 10* (in ₹)	Profit (₹)
1	Madanlal Jain	1,30,000	1,07,45,850	13,00,000	94,45,850
2	Moolchand Jain	1,40,000	1,15,85,850	14,00,000	1,01,85,850
3	Mukesh Kumar Jain	1,22,000	98,91,550	12,20,000	86,71,550

4	Vikas Jain	1,25,000	1,03,07,100	12,50,000	90,57,100
	Total	5,17,000	4,25,30,350	51,70,000	3,73,60,350

* Purchase value assumed at the price of face value of the shares.

- (iv) The remaining 19 Noticees (out of 27) were Exit Providers and they bought most of the shares sold by the preferential allottees and the promoter related entities. The transaction details of these exit providers are as under.

Details of shares purchased by the exit providers from preferential allottees and promoter related entities

Sl. No.	Name	Total No. of shares purchased from promoter related/preferential allottees	Value of the exit provided to promoter related/preferential allottees (in ₹)
1	Hanshika Dealers Private Limited	10,15,335	5,58,88,014
2	Gangeshwari Traders Private Limited	9,56,116	7,82,57,728
3	Rochak Vinimay Private Limited	8,59,672	5,59,69,062
4	Duari Marketing Private Limited	8,53,980	7,22,00,692
5	Vishnudham Marketing Private Limited	7,72,648	7,28,53,292
6	Reachsmart Developers Private Limited	6,66,670	5,52,47,503
7	Dreamlight Exim Private Limited	6,47,703	6,09,70,705
8	Mobixa Distributors Private Limited	5,18,083	3,83,47,473
9	Sidhiman Vyapaar Private Limited	4,69,346	3,67,60,492
10	Gajgamani Merchandise Private Limited	3,59,150	5,50,13,230
11	Muchmore Vincom Private Limited	1,98,807	1,87,24,873
12	Function Financial Consultants Pvt. Ltd	1,84,000	1,74,25,376
13	Rochi Dealcom Private Limited	1,60,758	1,43,90,679
14	Helpful Investment Advisory Pvt. Ltd.	1,40,625	1,33,08,545
15	Topwell Properties Private Limited	1,25,000	1,18,87,560
16	Rangan Vincom Private Limited	82,344	77,77,925
17	Ludios Trading Private Limited	71,889	67,42,126
18	Shivkhori Construction Private Limited	55,000	51,36,995
19	Mc Pride Distillery Private Ltd	47,900	44,78,510

Summary of replies/submissions of the Noticees

7. All the 27 Noticees have filed their replies in the matter. Subsequent to filing of reply, an opportunity of hearing was granted to them on December 30, 2016. Authorised Representative or counsel appeared for hearing on behalf of Mr. Krishnakumar O. Murarka, Mc Pride Distillery Pvt. Ltd., Mr. Mukesh Kumar Jain, Mr. Moolchand Jain, Mr. Vikas Jain, Mr. Madan Lal Jain and Mr. Praveen Arora on December 30, 2016. Mr. Pankaj D Goshar requested for another date of hearing and accordingly, he was heard on January 12, 2017. Other noticees, though filed their replies, did not appear for hearing. Some Noticees have also filed written submissions subsequent to the hearing. The summary of replies and submission of these Noticees are as under:

(i) Krishnakumar Omprakash Murarka – Replied vide letters dated June 20, 2015, September 12, 2016 and filed written submissions vide letter dated January 9, 2017.

- *It has been submitted that he was appointed as Non-Executive Independent Director w.e.f May 28, 2014. The preferential allotment was made prior to his appointment as director in the company. Copy of Form DIR-12 filed pursuant to section 7(1)(c), 168 & 170(2) of the Companies Act, 2013 and rule 17 of Companies (Incorporation) Rules, 2014 and 8, 15 & 18 of the Companies (Appointment and Qualification of Directors) Rules, 2014 has been submitted.*
- *He was not involved in any decision making and had no control over the affairs of the company. He had no role to play in the day to day affairs of the company.*
- *He has no relation/ nexus either with the preferential allottees or with any other shareholders of the company.*
- *He was not holding any shares of the company and had no role in the movement of price or creation of trading volume in the shares of Pine.*

(ii) Brij Bhushan Singal (Preferential Allottee) – Replied vide letters dated June 15, 2015, July 17, 2015, September 4, 2015, November 4, 2015, May 11, 2016, September 19, 2016, October 1, 2016 and December 28, 2016.

- *It has been submitted that he has not been provided with all documents sought by him, therefore,*

he is unable to make effective rebuttal to the charges levelled against him.

- *He is aged about 79 years and leading a retired life. His investment decisions are taken by his son Mr. Neeraj Singal. He and his family members are regular investors in the stock market and they invested in the shares of Pine as there was huge potential for growth in the sector in which the company was operating.*
- *He invested ₹120 lakh in the shares of Pine on information and feedback received from various professionals, friends and other persons who are actively involved in securities market and are having adequate knowledge about the same. The amount of investment made by them in the preferential issue of Pine is insignificant vis-à-vis his family's total portfolio (₹ 758 Crore as of March 31, 2012).*
- *He does not have any link/connection/nexus with Pine, its promoters/directors, exit providers and other persons referred to in the interim order except Mr. Neeraj Singal, Mrs. Ritu Singal and Brij Bhusan Singal- HUF, who are his family members. No material has been bought on record to demonstrate any kind of nexus or prior agreement / arrangement.*
- *SEBI has not laid out any basis on which it has been alleged that he had any unaccounted income. He purchased shares of Pine from his own funds and the sale proceeds were utilised for his own business and financial purposes (copy of bank statement has been submitted). He sold 1,25,000 shares on June 2 and 3, 2014 and there were many occasions when his sell order could not get executed. He is still holding 1,18,75,000 shares of Pine.*
- *The order has been passed in violation of principles of natural justice as no opportunity of hearing was granted to him.*
- *The directions passed against him by the interim order were not warranted as there was no urgency. It is neither preventive or remedial nor curative.*

(iii) Pankaj Dhanji Goshar (Preferential Allottee) – Replied vide letters dated October 27, 2015, December 23, 2015, March 2, 2016, December 26, 2016 and filed written submissions dated February 1, 2017.

- *It has been stated that though documents relied upon in the matter have been provided, he was not provided all documents requested by him and therefore he is unable to comprehensively defend himself.*
- *No substantive evidence of any nature for establishing connections or relationship with any of the parties mentioned in the order has been provided, except for Ms. Lata V Shah who is his sister. He had no financial dealings and is not connected or related to any other person whose*

names are mentioned in the SEBI order.

- *He invested in the shares of Pine on the basis of recommendation of one Mr. Bhavesh Shah, who is an experienced and knowledgeable person from the stock market, his presentation portraying bright prospects of the company and the annual report of the company for the years 2011-12 and 2012-13.*
- *He purchased shares of Pine from his legitimate source of income (vide cheque drawn on his HDFC account). His sister was also allotted 6 lakh shares, which she gifted to him (60 lakh shares after share split). These shares were also sold by him.*

(iv) Praveen K Arora (Preferential Allottee) – Replied vide letters dated October 3, 2015, December 15, 2015, March 1, 2016, May 31, 2016 and October 18, 2016.

- *It has been submitted that he invested Rs.10 lakh in the shares of the Pine on the basis of corporate presentation made by the company. Payment for the subscription to the preferential allotment was made through cheque dated March 9, 2013 (Copy of bank statement submitted). The shares were received in his demat account on April 10, 2013 and were sold on the screen based trading platform of exchange in trenches.*
- *He had no nexus with Pine, its promoters/directors and other persons mentioned in interim order in the alleged transaction. There is no allegation or evidence against him of giving any fund to anyone connected to Pine or connected to the transactions.*
- *The directions issued against him by the interim order are not justified as they are having punitive effect on him.*
- *There was no emergent situation to justify passing of the ex-parte interim order. The order is vitiated as it has been passed in gross violation of the principles of natural justice.*

(v) Madanlal Jain, Moolchand Jain, Mukesh Kumar Jain and Vikas Jain (Promoter related entities) - Madanlal Jain, Moolchand Jain and Mukesh Kumar Jain are sons of Manjilal Jain. Vikas Jain is son of Molchand Jain. The replies of these four persons are similar. It has been submitted that:

- *They have not been provided with all documents requested by them.*
- *That they are not acquainted with the preferential allottees or the promoters of Pine. Merely because they had purchased shares of Pine from certain individual it cannot be alleged that they are connected with Pine and its promoters/directors.*

- *They are investors and regular trader in the securities market. They invested in the shares of Pine on the advice of their father as he came across an advertisement in newspaper around January 2013 where in one investor wanted to sell his stake in Pine.*
- *That, on majority of occasions, the sale volume of the shares sold by them was insignificant percentage of the total traded volume and cannot by any stretch of imagination be said to be part of the alleged scheme.*

(vi) Replies furnished by exit providers Dreamlight Exim Private Limited, Duari Marketing Pvt. Ltd., Gajgami Mercandise Private Limited, Gangeshwari Trades Private Limited, Hanshika Dealers Private Limited, Ladios Trading Private Limited, Mobixa Distributors Private Limited, Muchmore Vincom Private Limited, Rangan Vincom Private Limited, Reachsmart Developers Pvt. Ltd., Rochak Vinimay Private Limited, Rochi Dealcom Pvt. Ltd., Sidhiman Vyapaar Private Limited and Vishnudham Marketing Private Limited are similar. The summary of the replies are as under:

- *They are neither directly nor indirectly related to Pine or any of its Promoters/Directors and they have not acted in concert with them.*
- *They have denied all the allegations made in the interim order and have submitted that they have not violated the provisions of the SEBI Act and the PFUTP Regulations.*
- *They had acquired the shares of Pine as investors and out of their own resources. They regularly invest in securities with the sole objective of earning dividends and profits.*
- *The interim order has been passed in violation of the principles of natural justice as no documents or clarification were sought from them.*

(vii) Replies furnished by exit providers Function Financial Consultants Pvt. Ltd., Shivkhori Construction Pvt. Ltd., Topwell Properties Pvt. Ltd. and Helpful Investment Advisory Pvt. Ltd. are similar and the summary of the same is as under:

- *It has been stated that they are not related/connected to Pine, its promoters and directors or any of the alleged promoter related entities, preferential allottees and exit providers. Their trading in securities are independent of others entities and was out of their own funds.*
- *They have been classified as exit providers on flawed rational. Their trading volume compared to market volume was very little and substantial quantities of shares bought and sold were by entities other than the alleged Pine group entities.*

- *They are in the business of investment and trading in capital markets and make investment from their own funds after considering several factors, viz, sector in which the company operates, product profile, market share, credit rating, financials of company, future growth, management profile, corporate governance standards, market capitalization, liquidity in scrip etc. They purchased shares of Pine in the ordinary course of business.*
- *It has been submitted that though Function Financial Consultants Pvt. Ltd., Helpful Investment Advisors Pvt. Ltd. and Topwell Properties Pvt. Ltd. shared common directors and Shinkhori Construction Pvt. Ltd. and Topwell Properties Pvt. Ltd. shared common director their trading and investment activity are not related as shareholders are different.*
- *Topwell Properties has submitted that banking transactions with Divya Dristi Merchants, Alishan Estate Pvt. Ltd., Signet Vinimay Pvt. Ltd. and Sankalp Vinimay Pvt Ltd. were in the normal course and not related to trading in the shares of Pine.*
- *There was no urgency in passing of the interim order and it has been passed in violation of the principles of natural justice.*

(viii) Mc Pride Distillery Private Limited (Exit provider) – Replied vide letters dated September 20, 2016, October 5, 2016 and January 6, 2017.

- *It is not connected/ related to Pine nor is part of any alleged group.*
- *It is a bona fide investor and the shares of Pine were bought in the normal course of business on the basis of market information.*
- *It has not manipulated the share price of Pine since the shares were bought by it on the anonymous trading platform of the stock exchange.*
- *With regard to funding for investment in Pine, the entity has stated that funds were received as short term advance from Keshav Madhav Enterprise.*

Consideration and findings

8. I have considered the allegations levelled against the Noticees in the *interim order*, their replies, written submissions and other materials on record. I note that in the instant case, the directions issued against the Noticees are interim in nature and have been issued on the basis of *prima facie* findings. SEBI had issued directions vide the interim order in the matter in order to protect the interests of investors in the securities market. Detailed investigation in the matter is still in progress. Thus, the issue for consideration at this stage is whether the interim directions, issued

against the Noticees vide the interim order, need to be confirmed, vacated or modified in any manner, during pendency of investigation in the matter.

9. Since the order involves 27 entities and many grounds raised by the Noticees are similar, they are being considered together.

10. With regard to the contention of several Noticees that no opportunity of hearing was provided to them before passing the order and that the interim directions were not warranted in the case, it is observed that the interim order has been passed after preliminary inquiry on the basis of the *prima facie* findings in the matter. A detailed investigation in the matter is still in progress. The purpose of the interim order is to achieve the objectives of investor protection and safeguarding the market integrity by enforcing the provisions of the Securities and Exchange Board of India Act, 1992. The facts, circumstances and the justification necessitating issuance of interim directions have been examined and dealt with in the interim order. The debarred entities, including the Noticees, have been granted an opportunity of post-decisional hearing. The power of SEBI to issue interim directions and the law with regard to doing away with the requirement of pre-decisional hearing in certain situations are also well settled. I, therefore, do not find merit in the contention of the Noticees.

11. With regard to contention of certain Noticees that sufficient documents were not provided to them in order to enable them to defend properly, it is noted that several noticees have, inter alia, requested for copies of investigation report, statements recorded etc. In this regard it is important to mention here that the interim order refers to a preliminary inquiry undertaken by SEBI and the findings of the enquiry have been brought out in the interim order. A detailed investigation in the matter is still in progress and an investigation report will only be available after conclusion of the investigation. It is also noted that several Noticees have carried out an inspection of documents in the matter or requested for copies of documents. The copies of documents and information gathered by SEBI during the preliminary inquiry, which were relied upon by SEBI for the purpose of passing of the interim order, have been provided to them. In view of the above, I do not find any merit in this contention of the Noticees.

Director of Pine

12. Krishnakumar Omprakash Murarka has submitted that he had no relation/nexus either with the preferential allottees or with any other shareholders of the company and that he was appointed

as Non-Executive Independent Director of Pine with effect from May 28, 2014 i.e., after the preferential allotment, and he was not involved in day to day affairs of the company. It is observed from the Annual Report of the company for the years 2011-2012 and 2012-2013 that his name is not appearing as a director of the company. The Annual Report of the company for the year 2013-14 mentions that he was appointed as Director of the company from May 28, 2014 for a period of five years. Thus, he was appointed as an independent director of the company only from May 28, 2014 and in such circumstances, in the absence of any other evidence, he cannot be imputed with knowledge about the preferential allotments of shares of Pine, share split and the price manipulation in the scrip of Pine during the lock-in period which happened prior to his appointment as director of the company. Further, there is no prima facie finding in the interim order that he was involved in the manipulation of share price or the volume of share traded on the stock exchange. It has been also submitted by him that he was not holding any share of Pine and has not traded in the scrip during the examination period. I am, therefore, of the view that there is no prima facie case against him.

Preferential Allottees

13. The preferential allottees, Brij Bhushan Singal, Pankaj Dhanji Goshar and Praveen K Arora have submitted that they are regular investors in stock market and invested in the scrip of Pine from their own funds as they considered it a good investment opportunity. Brij Bhushan Singal and Pankaj Dhanji Goshar have also submitted that they are not connected or having any link or nexus with Pine, its promoters/directors or any person mentioned in the interim order except with their respective relatives and family members mentioned in the interim order. Praveen K Arora has also denied having any link or connection with Pine, its promoters/directors and other entities mentioned in the interim order.
14. It is pertinent to mention here that shares were allotted by Pine in a preferential allotment which signifies that the allottees agreed with the company on one-to-one basis to fulfil its fund requirements. The shares of Pine were suspended from trading for a long time and the company was hardly having any credential in the market at the time of the preferential allotments. It is noted that, even in such circumstances, Pine was able to raise approximately ₹ 25 crore from 92 persons at a price of ₹ 10 per share within a short span of few months from the revocation of the suspension in trading of shares of Pine. This could only be possible if the preferential allottees had some prior understanding with Pine, its promoter and directors and the exit providers with regard to the dubious plan, device and artifice which has been prima facie found

in the interim order. It has also been pointed out in the interim order that the preferential allottees were the beneficiaries of the scheme. In such circumstances, I find it difficult to accept that preferential allottees were not aware of the device, scheme and plan in question.

15. Pankaj Dhanji Goshar and Praveen K Arora have stated that they are genuine investors and they came to know about the preferential allotment through a corporate presentation made before them. These preferential allottees have failed to explain as to what convinced them to invest in the company. Further, no explanation has been provided as to how they were selected by the Company for making the presentation to them. The fact that such presentations were made to few persons, individually, itself suggests existence of prior understanding between the company, its promoters/directors and the Noticees. The submission of the preferential allottees that they made investment in company out of their own funds has no particular relevance or merit as to counteract the charge of a dubious plan. With regard to the contention of the entities that there is no allegation or evidence of any financial dealings or giving any fund to anyone connected to Pine or connected to the transactions, it is observed that the investigation in the matter is still on and explanations provided by them are not satisfactory. Therefore, at this stage, I am not inclined to accept them.
16. Thus, the preferential allottees named above, have failed to substantiate their claim that they made investment in preferential allotment of Pine as a genuine investor. A stranger cannot make large investment in a preferential allotment merely on the basis of an advice or presentation without having any connection direct or indirect, and prior understanding with the company. Further, the findings mentioned in the interim order against these entities and their involvement in series of acts from preferential allotment to their exit from the company and similar modus operandi adopted by some preferential allottees - (Brij Bhushan Singal in the matter of First Financial and Mishka Financial which are still under investigation) - leaves no doubt about their prima facie involvement in unlawful activity. Thus, these entities have been unable to make a case for vacation of the directions issued by the interim order.

Promoter related entities

17. Mr. Madanlal Jain, Moolchand Jain, Mukesh Kumar Jain and Vikas Jain (Promoter Related Entities) have submitted that merely because they had purchased shares of Pine from certain individuals/entities, it cannot be alleged that they are connected with Pine, its promoters/directors and the preferential allottees. It has also been submitted that they are

investors and regular traders in the securities market. They invested in the shares of Pine on the advice of their father as he came across an advertisement in a newspaper around January 2013 wherein one investor wanted to sell his stake in Pine.

18. With respect to the submissions of these entities, it is observed from the interim order that these entities purchased shares of Pine in off-market deals from Nimesh Joshi, Roshni N Joshi and Mahaganpati Financial Services Pvt. Ltd. who had received those shares from the promoters of Pine. No copy of any newspaper advertisement has been furnished to substantiate the claim that these entities were led by a newspaper advertisement. As these promoter related entities had purchased shares in off-market deals from other promoter related entities, such purchases could be possible only if these promoter related entities had nexus with the company or its directors. Further, the entities have also failed to explain the rationale for their investment in the shares of a company like Pine which was bereft of any fundamental financial strength. In such circumstances, and at this stage, I agree with the prima facie finding that transfer of shares in physical form was under a prior arrangement for some sort of ulterior and unlawful gains. It is also noted that majority of the shares sold by these persons were bought by exit providers by creating artificial demand for the shares of the company during the period December 17, 2013 to January 30, 2015. In my view, this cannot be termed as mere coincidence especially when sellers have nexus with the company and buyers i.e. Exit Providers. The facts and circumstances of this case, in my view, prima facie indicate that the transfer of these shares in physical form was under a prior arrangement for the ulterior motive or the end objective of the scheme that has been brought out explicitly in the interim order. In such circumstances and considering the fact that the submissions of the entities are not supported by any evidence, I am not inclined to accept the same.
19. It has been also submitted by these four entities that on majority of occasions, the sale volume of the shares sold by them was insignificant percentage of the total traded volume and cannot by any stretch of imagination be said to be part of the scheme. In this regard, it is observed that these entities are related amongst themselves and have together sold 5,17,000 shares and for a value of approximately ₹ 4,25,30,350. It is observed from Table B in para 6(iii) that the sell value of the shares of Pine sold by these entities are more than ₹ 1,00,00,000 even individually. From the manner in which purchase and sale transactions were done by them with persons who are connected with the company, directly or indirectly, or with exit providers, who are also connected, as mentioned in the interim order, it becomes important that traded volume of these

entities should be looked into collectively as a group keeping in mind the whole scheme or device used by the Pine group entities to make unlawful gain by manipulating the share price of the scrip of Pine and misusing the stock exchange mechanism by adopting the modus operandi as described in the interim order. As the investigation in the matter is in progress at this stage, I do not find any merit in the contention of the entities.

Exit providers

20. I now proceed to deal with submissions of Exit Providers, i.e., entities at Sl. No. 9 to 27. These entities have denied the allegation and have submitted that they are bonafide investors who have traded in the shares of Pine out of their own funds and on the basis of market information. They are not related/connected to Pine, its promoters and directors or preferential allottees, promoter related entities or other exit providers as alleged in the interim order.
21. In this regard, it is observed from the interim order that after the preferential allotment and during the period when such shares were under lock-in, more than 90% of the share capital of Pine was with the Preferential Allottees and the Promoter related entities. Between May 22, 2013 and June 19, 2013 the share price of the company increased by 113% and during the period from June 20, 2013 to December 16, 2013 the shares were traded only on 13 trading days with miniscule volume. Subsequently, when the period of lock-in got over, there was substantial increase in traded volume and the preferential allottees and promoter related entities started selling the shares of Pine at higher prices. From the analysis of trades during the period from May 22, 2013 to December 16, 2013, it has been observed in the interim order that the shares of Pine were not in demand by the general investors and it saw very low trading volume on most of the trading days and hence could not have commanded the price observed during December 17, 2013 to January 30, 2015, when preferential allottees and promoter related entities offloaded their shareholding in Pine. In such circumstances, a sudden supply if not matched by similar demand would have led to price fall. Considering this, any rational investor would not have dumped a large number of shares without facing the risk of a significant price fall until and unless he was sure of the demand side will be absorbing the supply. It has been prima facie found that, in this case, the Exit Providers created the demand against the supply from the Preferential Allottees and Promoter related entities. The exit providers contributed 47.14% of the gross buy volume of the market in the scrip of Pine and around 81.38% of their purchases were from Preferential Allottees and Promoter related entities. It has been also bought up in the interim order as to how the Exit Providers made possible for the Preferential Allottees/Promoter related

entities to sell their substantial stake at a hugely profitable price which cannot be treated as a mere coincidence. Therefore, it is observed that such an elaborate scheme could be successful only if Pine and its promoters/directors, Preferential Allottees, Promoter related entities and the Exit Providers were acting in a pre-determined manner and were hand in glove with each other. Further, on the basis of examination and analysis of KYC documents, bank statement, off-market transactions and data available with the exchange and on MCA website, it has been observed in the interim order that these exit providers are connected / related amongst themselves and with others as mentioned in the order. This shows that the entities of the Pine group are prima facie connected /related amongst themselves.

22. Though, Topwell Properties has submitted that banking transactions with Divya Dristi Merchants, Alishan Estate Pvt. Ltd., Signet Vinimay Pvt. Ltd. and Sankalp Vinimay Pvt Ltd. were in the normal course and not related to trading in Pine, they have not submitted any documentary evidence to support their claim. Mc Pride Distillery has also submitted that funds for investment in Pine was received as short term advance, however, no evidence has been furnished. Therefore, I reject their contention at this stage.
23. Function Financial Consultants Pvt. Ltd., Shivkhori Construction Pvt. Ltd., Topwell Properties Pvt. Ltd. and Helpful Investment Advisory Pvt. Ltd. have submitted that they have been classified as exit providers on flawed rationale and their trading volume compared to market volume was very little and substantial quantities of shares bought and sold were by entities other than the alleged Pine group entities. I am of the view that individual transactions when seen in isolation may look miniscule, however, when considered in a group perspective the contribution of the individual entities in the entire scheme becomes more evident as alleged in this case. Therefore, I do not accept this contention also.
24. In the instant case, exit providers had acted as buyers when the preferential allottees and the promoter related entities were selling the shares of Pine after the lock-in period. These persons bought shares of Pine at high prices and in huge volume by putting in large amount of money as detailed in the Table at para 6(iv) of this order. Such trading behaviour of the exit providers cannot be justified on any economic rationale and indicates existence of premeditated arrangement among the entities of the Pine group. Further, as has been mentioned earlier had these entities not traded/dealt in the scrip of Pine during the relevant period, it would not have been possible for the preferential allottees and the promoter related entities to offload/sell in

large numbers at such price in such a stock that has hardly any intrinsic value.

25. In view of the above, I find that exit providers had *prima facie* acted in concert and misused the exchange platform to provide exit to the preferential allottees and promoter related entities at a high price thereby enabling these preferential allottees and promoter related entities to make unlawful gains undermining the integrity of the securities market. The submissions made by them have no merit, at this stage.

Conclusions and directions

26. Considering the findings as mentioned above, the facts and circumstances of the case do not justify the continuation of the directions passed against Kirshnakuma Omprakash Murarka (AAJPM6827G) vide the interim order dated May 08, 2015. I, therefore, in exercise of the powers conferred upon me under section 19, read with sections 11(1), 11(4) and 11B of the SEBI Act, 1992 hereby revoke the directions as against him.
27. I, however, find that the following Noticees have, at this stage, failed to give any plausible reasoning/explanation for their acts and omissions as described in the *interim order* and have not been able to make out a *prima facie* case for revocation of the *interim order*:-

SI. No.	Name of the entity	PAN
1	Madanlal Jain	ABEPJ7142D
2	Moolchand Jain	ABEPJ7147G
3	Mukesh Kumar Jain	ADIPJ9498C
4	Vikas Jain	AFOPJ4431P
5	Brij Bhushan Singal	AEFPS6298M
6	Pankaj Dhanji Goshar	AACPG7709G
7	Praveen K Arora	ABAPA2027N
8	Dreamlight Exim Private Limited	AAECD5782B
9	Duari Marketing Private Limited	AAECD9323N
10	Gajgamani Merchandise Private Limited	AAFCG2554B
11	Gangeshwari Traders Private Limited	AAFCG5351A
12	Hanshika Dealers Private Limited	AADCH3599R
13	Ladios Trading Private Limited	AACCL3868N
14	Mobixa Distributors Private Limited	AAICM4750C

15	Muchmore Vincom Private Limited	AAICM6982C
16	Rangan Vincom Private Limited	AAGCR1715E
17	Reachsmart Developers Private Limited	AAGCR8144M
18	Rochak Vinimay Private Limited	AAGCR8142P
19	Rochi Dealcom Private Limited	AAGCR7017M
20	Sidhiman Vyapaar Private Limited	AATCS3687H
21	Vishnudham Marketing Private Limited	AAECV4988P
22	Function Financial Consultants Private Limited	AABCF5486H
23	Shivkhori Construction Private Limited	AAPCS7850L
24	Topwell Properties Private Limited	AADCT8403C
25	Helpful Investment Advisory Private Limited	AACCH4303G
26	Mc Pride Distillery Private Ltd	AACCM6582E

28. The Noticees have requested for removal of the restraint imposed vide the *interim order*. It is worth mentioning that the case in hand is peculiar as large number of entities have been restrained and the ongoing investigation in the matter may take time to complete. I am also conscious that the restraint order should not cause disproportionate hardship or avoidable loss to the portfolio of the Noticees. That is why, Noticees were granted several relaxations, such as allowing investment in mutual fund units, permission to liquidate existing portfolio and keep the proceeds in escrow account and even utilize 25% of the proceeds for meeting exigencies, etc. in the past vide letters dated January 15, 2016, January 19, 2016, January 20, 2016, January 29, 2016 and June 30, 2016. Now at this stage, considering the facts and circumstances of this case and submissions made before me, I deem it appropriate to make further relaxations in the interim directions.

29. Considering the above, I, in exercise of the powers conferred upon me under section 19 of the SEBI Act, read with sections 11(1), 11(4) and 11B thereof, hereby confirm the directions issued vide the *ad interim ex parte* order dated May 08, 2015 against the aforesaid 26 entities mentioned in para 27 above, except that they can:-

- (a) Carry on delivery based transactions in cash segment in the securities covered in NSE Nifty 500 Index scrips and/ or S&P BSE 500 scrips;
- (b) subscribe to units of the mutual funds including through SIP and redeem the units of the mutual funds so subscribed;

- (c) deal in Debt/Government Securities;
- (d) invest in ETF
- (e) avail the benefits of corporate actions like rights issue, bonus issue, stock split, dividend, etc.;
- (f) tender the shares lying in their demat account in any open offer/delisting offer under the relevant regulations of SEBI;
- (g) deal with or utilize the sale proceeds lying in the aforesaid escrow account under the supervision of the concerned stock exchange as provided hereunder:-
 - i. the sale proceeds may be utilised for investments permitted above;
 - ii. upto 25% of the value of the portfolio as on the date of the *interim order* or the amount* in excess of the profit made /loss incurred or value of shares purchased to give exit, whichever is higher, may be utilized for business purposes and/or for meeting any other exigencies or address liquidity problems etc.

** The amount will include the value of portfolio in the demat account*

Explanation: For the purposes of determining the portfolio value of the entities, the value of portfolio of securities lying in the demat account/s (individual and joint both) on the date of the interim order after excluding the value of shares that have been suspended from trading as on the date of the communication shall be considered.

30. The aforesaid reliefs shall be subject to the supervision of exchanges and depositories.

31. A copy of this order shall be served on all recognized stock exchanges and depositories to ensure compliance with above directions.

-Sd.-

DATE: June 02, 2017

PLACE: Mumbai

G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA