

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: ORDER/PM/RR/2020-21/7577)**

**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:

Satish Korogappa Shetty (PAN: AREPS1097E)

**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 (i) 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"), (ii) Regulation 13(2) and Regulation 13(4) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015 and (iii) Section 12A(a), (b) and (c) of SEBI Act, 1992 and Regulations 3(a), (b), (c) & (d), 4(1), 4(2) (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to FUTP) Regulations, 2003 (hereinafter referred to as "SEBI PFUTP Regulations, 2003") by Satish Korogappa Shetty (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 (i) Section 15HB of the SEBI Act, 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, (ii) under Section 15A (b) of the SEBI Act, the alleged violation of Regulation 13(2) and Regulation 13(4) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015 and (iii) under Section 15HA of the SEBI Act, the alleged violation of Section 12A(a), (b) and (c) of SEBI Act and Regulations 3(a), (b), (c) & (d), 4(1), 4(2) (e) of SEBI PFUTP Regulations, 2003 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 Section 15HB, Section 15A(b) and Section 15HA of the SEBI Act, for the aforesaid alleged violations.
4. 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. It was observed that the Company had failed to implement the Code of Conduct as required under aforesaid Regulations. 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. 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. On account of aforesaid failure, the Noticee was alleged to have violated 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.

d) It was observed that, during March 6, 2015 to March 19, 2015, the Noticee(a Director of the Company) had the following trades in Alexander Stamps and Coin Limited.

| Date | No of shares held - pre Acquisition/disposal | % of shareholding held - pre Acquisition/disposal | No of shares Acquired/ (disposed off) | No of shares Acquired/ (disposed off) as a % of paid up capital | Value of transaction (Rs.) | No of shares held - post Acquisition/disposal | % of shareholding held - post Acquisition/disposal | Mode |
|-----------|--|---|---|---|----------------------------|---|--|-----------|
| 08-Oct-14 | 45900 | 0.94 | Became director of the company on October 08,2014 | | | | | on market |
| 20-Mar-15 | 45900 | 0.87 | (15,549) | (0.30) | 1,938,050 | 30351 | 0.58 | on market |
| 24-Mar-15 | 30351 | 0.58 | (5,000) | (0.10) | 572,000 | 25351 | 0.48 | on market |
| 25-Mar-15 | 25351 | 0.48 | (5,000) | (0.10) | 570,000 | 20351 | 0.39 | on market |
| 27-Mar-15 | 20351 | 0.39 | (5,000) | (0.10) | 511,605 | 15351 | 0.29 | on market |
| 30-Mar-15 | 15351 | 0.29 | (11,000) | (0.21) | 1,071,000 | 4351 | 0.08 | on market |
| 31-Mar-15 | 4351 | 0.08 | (4,315) | (0.08) | 401,295 | 36 | 0.00 | on market |

Vide email dated October 3, 2015, the Company submitted that it had received disclosures with regard to the aforesaid transactions by the Noticee. From the submissions of the company, it is observed that the Noticee had submitted the required disclosure with a substantial delay on October 01, 2015 with regard to five transactions made during March 20, 2015 to March 30, 2015, thereby violating the provisions of regulation 13(4) read with Regulation 13(5) of SEBI (PIT) Regulations, 1992.

Further, no disclosure was made by the Noticee on becoming director of the Company on October 8, 2014, thereby violating the provisions of Regulation 13(2) of SEBI (PIT) Regulations, 1992.

e) It was alleged that the Noticee belonged to a group of suspected entities.

Basis of connection among suspected entities is as under:

| S No | Particulars | PAN | Basis of connection |
|------|--------------------------|------------|--|
| 1 | Satish Korogappa Shetty | AREPS1097E | <ul style="list-style-type: none"> Entities number 1, 2 and 6 are Directors of the company and entity number 3 is CEO cum compliance officer of the company (Key managerial persons) |
| 2 | Semwal Govindram Dhanesh | BCMPS3826B | <ul style="list-style-type: none"> Entities number 1, 2 and 6 are Directors of the company and entity number 3 is CEO cum compliance officer of the company (Key managerial persons) |
| 3 | Pragnesh Rohit Pandya | AMJPP4238N | <ul style="list-style-type: none"> Entities number 1, 2 and 6 are Directors of the company and entity number 3 is CEO cum compliance officer of the company (Key managerial persons) Entities number 3,4 and 5 are related based on common mobile number and Address Entity number 5 named Vaishali Pragnesh Pandya is wife of entity number 3 Pragnesh Rohit Pandya (CEO) Entity number 4 named Darshanna Bhavesh Pandya is sister in law of entity number 3 named Pragnesh Rohit Pandya (CEO). |
| 4 | Darshanna Bhavesh Pandya | BTXPP1936R | <ul style="list-style-type: none"> Entities number 3, 4, and 5 are related based on common mobile number and Address. Entity number 4 named Darshanna Bhavesh Pandya is sister in law of entity number 3 named Pragnesh Rohit Pandya (CEO) |
| 5 | Vaishali Pragnesh Pandya | AMTPP4474G | <ul style="list-style-type: none"> Entities number 3, 4, and 5 are related based on common mobile number and Address. Entity number 5 named Vaishali Pragnesh Pandya is wife of entity number 3 Pragnesh Rohit Pandya (CEO). |

| | | | |
|----|-----------------------|------------|--|
| 6 | Narayan Acharya | ADRP1547J | <ul style="list-style-type: none"> • Entities number 1, 2 and 6 are Directors of the company and entity number 3 is CEO cum compliance officer of the company(Key managerial persons) • Entity number 6 has received shares from entity number 7 through off market • Entities number 6 and 8 are related based on common Phone number and Address. • Entities number 6 and 7 are related based on common Email id, mobile number and Address. • Entities number 10 has received shares from entity number 6 through off market. |
| 7 | Anita Narayan Acharya | ALCPA9292M | <ul style="list-style-type: none"> • Entity number 6 has received shares from entity number 7 through off market. • Entities number 6 and 7 are related based on common Email id, mobile number and Address. • Entities number 7 and 8 are related based on common address. |
| 8 | Leelavathi D Acharya | AIQPA7256C | <ul style="list-style-type: none"> • Entities number 6 and 8 are related based on common Phone number and Address. • Entities number 7 and 8 are related based on common address |
| 9 | Lokesh N Mistry | AFOPM5941D | <ul style="list-style-type: none"> • Entities number 9 and 10 are related based on common Email id mobile number and Address. |
| 10 | Hinal L Mistry | ASAPM6934D | <ul style="list-style-type: none"> • Entities number 10 has received shares from entity number 6 through off market. • Entities number 9 and 10 are related based on common Email id mobile number and Address. |

f) It was observed that, during September 1, 2014 to March 20, 2015 (Patch 1), the Noticee and 6 other suspected entities namely, Narayan Acharya, Semwal Govindram Dhanesh, Pragnesh Rohit Pandya, Vaishali Pragnesh Pandya, Darshana Bhavesh Pandya and Leelavathi D Acharya traded among themselves and contributed to positive LTP. Summary of trades by these entities is given below:

| Seller Name Buyer Name | Vaishali Pragnesh Pandya | Darshanna Bhavesh Pandya | Leelavathi D Acharya | Narayan Acharya | Semwal Govindram Dhanesh | Satish Korogappa Shetty | Pragnesh Rohit Pandya | Total LTP as buyer (No. of trades) |
|---------------------------|--------------------------|--------------------------|----------------------|-----------------|--------------------------|-------------------------|-----------------------|------------------------------------|
| Vaishali Pragnesh Pandya | | 16.30(9) | 7.85(18) | 6.40(21) | 7.80(5) | 8.45(4) | | 46.80(57) |
| Darshanna Bhavesh Pandya | | | | | | | 6.09(12) | 6.09(12) |
| Leelavathi D Acharya | | | | | | | | |
| Narayan Acharya | | | | | | | | |

| | | | | | | | | |
|-------------------------------------|--|----------|----------|----------|---------|---------|----------|-----------|
| Total LTP as Seller (No. of Trades) | | 16.30(9) | 7.85(18) | 6.40(21) | 7.80(5) | 8.45(4) | 6.09(12) | 52.89(69) |
|-------------------------------------|--|----------|----------|----------|---------|---------|----------|-----------|

g) From the table above, it can be observed that,

- The 7 suspected entities, by trading among themselves, had contributed an amount of Rs.52.89 to positive LTP (6.33% of market positive LTP) and contributed in manipulating the price of the scrip.
- The Noticee had acted as a counterparty (seller) to 4 buy trades (Rs 8.45 of positive LTP) of Vaishali Pragnesh Pandya, a positive LTP contributor.

h) Further, during March 23, 2015 to May 11, 2015 (Patch 2), it was observed that the Noticee and four other entities namely, Vaishali Pragnesh Pandya, Lokesh N Mistry, Hinal L Mistry, Darshanna Bhavesh Pandya traded among themselves and contributed to negative LTP.

Summary of trades by these entities is given below:

| Buyer Name→ Seller Name↓ | Lokesh N Mistry | Hinal L Mistry | Vaishali Pragnesh Pandya | Satish Korogappa Shetty | Darshanna Bhavesh Pandya | Total LTP as seller (No. of Trades) |
|---|-----------------|----------------|--------------------------|-------------------------|--------------------------|-------------------------------------|
| Lokesh N Mistry | | | -98.60(52) | | -7.20(7) | -105.80(59) |
| Hinal L Mistry | | | -51.40(9) | | -6.50(4) | -57.90(13) |
| Vaishali Pragnesh Pandya | | | | | -1.20(2) | -1.20(2) |
| Satish Korogappa Shetty | | | -3.90(2) | | | -3.90(2) |
| Darshanna Bhavesh Pandya | | | -3.05(4) | | | -3.05(4) |
| Total LTP as Buyer (No. of Trades) | | | 156.95(67) | | -14.90(13) | -171.85(80) |

- i) The 5 suspected entities, by trading among themselves, had contributed an amount of Rs.171.85 to negative LTP (13.40% of market negative LTP) and contributed in manipulating the price of the scrip.
- j) The Noticee had acted as a seller with 2 sell trades and contributed Rs 3.90 to negative LTP.

k) The aforesaid trading activity of the Noticee was alleged to have manipulated the price of the scrip which was in violation of Section 12A(a), (b) and (c) of SEBI Act and Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (e) of SEBI (PFUTP) Regulations, 2003.

5. In response to the SCN, Noticee, submitted his reply vide letter dated August 28, 2017 and November 13, 2017. During personal hearing before me on February 18, 2020, the legal representative of the Noticee requested for additional data and desired to submit additional reply thereafter. While the additional information sought by the Noticee was provided to the legal representative of the Noticee, till date, the Noticee has not submitted any post hearing additional reply to SCN. Therefore, summary of Noticee reply available on record is produced below:

- a) *At the outset I deny all the allegations leveled against me in the Notice.*
- b) *The alleged non formulation of Code of Conduct as required under the PIT Regulations 1992 by ASCL was a lapse. It may be noted that ASCL has formulated and implemented Code of Conduct on 08.05.2015 as required under the PIT Regulations 2015.*
- c) *I became Independent Director of ASCL only on October 8, 2014. Therefore, I cannot be held liable prior to October 8, 2014 for the alleged lapses.*
- d) *At the highest I can be held liable for non-formulation of the code of conduct by ASCL only for the period October 8, 2014 till May 7, 2015.*
- e) *My role as an independent director is very limited and I am not involved in day to day affairs of ASCL.*
- f) *Allegations pertain to technical and procedural lapses and the lapses were not deliberate and intentional. I have not made any gains or derived any unfair advantage*
- g) *With regard to alleged non-disclosure under PIT Regulation, I inadvertently missed making the disclosures regarding the same to stock exchange. Subsequently, upon becoming aware of the same, made disclosures to stock exchange belatedly.*

- h) With regard to alleged non-disclosure regarding becoming of a director of the Company, I inadvertently missed making the disclosures regarding the same to stock exchange. Alleged lapse has been cured belatedly.*
- i) Non-disclosure by me was unintentional mistake which has not affected anybody's interest, including the shareholders of the Company.*
- j) It is denied that I belong to group of suspected entities as alleged. I have traded independently without acting in concert with any other person/entities in the market.*
- k) The alleged counterparty to my trade is Vaishali Pragnesh Pandya. I was trading independently without being aware of the other entities that were trading in the scrip including Vaishali Pragnesh Pandya.*
- l) It is denied that I had executed any trades with positive LTP as alleged. During September 1, 2014 to March 20, 2015, I had sold 15549 shares. All my trades were delivery based. I have not bought even a single share during the relevant period. I was not aware that other alleged suspected entities who are buying the shares in the market.*
- m) Out of total 15549 shares sold by me, only 11239 shares have gone to Vaishali Pragnesh Pandya. There is no allegation of execution of synchronized trades which demonstrates that the alleged trade between me and Vaishali Pragnesh Pandya was a mere coincidence.*
- n) In any event my sales cannot be alleged to have resulted in creation of positive LTP. I have not bought a single share during relevant time. Therefore, I cannot be alleged to have increased the price or created positive LTP*
- o) It is denied that I had executed any trades with negative LTP as alleged. During March 23, 2015 to May 11, 2015, I had sold 30315 shares. All my trades were delivery based. I have not bought even a single share during the relevant period. I was not aware that other alleged suspected entities who are buying the shares in the market*
- p) Out of total 30315 shares sold by me, only 11239 shares have gone to Vaishali Pragnesh Pandya. There is no allegation of execution of*

synchronized trades which demonstrates that the alleged trade between me and Vaishali Pragnesh Pandya was a mere coincidence.

q) In view of the above, I am not responsible for the negative LTP in the scrip in any manner.

r) The charge of PFUTP Regulations violation is a serious charge and there is no strong evidence to establish the charge against me.

s) Therefore, the Notice against me be discharged and no proceedings should be initiated against me.

6. 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 vide letter dated July 19, 2017 for granting additional time to reply to SCN was duly accorded. The Noticee, vide hearing Notice dated October 12, 2017 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 letter dated February 15, 2020, the Noticee requested to adjourn said hearing and to fix another hearing on February 18, 2020. The said request of the Noticee was acceded to and on behalf of the Noticee, the legal representative attended hearing on February 18, 2020. During personal hearing before me on February 18, 2020, the legal representative of the Noticee requested for additional data and desired to submit additional reply thereafter. While the additional information sought by the Noticee was provided to the legal representative of the Noticee, till date, the Noticee has not submitted any post hearing additional reply to SCN.

7. 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

8. I have taken into consideration the facts and material available on record wherein it is alleged that the Noticee has violated (i) 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, (ii) Regulation 13(2) and Regulation 13(4) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015 and (iii) Section 12A(a), (b) and (c) of SEBI Act and Regulations 3(a), (b), (c) & (d), 4(1), 4(2) (e) of SEBI PFUTP Regulations, 2003.

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 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?*
- Whether the Noticee has violated Regulation 13(2) and Regulation 13(4) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015?*
- Whether the Noticee has violated the provisions of Section 12A(a), (b) and (c) of SEBI Act and Regulations 3(a), (b), (c) & (d), 4(1), 4(2) (e) of SEBI PFUTP Regulations, 2003?*
- b. *Does the violation, if any, attract monetary penalty under Section 15HB, Section 15A(b) and Section 15HA of the 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 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?

Whether the Noticee has violated Regulation 13(2) and Regulation 13(4) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015?

Whether the Noticee has violated the provisions of Section 12A(a), (b) and (c) of SEBI Act and Regulations 3(a), (b), (c) & (d), 4(1), 4(2) (e) of SEBI PFUTP Regulations, 2003?

9. Before moving forward, it is pertinent to refer to the relevant provisions of Law 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.

Disclosure of interest or holding in listed companies by certain persons – Initial Disclosure

13(2) Any person who is a director or officer of a listed company shall disclose to the company in Form B the number of shares or voting rights held and positions taken in derivatives by such person and his dependents (as defined by the company), within two working days of becoming a director or officer of the company.

Continual disclosure

13(4) Any person who is a director or officer of a listed company, shall disclose to the company and the stock exchange where the securities are listed in Form D, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings of such person and his dependents (as defined by the company) from the last disclosure made under sub-regulation (2) or under this sub regulation, and the change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.

13(5) The disclosure mentioned in sub-regulations 54[(3), (4) and (4A)] shall be made within 55[two] working days of:

(a) the receipts of intimation of allotment of shares, or

(b) the acquisition or sale of shares or voting rights, as the case may be

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.

Relevant provisions of SEBI PFUTP Regulations, 2003:

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.

4. 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.*
- 2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*

(e) any act or omission amounting to manipulation of the price of a security;

Relevant provisions of SEBI Act, 1992

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A.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.*

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

A. Findings with respect to 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

- 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 Independent Director of the Company from October 8, 2014.
- e) Noticee, in his reply has stated that his role as an Independent Director is very limited and restricted. He was not involved in day to day management and affairs of the Company. In addition, Noticee has not disputed that he became director of the Company on October 8, 2014 and admitted that though he is not responsible for formulation and implementation of Code of Conduct prior to his appointment in the Company, has agreed that at best he may be held liable for the period

October 8, 2014 till the Company formulated and implemented Code of Conduct under PIT Regulations 2015.

- f) From the reply of the Company dated December 6, 2016, I find that the Noticee was part of Board of Directors of the Company. Therefore, as per the abovementioned provisions, the Noticee was responsible for framing and implementing the Code of Conduct during October 8, 2014 till the Company adopted Code of Conduct under SEBI (PIT) Regulations, 2015.
- g) In view of the abovementioned findings, I conclude that the Noticee for the period October 8, 2014 till the adoption of Code of Conduct by Company 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

B. Findings with respect to alleged violation of Regulation 13(2) and Regulation 13(4) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015

- a) I find that during September 1, 2014 to March 20, 2015 the Noticee had transacted in the shares of the Company on March 20, 2015, March 24, 2015, March 25, 2015, March 27, 2015 and March 30, 2015. For the said transaction, the Noticee was required to disclose to the Company as well as to the Exchange (where the securities are listed) under Regulation 13(4) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015.
- b) From the submissions of the Company, I observe that the Noticee had submitted the required disclosures under Regulation 13(4) of PIT Regulations, 1992 with substantial delay on October 1, 2015 with regard to transaction on March 20, 2015, March 24, 2015, March 25, 2015, March 27, 2015 and March 30, 2015. Further, from the submissions of the

Exchange, it was observed that the Noticee has not made disclosures to the Exchange for the aforesaid transactions under stated Regulations.

- c) On the above, the Noticee, in his submissions has admitted that he had not made disclosures to the Exchange but subsequently complied with the requirements belatedly.
- d) In addition, it is observed that from the submissions of the Exchange that the Noticee had not made disclosure on becoming director of the Company on October 8, 2014 as required under Regulation 13(2) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015.
- e) On the above, the Noticee, in his submissions has admitted that he had not made disclosures to the Exchange but subsequently complied with the requirements belatedly.
- f) From the above, it is evident that the Noticee admitted making delayed disclosures and thereby failed to comply with the aforesaid provisions regarding making disclosures within specified time period.
- g) Therefore, I conclude that the Noticee violated the provisions of Regulation 13(2) and Regulation 13(4) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015.

C. Findings with respect to alleged violation of the provisions of Section 12A(a), (b) and (c) of SEBI Act and Regulations 3(a), (b), (c) & (d), 4(1), 4(2) (e) of SEBI PFUTP Regulations, 2003

- a) During Patch 1, it is alleged by investigation that, the Noticee and six other entities have traded among themselves and in total 69 trades, contributed Rs. 52.89 to positive LTP i.e., 6.33% of market positive LTP.
- b) I find that the Noticee acted as a counterparty (seller) to the trades of Vaishali Pragnesh Pandya (buyer) during Patch 1. I further observe that

the Noticee had contributed Rs 8.45 to total positive LTP contribution in 4 trades out of Rs 52.89 by all 7 entities. While the total contribution to positive LTP by all 7 entities (including the Noticee) was 6.33% of market positive LTP, individual contribution by Noticee to positive LTP contribution was insignificant.

- c) From the fact of the case, I do not find any analysis relating to trading pattern of the Noticee and there is nothing on record to substantiate that the Noticee, as a seller, has manipulated the scrip price by contributing to positive LTP other than the fact that the Noticee belonged to a group of suspected entities and the group's total contribution to positive LTP was 6.33% of market positive LTP during Patch 1. In the instant matter, how the trades of the Noticee, being a seller contributing to positive LTP, are manipulative has not been substantiated with facts.
- d) In addition to the above, during Patch 2, it is alleged by investigation that the Noticee and 4 other suspected entities, by trading among themselves, had contributed an amount of Rs.171.85 to negative LTP (13.40 % of market negative LTP) and thereby manipulated the price of the scrip.
- e) The Noticee had acted as a counterparty (seller) to 2 sell trades (Rs 3.90 of negative LTP) of Vaishali Pragnesh Pandya. While the total contribution to negative LTP by all 5 entities (including the Noticee) was 13.40% of market negative LTP, individual contribution by Noticee to negative LTP contribution was insignificant.
- f) From the fact of the case, I do not find any analysis relating to trading pattern of the Noticee and there is nothing on record to substantiate that the Noticee, has manipulated the scrip price by contributing to negative LTP other than the fact that the Noticee belonged to a group of suspected entities and the group's total contribution to negative LTP was 13.40% of market negative LTP.

g) In view of the above and on the basis of the material available on record, I find that it would be difficult to conclude that the Noticee has violated the provisions of Section 12A(a), (b) and (c) of SEBI Act and Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (e) of SEBI (PFUTP) Regulations, 2003. Thus, I am of the opinion that the allegation of violation of the aforesaid provisions of SEBI PFUTP Regulations, 2003 do not stand established.

ISSUE II: Does the violation, if any, attract monetary penalty under Section 15HB, Section 15A(b) and Section 15HA of SEBI Act?

The provisions of Section 15HB, Section 15A(b) and Section 15HA of the SEBI Act, 1992 read as under:

SEBI Act 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.

SEBI Act 15A- "Penalty for failure to furnish information, return, etc. –

If any person, who is required under this Act or any rules or Regulations made there under-

(a)

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the Regulations, fails to file return or furnish the same within the time specified therefor in the Regulations, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less".

SEBI Act 15HA - "Penalty for fraudulent and unfair trade practices-

If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher."

11. In view of the foregoing, I am convinced that;

- a) the allegations made against the Noticee regarding violation of the provisions of Section 12A(a), (b) and (c) of SEBI Act and Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (e) of SEBI (PFUTP) Regulations, 2003 has not been established, therefore, the Noticee is not liable for monetary penalty under Section 15HA of the SEBI Act, 1992
- b) the Noticee is liable for monetary penalty under Section 15A(b) of SEBI Act for the alleged violation of Regulation 13(2) and Regulation 13(4) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015.
- c) the Noticee is 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.

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?

12. 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.

13. With regard to the alleged violation under Section 15HA of SEBI Act, since, the Noticee is not liable for monetary penalty in the instant matter, this issue deserves no consideration.

14. With regard to the alleged violation under Section 15HB and Section 15A(b), 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 has violated (i) 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 and (ii) Regulation 13(2) and Regulation 13(4) read with Regulation 13(5) of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015.

ORDER

15. 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 5,00,000/- (Rupees Five Lakh) on Satish Korogappa Shetty in terms of the provisions of Sections 15HB and Section 15A(b) 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.

16. The Noticee shall remit / pay the said amount of penalty within 45 days from May 3, 2020 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.

17. 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 |

18. 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: April 29, 2020

Place: Mumbai

PRASANTA MAHAPATRA

ADJUDICATING OFFICER