

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: ORDER/PM/RR/2019-20/7065)**

**UNDER SECTION 15 - I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA
ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY
AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995.**

In respect of:

Anirudh P Sethi (PAN: ANBPS5743A)

**In the matter of Alexander Stamps and Coin Limited (formerly known as Rudraksh
Cap Tech Limited)**

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted an investigation in the scrip of Alexander Stamps and Coin Limited (formerly known as Rudraksh Cap Tech Limited) (hereinafter referred to as "the Company") during September 1, 2014 to July 31, 2015 (hereinafter referred to as "investigation period") and had observed violation of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of SEBI (Prevention of Insider Trading) Regulations, 1992 (hereinafter referred to as "PIT Regulations, 1992") read with Regulation 12 of SEBI (Prevention of Insider Trading) Regulations, 2015 (hereinafter referred to as "PIT Regulations, 2015") by Anirudh P Sethi (hereinafter referred to as "Noticee").

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned has been appointed as Adjudicating Officer, vide Order dated May 16, 2017 (communicated to the Adjudicating Officer vide communique dated June 7, 2017) under Section 15-I of SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as 'Adjudication Rules') to inquire into and adjudge under the provisions of Sections 15HB of the SEBI Act for the alleged

violation of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015 by the Noticee.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. Show Cause Notice dated June 30, 2017 (hereinafter referred to as 'SCN') was served by the undersigned on the Noticee at his latest address available on record. The SCN was issued to the Noticee under the provisions of Rule 4 (1) of the Adjudication Rules, to show cause as to why an inquiry should not be held against the Noticee and why penalty should not be imposed on the Noticee under the provisions of Sections 15HB of the SEBI Act, for the aforesaid alleged violations.
4. Before proceeding further with respect to allegations made in the SCN, it is apposite to note that with effect from February 20, 2002, SEBI made it mandatory for the listed companies to adopt Code of internal procedures and conduct as per SEBI (PIT) Regulations 1992. As per the provisions of Schedule I (Part A) of SEBI (PIT) Regulations, 1992, the Compliance officer shall be responsible for the implementation of Code of conduct under the overall supervision of the Board of the listed company.
5. Facts of the case and allegations made in the SCN:
 - a) SEBI conducted an investigation in the scrip of Alexander Stamps and Coin Limited during September 1, 2014 to July 31, 2015.
 - b) Alexander Stamps and Coin Limited has been listed in BSE since 1994.
 - c) Adoption of Code of internal procedures and conduct for listed companies and other entities was made mandatory by SEBI under SEBI (PIT) Regulations, 1992 with effect from February 20, 2002.
 - d) It was observed that the Company had failed to implement the Code of Conduct as required under aforesaid Regulations.

- e) As per provisions of Schedule I (Part A) of SEBI (PIT) Regulations, 1992, the Compliance officer shall be responsible for the implementation of Code of conduct under the overall supervision of the Board of the listed company.
 - f) The Noticee, being a director of the Company, had failed to ensure the implementation of the Code of Conduct as required under SEBI (PIT) Regulations, 1992. Therefore, the Noticee has been alleged of violation of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015.
6. In response to the SCN, Noticee, vide letter dated August 14, 2017 and e-mail dated February 27, 2020 had submitted his reply. Summary of Noticee reply is produced below:
- a) *The alleged delay in formulation of Code of Conduct as required under the PIT Regulations, 1992 was a lapse, which should not have occurred. However, ASCL has formulated and implemented Code of Conduct on May 8, 2015 as required under the PIT Regulations, 2015.*
 - b) *I became director of ASCL only on May 14, 2014. Therefore, for the alleged non formulation of Code of Conduct by ASCL, prior to May 14, 2014, I cannot be held responsible or accountable in any manner. It is submitted that as soon as the said non-compliance came to my notice I had advised the compliance team to adopt the code of conduct and based on the same on 08.05.2015 ASCL had adopted the Code of Conduct under the PIT Regulations 2015.*
 - c) *As per the Regulations, the responsibility for implementation of Code of Conduct is on the "Compliance officer". During the relevant time the Company had a dedicated Compliance officer. Therefore, for the alleged delay in adopting the Code of Conduct by the Company, cannot be fastened on to directors (like me)*
 - d) *The alleged violation relating to non-implementation of Code of Conduct on the part of Company pertains to the year 2002 and the said SCN for the said alleged violation has been issued in the year 2017 i.e. after more than 15 years. Thus, on this ground alone the Notice needs to be withdrawn.*

- e) The alleged technical lapse was not deliberate and intentional and in contumacious disregard of provisions of law*
- f) I have not indulged in any manipulative, fraudulent or unfair trade practices*
- g) I have not made any gains or derived any unfair advantage as a result of alleged technical and minor lapse. Even there is no allegation that I have gained in any manner as a result of alleged lapse*
- h) I submit that the allegations pertain to technical and procedural lapses which are venial in nature. I am committed to complying with the law and request that the procedural lapses be viewed leniently and no penalty be imposed on me.*

7. In the interest of natural justice and in order to conduct an inquiry in terms of Rule 4(3) of the Adjudication Rules, the request made by the Noticee for granting an opportunity of personal hearing was duly accorded, and vide hearing Notice dated October 12, 2017, the Noticee was granted opportunity of personal hearing on November 9, 2017. The Legal representative of the Noticee attended the said hearing and submitted that the Noticee has filed Settlement Application with SEBI. Subsequently, vide letter dated November 13, 2017, Noticee requested to keep the adjudication proceedings initiated against him in abeyance until the proceedings under settlement is complete. Thereafter, it was observed that the Settlement Application filed by the Noticee was rejected by SEBI. Therefore, vide hearing Notice dated January 8, 2020, the Noticee was granted another opportunity of personal hearing on January 29, 2020. However, vide email dated January 29, 2020, the Noticee requested to adjourn said hearing and to fix another hearing during mid-February, 2020. Acceding to the request of the Noticee, another opportunity of hearing was provided to the Noticee on February 17, 2020. However, Noticee, vide e-mail dated February 17, 2020, requested to reschedule said hearing on February 18, 2020. On request of Noticee, additional opportunity of hearing was provided to him on February 18, 2020. The Legal representative of the Noticee attended the said hearing and subsequently, submitted additional reply on behalf of the Noticee.

8. Taking into account the aforesaid facts, I am of the view that principles of natural justice have been followed in the matter by granting the Noticee ample opportunities for replying to the SCN and of being heard. Therefore, I deem it appropriate to decide the matter on the basis of facts/material available on record and replies submitted by the Noticee.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

9. I have taken into consideration the facts and material available on record wherein it is alleged that the Noticee has violated Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015.

After perusal of the material available on record and submissions made by the Noticee, I have the following issues for consideration, viz.

- a. *Whether the Noticee has violated the provisions of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015?*
- b. *Does the violation, if any, attract monetary penalty under Section 15HB of SEBI Act.?*
- c. *If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?*

ISSUE I : Whether the Noticee has violated the provisions of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015

10. Before moving forward, it is pertinent to refer to the relevant provisions of SEBI (PIT) Regulations, 1992 and SEBI (PIT) Regulations, 2015 which reads as under:

Relevant provisions of PIT Regulations, 1992:

Code of internal procedures and conduct for listed companies and other entities.

12. (1) All listed companies and organizations associated with securities markets including:

.....

shall frame a code of internal procedures and conduct as near thereto the Model Code specified in Schedule I of these Regulations without diluting it in any manner and ensure compliance of the same.

Schedule I (Part A)

Model Code of Conduct for Prevention of Insider Trading for Listed Companies

1.2 The compliance officer shall be responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of "Price Sensitive Information", pre-clearing; of designated employees' and their dependents' trades (directly or through respective department heads as decided by the company), monitoring of trades and the implementation of the code of conduct under the overall supervision of the Board of the listed company.

Relevant provisions of PIT Regulations, 2015:

Repeal and Savings

12. (1) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 are hereby repealed.

(2) Notwithstanding such repeal,—

(a) the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, forfeiture or punishment incurred in respect of any offence committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right,

privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid, shall remain unaffected as if the repealed regulations had never been repealed; and

(b) anything done or any action taken or purported to have been done or taken including any adjudication, enquiry or investigation commenced or show-cause notice issued under the repealed regulations prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations;

(3) After the repeal of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Board shall be deemed to be a reference to the corresponding provisions of these regulations.

11. From the facts of the case and the submissions of the Noticee, findings/observations in the instant matter are as under:

- a) SEBI, with effect from February 20, 2002, made it mandatory for the listed companies to adopt Code of internal procedures and conduct as per SEBI (PIT) Regulations 1992. As per the provisions of Schedule I (Part A) of SEBI (PIT) Regulations, 1992, the Compliance officer shall be responsible for the implementation of Code of conduct under the overall supervision of the Board of the listed company.
- b) In view of the above, the Company was required to frame and implement Code of Conduct with effect from February 20, 2002.
- c) However, from the facts of the case, I find that the Company had not framed and implemented Code of Conduct as required under Regulation 12(1) of SEBI (PIT) Regulations, 1992 read with Schedule I, Part A of SEBI (PIT) Regulations, 1992, read with Regulation 12 of SEBI (PIT) Regulations, 2015. The period of said failure by Company was from February 20, 2002

till the Company adopted Code of Conduct under SEBI (PIT) Regulations, 2015.

- d) I find that the Noticee became Executive Director of the Company from May 14, 2014 and was part of Board of Directors of the Company. Further, from the website of the Exchange, I find that the Noticee has been continuing as Director in the Company. Therefore, as per the abovementioned provisions, the Noticee was responsible for framing and implementing the Code of Conduct during May 14, 2014 till the Company adopted Code of Conduct under SEBI (PIT) Regulations, 2015.
- e) Noticee, in his reply, has stated that the responsibility for implementation of Code of Conduct is on the "Compliance officer". During the relevant time the Company had a dedicated Compliance officer. Therefore, for the alleged delay in adopting the Code of Conduct by the Company, cannot be fastened on to directors (like me).

I do not accept the above contention of the Noticee. I find that the relevant provisions of SEBI (PIT) Regulations, 1992 mandates listed companies to adopt Code of internal procedures and conduct wherein the Compliance officer shall be responsible for the implementation of Code of conduct under the overall supervision of the Board of the listed company. Therefore, being part of Board of the Company, the Noticee had joint responsibility with Compliance Officer for framing and implementing the Code of Conduct during May 14, 2014 till the Company adopted Code of Conduct under SEBI (PIT) Regulations, 2015.

- f) Noticee has further stated that the alleged violation pertains to the year 2002 and the said SCN for the said alleged violation has been issued in the year 2017 i.e. after more than 15 years. Thus, on this ground alone the Notice needs to be withdrawn.

With regard to above contentions of Noticee, from the fact of the case, I find that investigation in the matter was conducted for the period September 1, 2014 to July 31, 2015 wherein the trigger for investigation was (i) directors selling their holding which was not disclosed to Exchange under SEBI (PIT) Regulations, (ii) certain suspected entities were found creating artificial volume and contributing to positive Last Traded Price (LTP). In the process of investigation on the above, the Company was asked to confirm whether the Company had framed Code of Conduct under relevant provisions of SEBI (PIT) Regulations, 1992 and was observed that the Company had not adopted the same. Thereafter, the adjudication proceedings were initiated against the Company and other entities for Code of Conduct violation, disclosure lapses and price manipulation.

In addition to above, it may be noted that the said matter was received by me vide communiqué dated June 7, 2017 and thereafter SCN was issued to 16 entities on June 30, 2017. Further, during the adjudication proceedings, out of 16 entities, 12 entities (including the Noticee) had applied for settlement application. While Settlement Order was passed with respect to one entity, settlement application with respect to 11 entities were rejected by SEBI. As the said 11 Noticees had requested me to withhold the adjudication proceedings till completion of their settlement application, adjudication proceedings was revived after the settlement application of 11 Noticees were rejected by SEBI. Further, as the matter involved large number of entities, it was necessary to comply with principle of Natural justice with respect to each entity and give opportunities to them to present their case through filing written reply and through personal hearing. Therefore, on account of involvement of large number of entities in the adjudication proceedings, completion of settlement procedure and complying with principles of natural justice, the adjudication proceedings in the instant matter took longer time for completion.

From the fact of the case, I find that Noticee was provided ample time to submit his reply as well as additional reply and was also provided with multiple opportunities of personal hearing on his request.

In view of the above, I do not agree with the aforesaid contentions of the Noticee.

- g) Noticee in his reply has stated that he was not involved in any manipulative, fraudulent and unfair trade practices. From the fact of the case, I find that the Noticee has not been alleged of the said violations in the SCN. Therefore, I do not find any merit in the contentions of the Noticee.
- h) From the reply of the Noticee, I observe that the Noticee himself admitted his period of directorship in the Company and has not denied the allegations levelled against him although has submitted some of the mitigating factors for consideration.
- i) In view of the abovementioned findings, I conclude that the Noticee for the period May 14, 2014 till the adoption of Code of Conduct under SEBI (PIT) Regulations, 2015, has failed to frame and implement Code of Conduct and thereby violated Regulation 12(1) read with Schedule I, Part A of SEBI (PIT) Regulations, 1992, read with Regulation 12 of SEBI (PIT) Regulations, 2015.

ISSUE II: Does the violation, if any, attract monetary penalty under Section 15HB of SEBI Act.?

12. As regards the imposition of monetary penalty, I would like to quote the Order of the Hon'ble Supreme Court of India in the matter of Chairman, SEBI vs. Shriram Mutual Fund {[2006] 5 SCC 361} wherein it was held that,

".....the penalty is attracted as soon as contravention of the statutory obligations as contemplated by the Act is established and, therefore, the

*intention of the parties committing such violation becomes immaterial.
Hence,once the contravention is established, then the penalty has to
follow and only the quantum of penalty is discretionary."*

13. In view of the foregoing, I am convinced that the Noticee is thus liable for monetary penalty under Section 15HB of SEBI Act for violation of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015 during February 20, 2002 till the Company adopted Code of Conduct under SEBI (PIT) Regulations, 2015.

The text of the said Section is as follows:

15HB. Penalty for contravention where no separate penalty has been provided: *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but may extend to one crore rupees.*

ISSUE III: If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

14. The provisions of Section 15J of the SEBI require that while adjudging the quantum of penalty, the Adjudicating Officer shall have due regard to the following factors namely;

- a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
- b) the amount of loss caused to an investor or group of investors as a result of the default;
- c) the repetitive nature of the default.

15. The material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee and the loss, if any, suffered by the investors as a result of the Noticee's failure. I note that the Noticee, failed to frame and implement the Code of Conduct as required under SEBI (PIT) Regulations, 1992, and thereby has violated the provisions of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015 during February 20, 2002 till the Company adopted Code of Conduct under SEBI (PIT) Regulations, 2015.

ORDER

16. In view of the above, after considering all the facts and circumstances of the case and the factors mentioned in the provisions of Section 15-I of the SEBI Act, 1992 read with Rule 5 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, I hereby impose a penalty of Rs 2,00,000/- (Rupees Two Lakh) on Anirudh P Sethi in terms of the provisions of Sections 15HB of the Securities and Exchange Board of India Act, 1992. In the facts and circumstances of the case, I am of the view that the said penalty is commensurate with the default committed by the Noticee.

17. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either

Through online payment facility available on the SEBI website www.sebi.gov.in on the following path, by clicking on the payment link

ENFORCEMENT → Orders → Orders of AO → PAY NOW

OR

Through e-payment facility into Bank Account, the details of which are given below:

Bank Name	State Bank of India
Branch	Bandra-Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No.	31465271959

OR

By way of demand draft in favour of “SEBI-Penalties Remittable to Government of India”, payable at Mumbai.

18. The Noticee shall forward the following details / confirmation of penalty so paid to the Chief General Manager, Enforcement Department, SEBI, Mumbai.

1. Case Name :	
2. Name of Payee:	
3. Date of payment:	
4. Amount Paid:	
5. Transaction No:	
6. Bank Details in which payment is made:	
7.Payment is made for:	Penalty

19. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee and also to the Securities and Exchange Board of India.

Date: February 28, 2020

Place: Mumbai

PRASANTA MAHAPATRA

ADJUDICATING OFFICER