



Prakash Steelage Ltd.

MANUFACTURER OF STAINLESS STEEL WELDED PIPES, TUBES & U-TUBES
An ISO 9001-2008, ISO 14001-2004, OHSAS 18001-2007, PED Certified Company

To
BSE Limited
Listing Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400 001

To,
The National Stock Exchange of India Limited
Listing & Compliance Department,
Exchange Plaza, Plot No. C/1,
G Block, Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051

Scrip Code: 533239 (BSE); PRAKASHSTL (NSE)

Sub.: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 Order dated 06.11.2023 passed by Hon'ble Securities Appellate, Tribunal Mumbai in Appeal No 709 Of 2022

Dear Sir,

We wish to inform you that Hon'ble Hon'ble Securities Appellate Tribunal has passed an Order dated 06.11.2023 in Appeal No 709 of 2022 filed by Shri Prakash C Kanugo, Managing Director of Prakash Steelage Limited ("PSL") and Prakash Steelage Limited ("PSL") challenging the Order dated 29th July 2022 passed by Learned Adjudication Officer SEBI in the matter of suspected Insider Trading activities of certain entities in the scrip of Prakash Steelage Limited ("PSL").

We wish to further inform you that Hon'ble Securities Appellate Tribunal vide Order dated 06.11.2023 in Appeal No 709 of 2022 has been pleased to set aside the Penalty of Rs 1,00,000/- imposed on Prakash Steelage Limited and has also reduced Penalty of Rs 17,00,000/- imposed on Shri Prakash C Kanugo, Managing director of Prakash Steelage Limited to Rs 5,00,000/-.

A Copy of Order dated 06.11.2023 passed by Hon'ble Hon'ble Securities Appellate Tribunal is enclosed herewith as and by way of Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

This is for your information and record.

Thanking you,

Yours faithfully

For **Prakash Steelage Limited**

Hemant P. Kanugo
Whole-time Director
DIN: 00309894

BEFORE THE SECURITIES APPELLATE TRIBUNAL
MUMBAI

Order Reserved on : 31.10.2023

Date of Decision : 06.11.2023

Misc. Application No. 1638 of 2022

And

Appeal No. 709 of 2022

1. Prakash C. Kanugo
302, 3rd Floor, Tardeo Tower,
Pandit Madan Mohan Malviya Road,
Near A.C. Market,
Mumbai – 400 034.

2. Prakash Steelage Limited
101, 1st Floor,
Shatrunjay Apartment,
26, Sindhi Lane,
Nanubhai Desai Road,
Mumbai – 400 004.

...Appellants

Versus

Securities and Exchange Board of India,
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051.

...Respondent

AND

Misc. Application No. 1639 of 2022

And

Appeal No. 710 of 2022

Palak Kohli Kochhar
159/1, Gokul Bldg.,
Sher-e-Punjab CHS,
Mahakali Caves Road,
Andheri (East),
Mumbai – 400 093.

...Appellant

Versus

Securities and Exchange Board of India,
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051.

...Respondent

Mr. Prakash Shah, Advocate with Mr. Meit Shah, Authorised Representative i/b Prakash Shah and Associates for the Appellants.

Mr. Suraj Chaudhary, Advocate with Ms. Nidhi Singh, Ms. Deepti Mohan, Mr. Nishin Shrikhande, Ms. Komal Shah, Mr. Harish Ballani, Ms. Hubab Sayyed and Ms. Nidhi Faganiya, Advocates i/b Vidhii Partners for the Respondent.

CORAM : Justice Tarun Agarwala, Presiding Officer
Ms. Meera Swarup, Technical Member

Per : Justice Tarun Agarwala, Presiding Officer

1. There is a delay in the filing of the appeals. For the reasons stated in the applications, the delay is condoned. The applications are allowed.

2. Noticee nos. 1, 3 and 4 have challenged the order of the Adjudicating Officer ('AO' for short) of the Securities and

Exchange Board of India ('SEBI' for short) dated July 29, 2022 through two different appeals questioning the imposition of penalty. Noticee no.1 who is the Managing Director has been imposed a penalty of Rs. 17 lakh, noticee no. 3 which is the Company has been imposed a penalty of Rs. 1 lakh and noticee no. 4 who is the Compliance Officer has been imposed a penalty of Rs. 1 lakh.

3. The facts leading to the filing of the present appeal is, that the Show Cause Notice (SCN) alleged that noticee no. 1, being the Managing Director of Prakash Steelage Ltd. ('PSL' for short) noticee no. 3, was an insider and was in possession of Unpublished Price Sensitive Information ('UPSI' for short) relating to the financial results of PSL for the period ended March 31, 2016 and had transferred 25,00,000 shares of PSL to noticee no. 2. It was alleged that though the shares were transferred on March 31, 2016 the consideration was received only on March 30, 2017 and April 11, 2017 after a gap of almost one year. It was also alleged that noticee no. 1 failed to make necessary disclosures under Regulation 7(2)(a) of the SEBI (Prohibition of Insider Trading) Regulations, 2015 ('PIT Regulations' for short). It was also alleged that noticee no. 3 also failed to make necessary disclosures to the Stock Exchange

under Regulation 7(2)(b) of the PIT Regulations and that noticee no. 4 being the Company Secretary and Compliance Officer of the Company failed to discharge her responsibility as Compliance Officer. Accordingly, a show cause notice dated April 05, 2022 was issued to show cause as to why an enquiry should not be initiated and why a penalty should not be imposed.

4. The AO after considering the material evidence on record held that there was no delay in the initiation of the proceedings. The AO held that the investigation for insider trading involved a very complex and lengthy procedure and huge amount of transactions was required to be examined which required extra diligence and effort. It was also stated that the process of investigation in such cases are complex and involved collection of data, examining that data and appreciation of evidence which took time. It was further held that there is no limitation prescribed under SEBI Act, 1992 for initiating proceeding for violation of securities laws and therefore there is no delay in the initiation of the proceedings.

5. The AO found that the UPSI period was from March 15, 2016 to May 30, 2016. The financial results were being

prepared and noticee no. 1, being the Managing Director was in possession of UPSI. The AO found that the noticee no. 1 is an insider under the PIT Regulations and that he had traded on May 4, 2016 transferring 25,00,000 shares to noticee no. 2 while in possession of UPSI and therefore violated Section 12(A)(d) & (e) of the SEBI Act read with Regulation 4(1) and Regulation 7(2)(a) of the PIT Regulations. The AO found that the disclosure made by noticee no. 1 on May 9, 2016 to the Stock Exchange as well as to the Company under Regulation 31(1) and 31(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ('SAST Regulations' for short) was not applicable in as much as the disclosure was required to be made under Regulation 7(2)(a) of the PIT Regulations.

6. Similarly, the AO came to the conclusion that the Company, noticee no. 3 and the Compliance Officer, noticee no. 4 made wrong disclosures on May 9, 2016 under Regulation 31 of the SAST Regulations whereas they were required to be make the disclosure under Regulation 7(2)(a) of the PIT Regulations. The AO accordingly held that since there was violation of PIT Regulations and necessary disclosure had not been made and that the noticee no. 1 had traded while in

possession of UPSI. The AO accordingly imposed penalties upon noticee nos. 1, 3 and 4.

7. We have heard Shri Prakash Shah, the learned counsel with Shri Meit Shah, Authorised Representative for the appellants and Shri Suraj Chaudhary, the learned counsel with Ms. Nidhi Singh, Ms. Deepti Mohan, Shri Nishin Shrikhande, Ms. Komal Shah, Shri Harish Ballani, Ms. Hubab Sayyed and Ms. Nidhi Faganiya, the learned counsel for the respondent.

8. The AO in paragraph 30 had referred the UPSI period from April 15, 2016 to May 30, 2016. How has he arrived at this period is not known. There is no discussion as to why the starting period of UPSI has been taken to be April 15, 2016. Presumably, the AO may have been influenced by the chronology of events relating to financial results for the quarter ended March 31, 2016 as depicted in the chart in paragraph 27 of the impugned order which states that finalization of accounts internally started from April 15, 2016 to April 30, 2016. In our view April 15, 2016 cannot be made the starting point of UPSI as there is nothing on record to indicate that UPSI came into existence on April 15, 2016. The chart in paragraph 27 only depicts that the finalization of the accounting started internally

with effect from April 15, 2016. It does not show that UPSI came into existence on that day itself. Item no. 2 indicates that the statutory audit commenced from May 3, 2016. Even this does not indicate that UPSI came into existence on May 3, 2016. Item no. 3 of this chart indicates that the draft financial accounts was submitted to the management on May 18, 2016. In the absence of any other details, we are of the opinion that the price sensitive information, if any, with regard to the financial results came into existence for the first time on May 18, 2016 when the draft financial accounts was submitted to the management. We also notice that the AO in paragraph 30 has itself held that there is a strong presumption that the transfer of shares by noticee no. 1 on May 4, 2016 was made on the basis of UPSI. This clearly indicates that even the AO was not sure of the UPSI period.

9. The noticee no. 1, being the Managing Director was a Key Managerial Personnel (KMP) and therefore was an insider under Regulation 2(g) of the PIT Regulations. However, the evidence that has come shows that the noticee no. 1 traded on May 4, 2016 on which date there was no UPSI in existence. Therefore the trade on May 4, 2016 was not on the basis of being in possession of a UPSI nor was it based on he being an

insider. Thus the finding of the AO that the noticee no. 1 had traded while in possession of UPSI on May 4, 2016 is patently erroneous.

10. According to the show cause notice, noticee no. 1 was required to make necessary disclosure of the transfer under Regulation 7(2)(a) of the PIT Regulations whereas the contention of the noticee no. 1 is, that he had only encumbered his shares to noticee no. 2 and necessary disclosure of encumbered shares was made under Regulation 31 of the SAST Regulations on May 9, 2016. It was stated that under Regulation 31(3) of the SAST Regulations the disclosure was required to be made within seven days which the noticee no. 1 had made within the stipulated period.

11. The arguments of the appellants appears to be attractive but we find that this submission cannot be accepted as we find that there is a letter dated May 4, 2016 issued by noticee no. 1 to noticee no. 2 intimating them that pursuant to the transfer of the shares noticee no. 2 becomes the absolute owner and that noticee no. 2 is free to sell the same. In view of this letter addressed to noticee no. 2 which is not disputed by noticee no. 1 we are of the view that noticee no. 1 had made wrong

disclosure for vested reasons to the Company and to the Stock Exchange on May 9, 2016 whereas the said noticee was required to make the appropriate disclosure under Regulation 7(2)(a) of the PIT Regulations. Admittedly, no disclosure was made under Regulation 7(2)(a) of the PIT Regulations, even though a wrong disclosure was made under Regulation 31 of the SAST Regulations.

12. The Company made the disclosure under Regulation 31 on May 9, 2016 on the basis of the letter given by the Managing Director. Noticee no. 4 also made the necessary compliance. The finding that the Company and the Compliance Officer were required to go into the nitty-gritty of the said transaction undertaken by noticee no. 1 and therefore noticee no. 4 did not exercise due care in performing her duties is patently erroneous. When the Managing Director makes a disclosure to the Company, the Compliance Officer forwards the said disclosure to the Stock Exchange under the relevant Regulations. It is not necessary for the Company or the Compliance Officer to go into the correctness of the transaction and verify as to whether the transactions had actually been done or not. In our view no violation has been committed by the Company, noticee no. 3 and by the Compliance Officer, noticee no. 4.

13. Admittedly, for reasons best known, the noticee no. 1 made a wrong disclosure under Regulation 31 of the SAST Regulations whereas requisite disclosure was required to be made under Regulation 7(2)(a) of the PIT Regulations for which appropriate penalty could be imposed. The penalty for failure to furnish information is under Section 15A(b) of the SEBI Act wherein the penalty from Rs. 1 lakh to a maximum of Rs. 1 crore could be imposed.

14. Since we have held that noticee no. 1 has not traded while in possession of UPSI the minimum penalty imposed under 15G is not applicable.

15. In view of the aforesaid, considering the false disclosure made by noticee no. 1 under Regulation 31 of the SAST Regulations instead of disclosing under Regulation 7(2)(a) of the PIT Regulations we are of the opinion that substantial justice would be done if a penalty of Rs. 5 lakh is imposed.

16. In view of the aforesaid the appeal of noticee no. 1 is partly allowed. The violation for non-disclosure of Regulation 7(2)(a) of the PIT Regulations is affirmed. The penalty of Rs. 17

lakh is reduced to Rs. 5 lakh. The order imposing penalty against the Company, noticee no. 3 and the Compliance Officer, noticee no. 4 are set aside. Their appeals are allowed with no order as costs.

Justice Tarun Agarwala
Presiding Officer

Ms. Meera Swarup
Technical Member

06.11.2023
msb

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BHALBAR BHALBAR
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