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BEFORE THE ADJUDICATING OFFICER SECURITIES
AND EXCHANGE BOARD OF INDIA ADJUDICATION
ORDER NO. PM/NR/2020-21/9591-9595

**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

Sl. No.	Name of the Entity	PAN
1.	Unique Image Production Pvt., Ltd.,	AAACU9294K
2.	First Entertainment Pvt Ltd.,	AABCF0975D
3.	Murali Shanmugam	AEZPM6900L
4.	Prabu Sekar	ARUPP1577G
5.	Sekar Vasu	ADRPV2013N

(The aforesaid entities are hereinafter referred to individually by their respective names/serial numbers or collectively as "the Noticees")

In the matter of Pine Animation Ltd.,

BACKGROUND

1. Securities and Exchange Board of India (herein after referred to as "SEBI"), conducted an investigation into the dealing/trading in the scrip of Pine Animation Limited (formerly known as Four K Animation Limited) (hereinafter referred to as "PAL" or "the Company"), during the period from March 28, 2013 to January 30, 2015, since sharp rise in traded volume and price of the scrip of PAL was observed during the said period.
2. The shares of the Company were listed on the BSE Limited (hereinafter referred to as "BSE") from March 25, 1994 onwards. The shares of the Company were suspended from trading for the period from November 09, 1998 to June 22, 2012. Pursuant to the revocation of suspension, the trading in the scrip of the Company resumed only on March 28, 2013, when a Special Pre-open Session was conducted in the scrip. On March 28, 2013, the opening trade in the shares of PAL was executed at ₹441/-. Subsequently, the price of the shares of PAL rose to ₹485/- on April 02, 2013.

3. On May 17, 2013, the shares of PAL were split from the face value of ₹10 each to ₹1 each. Thereafter, the price of the scrip touched a high of ₹100.60 (split adjusted price) on June 20, 2013 (i.e price of the scrip without split rose upto ₹1006.00 per share with a face value of ₹10). The price of the shares of the Company rose from ₹441 to ₹1,006 (Split adjusted price ₹100.6) in a span of less than 3 months, despite the fact that the shares of the Company were suspended from trading on the exchange platform for around 14 years and the Company had neither any history of profit in previous financial years nor the Company made any material corporate announcements pertaining to its business affairs. It was noticed that after July 2014, the price of the scrip of the Company started falling.

4. It was observed that the Company had made the two preferential issues (first on December 13, 2012 and second on March 15, 2013) for a total number of 2,47,000 shares at a price of ₹10 per share, just before trading resumed in the scrip on the stock exchange on March 28, 2013. The investigation found that few preferential allottees who are found to have close nexus with the Company and its Promoters/Directors, and have allegedly played a role in the fraudulent and manipulative scheme, since the allotment of shares on preferential basis to them were funded by PAL itself. These preferential allottees also benefited from the scheme by selling the shares allotted to them at artificially inflated price. The investigation *inter-alia* found that Unique Image Production Pvt., Ltd., (Noticee 1) and First Entertainment Pvt., Ltd., (Noticee 2) were the Promoters of PAL while the Noticees 3, 4, and 5 viz., Murali Shanmugam, Prabu Sekar and Sekar Vasu respectively are the Directors of the said Promoter companies, i.e., Noticees 1 and 2. The investigation revealed that the Noticees 1 and 2 have transferred their entire shareholding in PAL to six entities, who in turn have facilitated further off-market transfers of the physical shares received by them from the Promoters of PAL to 49 other entities. These 49 entities spread across different parts of the country are found to have sold those shares at an artificially inflated price. In view of the above, it has been alleged that the Noticees 1 to 5

were participants in the fraudulent scheme/device that was orchestrated for manipulating the price of scrip of PAL for the benefit of these off-market recipients of the shares of the Company. Accordingly, it has been alleged that the Noticees have violated the provisions of Sections 12A (a), (b) and (c) of the SEBI Act and Regulations 3(a), (b), (c) and (d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (*hereinafter referred to as 'PFUTP Regulations'*) by being a part of manipulative scheme described above.

APPOINTMENT OF ADJUDICATING OFFICER

5. Pursuant to investigation, SEBI initiated Adjudication Proceedings against the Noticees and appointed the undersigned as the Adjudicating Officer, vide order dated September 1, 2017, under Section 19 of the SEBI Act read with Section 15-I of the SEBI Act 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "*SEBI Adjudication Rules*") to inquire into and adjudge under Section 15 HA of the SEBI Act 1992, for the violations alleged to have been committed by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

6. A common Show Cause Notice (SCN) ref. no. EAD-6/ADJ/PM/AA/OW/19655/2018 dated July 11, 2018 was served upon the Noticees under Rule 4 of SEBI Adjudication Rules to show cause as to why an inquiry be not held against them in terms of Rule 4 of the SEBI Adjudication Rules and penalty be not imposed under Section 15HA of the SEBI Act, 1992, for the violations alleged to have been committed by them.
7. The Noticees vide a common reply dated July 23, 2018 made their submissions to the charges alleged in the SCN, which are summarized hereunder:

(a) Mr. Murali Shanmugam (Noticee 3), was a Director of the promoter

entities of PAL, viz. Unique Image Production Private Limited (Noticee 1) as well as of First Entertainment Private Limited (Noticee 2). He has stated that Mr. Nagaraja Sharma Rajagopalan Director of PAL called him up sometime in January 2012 and told him that two persons from Mumbai, namely Mr. Nimesh S Joshi and Mr. Hitesh Kawa want to buy the shares of PAL held by Unique Image Production Pvt., Ltd., and First Entertainment Pvt., Ltd., Thereafter, he along with Mr. Nagaraja Sharma visited to meet Mr. Nimesh S Joshi and Mr. Hitesh Kawa at their Mumbai Office and discussed about selling the shares of PAL.

(b) Immediately thereafter, Mr. Nimesh S Joshi and Mr. Hitesh Kawa visited Chennai and started working with the RTA, namely, Cameo Corporate Services Ltd., and other people in connection with formalities relating to changing of Directors and transfer of shares. It has been stated that the Noticee 3, 4 and 5 were never Directors of PAL and they were not looking after the affairs of PAL and were associated with the Company only in the capacity of promoters and shareholders

(c) It has been submitted that the promoting companies sent the physical share certificates of PAL held by them (Noticees 1 and 2) along with share transfer forms to Mr. Nimesh S Joshi and Mr. Hitesh Kawa at their Mumbai office in February 2012, by courier. After Mr. Nimesh S Joshi and Mr. Hitesh Kawa got the full control over the company in February 2012, then only they paid our money in March 2012 through RTGS. An amount of ₹8,18,250/- was received from Gajakarna Trading Private Ltd., during March 07 & 09, 2012 by the Noticee 2 and an amount of ₹7,00,250/- was received from Mahaganapati Financial Services Ltd., on March 9, 2012 by the Noticee 1.

(d) It has been further submitted that the Noticee 3 had received an email from Mr. Hitesh Kawa on September 22, 2012 stating that he will be required to sign some forms to transfer shares as the lock-in on the shares were getting over on October 01, 2012. However, the Noticee 3 had refused to sign on those forms as he believed that when he had sold those shares in February 2012, the shares were without any lock-in period and he was not aware as to how those shares came under lock-in. Copy of the email dated September 22, 2013 intimating the refusal to sign any further document is furnished in support thereof

(e) It has been also submitted that the Mr. Nimesh S Joshi and Mr. Hitesh Kawa were directly involved in the affairs of Company since January 2012. In fact all payments to BSE, RTA (Cameo) and others were made by Mr. Nimesh S Joshi and Mr. Hitesh Kawa. In this connection, several emails written from the email account of Mr. Nimesh S Joshi to others in

connection with affairs of the Company have been furnished, wherein some of the email were marked to Mr. Nagaraja Sharma Rajagopalan and Mr. Hitesh Kawa as well.

- (f) We once again reiterate that we have handed over our physical shares and transfer forms to Mr. Nimesh S Joshi and Mr. Hitesh Kawa in February 2012. It has been alleged in the SCN based on the submissions made by the 6 entities vide common letter dated February 29, 2016, that these 6 entities had given loans to the promoters of PAL in March 2012 and since they expressed their inability to repay the loan, they had acquired the shares of PAL offered by the promoter entities. The aforesaid allegation levelled against the promoter entities of PAL is totally wrong.
- (g) It is to be noted that when we were selling our shares in January 2012, the shares of PAL were not trading and not listed and it was only physical shares. Then on what basis Mr. Nimesh S Joshi and Mr. Hitesh Kawa decided to give loan against these shares?
- (h) It is further submitted that the Directors of the 2 promoter companies viz., Noticees 3 to 5 are real hard core professionals and they don't need to borrow money from anybody in the market. In such scenario, why should we go all the way to Mumbai to get the alleged loan of ₹15 lacs?
- (i) From the attached bank statements of the Noticees 1 and 2, it can be observed that sale proceeds were sitting idle in our account and we have invested again in the NCDs in Tata Capital.
- (j) We also like to submit that the Noticees 1 and 2 never borrowed any money from Banks or third party from the date of incorporation.
- (k) In support of their reply, the Noticees furnished the following documents
- i. A copy of an email dated February 14, 2012 from the email account of Mr. Nimesh S Joshi sending 'consent letters of proposed directors' of Four K Animation Ltd. (erstwhile name of PAL) to someone at '3acapital.in' with a carbon copy of the mail marked to Mr. Hitesh Kawa
 - ii. An email written from the email account of Mr. Nimesh S Joshi on April 24, 2012 to one Dominic S David of Ascend Management Consultants with a carbon copy to Mr. Nagaraja Sharma Rajagopalan, confirming that they will make payment for RTA and Depository services in a short time and furnished a copy of cheque

dated April 24, 2012 for an amount of ₹28,077/- issued by Hitesh Kawa & Co.- Client Account to Cameo Corporate Services Ltd.

- iii. An email from the email account of Mr. Nimesh S Joshi sending as an attachment a copy of letter dated April 10, 2012 issued by Cameo to BSE confirming that 9,27,400 shares held by promoters are kept under lock-in.*
- iv. Copy of e-mail dated July 21, 2012, written by Mr. Nimesh S Joshi from the email id of Four K Animation Ltd. (erstwhile name of PAL) to Mr. Nagaraja Sharma Rajagopalan with carbon copy to the Mr. Hitesh Kawa. In this email, Mr. Nimesh S Joshi refers to his visit to Chennai after the visit of Mr. Nagaraja Sharma Rajagopalan to Mumbai and states that they have repeatedly requested Mr. Nagaraja Sharma Rajagopalan to give the duly signed transfer forms along with his signature.*
- v. Email from Mr. Hitesh Kawa to the Noticee 3 on September 22, 2012 stating that he will be required to sign on some declaration to transfer shares as the lock-in on the shares were getting over.*

8. I am convinced that in view of the submissions made by the Noticees, the instant matter can be decided without being heard, as no prejudice shall be caused to the Noticee. Accordingly, I am proceeding further in the matter.

CONSIDERATION OF ISSUES

9. After perusal of the material available on record, I have the following issues for consideration viz.,
 - I. Whether the Noticees have violated the provisions of Sections 12A (a), (b) and (c) of the SEBI Act, Regulations 3 (a), (b), (c), (d) and 4 (1) of SEBI (PFUTP) Regulations, 2003?*
 - II. Whether the Noticees are liable for monetary penalty under Section 15HA of the SEBI Act?*
 - III. If so, what quantum of monetary penalty should be imposed on the Noticees?*

FINDINGS

10. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticee, I record my findings hereunder.

ISSUE I: Whether the Noticees have violated the provisions of Sections 12A (a), (b) and (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and 4 (1) of SEBI (PFUTP) Regulations, 2003?

11. Before moving forward, it is pertinent to refer to the relevant provisions of SEBI Act and SEBI (PFUTP Regulations), 2003 which reads as under:

Section 12 (A) (a), (b), (c) of SEBI Act

No person shall directly or indirectly

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

Regulation 3 of SEBI (PFUTP) Regulations: - Prohibition of certain dealings in securities

- 3. No person shall directly or indirectly—*
- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed*

on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.

Regulation 4 of SEBI (PFUTP) Regulations: - Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

12. I note from the records that Unique Image Production Pvt., Ltd. (Noticee 1) and First Entertainment Pvt., Ltd., (Noticee 2) were the promoting companies of PAL while Murali Shanmugam (Noticee 3), Prabu Sekar (Noticee 4) and Sekar Vasu (Noticee 5) were their Directors. It has been alleged in the SCN that the promoter companies transferred their shareholding in PAL, held in physical form, to six (06) entities, during the periods of January 05, 2013 and February 09, 2013, whereas in terms of the reply furnished by the promoters entities, they have claimed to have transferred their shareholding in PAL to the six (06) entities in March 2012 itself. However, contrary to the said claim, as per the information available in public domain, especially on the BSE website, I note that the above mentioned promoter entities, continued to be shown as promoters of the company till December 2012.

13. I note from the quarterly shareholding pattern for the quarter ended September 30, 2012 that two promoter entities viz., Unique Image Production Pvt., Ltd., and First Entertainment Pvt., Ltd., (Noticees 1 & 2) held 9,27,400 shares in the physical form constituting 30.91% of the total shareholding of PAL. These two Noticees transferred their entire shareholding to the following six entities between January 05, 2013 and February 09, 2013, the details of which are furnished hereunder:

Date	Transferor	Transferee	No. of Shares
05-Feb-13	First Entertainment Pvt Ltd	Gajakarna Trading Pvt Ltd	3,27,300
09-Feb-13		Hitesh N Kawa	1,00,000
		Nimesh S Joshi	1,20,000
		Roopal H Kawa	50,000
		Roshni N Joshi	50,000
05-Jan-13	Unique Image Production Pvt. Ltd	Mahaganapati Financial Services Pvt Ltd	2,80,100
	Grand Total		9,27,400

14. I find that there has been no specific allegations against the promoter entities or their Directors, with respect to their role or collusive nexus, if any, with other Noticees who have allegedly manipulated the share price of PAL or sold the shares of PAL at artificially inflated prices. The SCN merely states the fact that the earlier Chennai based promoter entities and their Directors have transferred their shares in PAL in physical form to six entities located in Mumbai through off-market deals. It is the contention of the promoter entities that on the basis of suggestion and reference from Nagaraja Sharma Rajagopalan, who was the Director of PAL, they came in touch with the prospective buyers of their shares in PAL and accordingly sold their shares to the said buyers located in Mumbai. Rather, it is Nagaraja Sharma Rajagopalan who was a Director of PAL for the period of April 30, 2008 to December 02, 2013, and reportedly mediated between the promoter entities and the six buying entities in Mumbai, can be stated to have connection with the six buying entities who were introduced by him to the promoter entities. Thus, the nexus between the Nagaraja Sharma Rajagopalan and the six buying entities becomes apparent on the basis of submissions made by the promoter entities.
15. In their replies, the Noticees have claimed that the transfer of shares of PAL by them was an outright sale in the year 2012, wherein the Director of PAL viz., Nagaraja Sharma Rajagopalan acted as a link between them being the sellers and Mahaganapti Financial Services Pvt., Ltd., & Gajakarna Trading Pvt., Ltd., being the buyers. However, the 6 entities who received the shares from the Promoter entities contended that the amount paid by them to Noticees 1 and 2 were actually lent by them as loan.

16. The Noticees in their subsequent replies referred to the Order passed by the Hon'ble WTM on November 18, 2019 on the similar charges as alleged in the instant Adjudication proceedings and requested to take the same on record while deciding the charges levelled against the Noticees. As submitted by the Noticees, I have perused the order of SEBI WTM dated November 18, 2019, which is also based on the same facts. For the purpose of reference, the findings of the Hon'ble WTM are reproduced hereunder:

"I find the promoter entities have adequately discharged their onus by demonstrating before me the sale proceeds, which they have actually received against the transfer of shares of PAL. During the proceedings, the promoter entities have also shown their books of accounts etc., to support their submission that they have not taken any loan from any of the six entities"

"Thus, the strength of evidence for the purpose of deciding as to whether the six entities of Mumbai had actually lent any money to the promoter entities at Chennai, is tilted against the six entities and favours the promoter entities who have satisfactorily demonstrated that the shares of PAL transferred by them to the six entities were as part of an outright sale done against which they had received the sale proceeds into their bank accounts".

"Whether the proceeds received by the Noticees were from sale of shares to the 6 entities or towards loan as contended by the 6 entities, the clinching piece of evidence was Share Transfer Forms (STF), which corroborates the stand of the Noticees. The following observations were made on perusal of the STF:

- a) The STF for the transfer of shares from Noticees 1 and 2 to 6 entities had a common witness, i.e., Mr. Nagaraja Sharma Rajagoplan, Director, PAL.*
- b) The shares were transferred to the 6 entities in the year 2013 but the STF contains a stamp of Dy. Registrar of Companies, Tamil Nadu,*

Andaman & Nicobar Islands, Chennai, bearing date of February 14, 2012. The said stamp appears to be an endorsement done in compliance of Section 108 (1A) (a) and (b) of Companies Act, 1956¹.

On the face of the aforesaid documentary evidence, the factum of transfer of shares by the promoter companies, who were located in Chennai to certain entities in Mumbai, cannot be per se alleged to be fraudulent in nature, insofar as the same relates to alleged role of the Noticees. The SCN has not been able to bring on record any evidence to implicate the promoter entities by establishing any nexus, with other Noticees who have either manipulated the share price of PAL or have been responsible for other violations alleged against them in the SCN. In the absence of any evidence against the Noticees as highlighted above, in my considered opinion, the role of Noticees is limited only to the extent of transferring their stake in PAL to the Mumbai based six entities through the help of Mr. Nagaraja Sharma Rajagopalan, hence it would not be right to hold the Noticees as accountable for the scheme of manipulations in the scrip of PAL which occurred subsequent to their transfer whereby the buyers who purchased the shares of PAL through off-market deals from the 6 entities, could exit at a highly inflated artificial price. Accordingly, I find that the allegations of various violations, alleged to have been committed by the aforesaid Noticees are not maintainable for want of merit and supporting evidence. Therefore, the Noticees are exonerated from the charges made against them in the SCN.

17. I am also in agreement with the reasoning given above by the Hon'ble WTM and find no reason to differ from the same. Accordingly, the allegation that the Noticees were participants in the fraudulent scheme/device that was

¹(1A) Every instrument of transfer of shares shall be in such form as may be prescribed, and - (a) every such form shall, before it is signed by or on behalf of the transferor and before any entry is made therein, be presented to the prescribed authority, being a person already in the service of the Government, who shall stamp or otherwise endorse thereon the date on which it is so presented, and

(b) every instrument of transfer in the prescribed form with the date of such presentation stamped or otherwise endorsed thereon shall, after it is executed by or on behalf of the transferor and the transferee and completed in all other respects, be delivered to the company, -..."

orchestrated for manipulating the price of scrip of PAL for the benefit of off-market recipients of the shares of the Company, thereby violating the provisions of Sections 12A (a), (b) and (c) of the SEBI Act and Regulation 3 (a), (b), (c), (d) and 4(1) of SEBI (PFUTP) Regulations, 2003 does not stand established.

18. Since, the alleged violation of the provisions of SEBI Act and SEBI (PFUTP) Regulations does not stand established; Issue II does not require any consideration.

ORDER

19. Taking into account the aforesaid findings and in exercise of powers conferred upon me under Section 15I of SEBI Act read with Rule 5 of the SEBI Adjudication Rules, the Adjudication proceedings initiated against the Noticees vide SCN dated July 11, 2018 stands disposed of without any penalty.

20. In terms of Rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticees and to SEBI.

Date: November 20, 2020

Place: Mumbai

**PRASANTA MAHAPATRA
ADJUDICATING OFFICER**