

**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
[ADJUDICATION ORDER NOS. PG/AO – 26-34/2011]**

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**UNDER RULE 5 OF SECURITIES AND EXCHANGE BOARD OF INDIA  
(PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY  
ADJUDICATING OFFICER) RULES, 1995**

**In respect of**

**Rasi Electrodes Ltd,  
(PAN. AAACR4682G)**

**B. Popatlal Kothari,  
(PAN. AAIPK7746D)**

**G. Mahavirchand Kochar,  
(PAN. AAHPK8829D)**

**Ruchi Kothari,  
(PAN. AFIPJ0913Q)**

**Hitesh M Dharamshi,  
(PAN. AHAPD4821B)**

**Mahesh C Turakhia,  
(PAN. AAAPT1203G)**

**Ajay Goyal,  
(PAN. AAFPG4594E)**

**N. Prakash Kumar  
(PAN. AGJPP9377J)**

**Ranjeet Kumar Kothari  
(PAN: AAKPK6088N)**

**In the matter of  
Rasi Electrodes Ltd**

## Facts of the case in brief

- Securities and Exchange Board of India (hereinafter referred to as “SEBI”) had conducted an investigation into the rise in price and volume of the scrip of M/s.Rasi Electrodes Ltd. (hereinafter referred to as “the Company”) during the period June 08, 2007 to July 20, 2007 (hereinafter referred to as “investigation period”). The scrip of the Company is listed on Bombay Stock Exchange Ltd. (hereinafter referred to as “BSE”). During the investigation period the price of the scrip of the Company rose from ₹ 19.1 to ₹ 58.45 with a high of ₹ 63.10, a rise of 307% in 34 trading days. The total traded volume during the investigation period was 9, 94, 508 shares. It was observed that certain promoter entities have traded in the scrip during the investigation period and made profits to the tune of ₹ 7.44 lakhs. It was observed that the company had made various corporate announcements mainly related to financial results, dividend declaration and issue of bonus shares. Major corporate announcements made during the investigation period and their impact on scrip price / volume are tabulated as under:

S. No	Date and Time	Announcement	Price Impact/Shares Traded	Remarks																								
1	June 21, 2007 @ 3:32 PM	<p>A meeting of Board of Directors (“BoDs”) will be held on June 30, 2007 for</p> <p>➤ consideration and taking on record the audited financial results for the FY ending March 31, 2007 and QE March 31, 2007</p> <p>➤ recommendation of dividend for the FY ending March 31, 2007.</p>	<table><tr><td colspan="4">21/06/07</td></tr><tr><td>O</td><td>H</td><td>L</td><td>C</td></tr><tr><td>26.05</td><td>27.00</td><td>25.55</td><td>26.35</td></tr></table> <p>No. of shares traded: 16,150</p> <table><tr><td colspan="4">22/06/07</td></tr><tr><td>O</td><td>H</td><td>L</td><td>C</td></tr><tr><td>25.90</td><td>26.95</td><td>25.90</td><td>26.55</td></tr></table> <p>No. of shares traded: 10,672</p>	21/06/07				O	H	L	C	26.05	27.00	25.55	26.35	22/06/07				O	H	L	C	25.90	26.95	25.90	26.55	On 22/06/07, the scrip closed 0.76% above its previous day’s closing price.
21/06/07																												
O	H	L	C																									
26.05	27.00	25.55	26.35																									
22/06/07																												
O	H	L	C																									
25.90	26.95	25.90	26.55																									
2	Saturday, June 30, 2007 @ 1:59 PM	<p>BoDs in its meeting held on June 30, 2007 decided the following:</p> <p>➤ The Audited financial</p>	<table><tr><td colspan="4">29/06/07</td></tr><tr><td>O</td><td>H</td><td>L</td><td>C</td></tr><tr><td>25.55</td><td>30.35</td><td>24.20</td><td>28.75</td></tr></table>	29/06/07				O	H	L	C	25.55	30.35	24.20	28.75	The scrip closed on 2/07/07 at 11.65% above its previous day’s closing price.												
29/06/07																												
O	H	L	C																									
25.55	30.35	24.20	28.75																									

		<p>results for the FY ending March 31, 2007 &amp; q.e. March 31, 2007 was approved and taken on record.</p> <p>➤ BoDs has recommended a dividend of 5% on the paid-up value of equity shares for the FY ending March 31, 2007.</p>	<p>No. of shares traded: 17,669</p> <p>2/07/07</p> <table><tr><th>O</th><th>H</th><th>L</th><th>C</th></tr><tr><td>30.50</td><td>34.35</td><td>28.00</td><td>32.10</td></tr></table> <p>No. of shares traded: 18,520</p>	O	H	L	C	30.50	34.35	28.00	32.10									
O	H	L	C																	
30.50	34.35	28.00	32.10																	
3	July 17, 2007 @ 3:31 PM	<p>A meeting of BoDs will be held on July 25, 2007 to consider among others, recommendation of issue of bonus shares in the ratio to be approved by the BoDs subject to approval of shareholders at the ensuing AGM.</p>	<p>17/7/07</p> <table><tr><th>O</th><th>H</th><th>L</th><th>C</th></tr><tr><td>48.75</td><td>52.15</td><td>46.10</td><td>51.85</td></tr></table> <p>No. of shares traded: 66,395</p> <p>18/7/07</p> <table><tr><th>O</th><th>H</th><th>L</th><th>C</th></tr><tr><td>56.95</td><td>57.00</td><td>53.50</td><td>57.00</td></tr></table> <p>No. of shares traded: 85,152</p>	O	H	L	C	48.75	52.15	46.10	51.85	O	H	L	C	56.95	57.00	53.50	57.00	<p>The scrip opened 9.84% higher on 18/7/07 and closed 9.93% above its previous day's closing price. The trading volume increased by 28.25% on 18/7/07 as compared to the previous trading day.</p>
O	H	L	C																	
48.75	52.15	46.10	51.85																	
O	H	L	C																	
56.95	57.00	53.50	57.00																	
4	July 25, 2007 @ 4:34 PM	<p>The BoDs has recommended issue of bonus shares in the ratio of 2:5 subject to approval of shareholders at the AGM to be held on September 28, 2007.</p>	<p>25/7/07</p> <table><tr><th>O</th><th>H</th><th>L</th><th>C</th></tr><tr><td>58.90</td><td>61.90</td><td>58.00</td><td>61.40</td></tr></table> <p>No. of shares traded: 33,603</p> <p>26/7/07</p> <table><tr><th>O</th><th>H</th><th>L</th><th>C</th></tr><tr><td>62.20</td><td>64.80</td><td>61.80</td><td>62.50</td></tr></table> <p>No. of shares traded: 48,000</p>	O	H	L	C	58.90	61.90	58.00	61.40	O	H	L	C	62.20	64.80	61.80	62.50	<p>The scrip closed on 26/7/07 at 1.79% above its previous day closing price.</p> <p>The volume increased by 42.84% on 26/7/07 as compared to the previous trading day.</p>
O	H	L	C																	
58.90	61.90	58.00	61.40																	
O	H	L	C																	
62.20	64.80	61.80	62.50																	

- During the investigation it was observed that the price of the scrip of the Company had mainly increased during the periods June 28 2007 to July 03, 2007 when the closing price of the scrip moved up from ₹ 25.30 to ₹ 33.10 and during July 09 2007 to July 19, 2007 when closing price of the scrip moved up from ₹34.70 to ₹ 60.75.
- To a query during the investigation, the company had replied that the agenda for the Board meeting to be held on June 30, 2007 was discussed internally between

Mr. B Popatlal Kothari, Chairman & MD and Mr. G Mahavirchand Kochar, Whole time Director. Agenda was finalized between June 19 - 21, 2007 and the agenda papers were circulated on June 21, 2007. However, the rate of dividend was finalized in the meeting held on June 30, 2007. The price of the scrip closed 11.65% higher on the next day immediately after declaration of financial results and rate of dividend on June 30, 2007. In view of the above factors, the period of June 19 – 30, 2007 has been considered as a period when the information about financial results and dividend was unpublished price sensitive information (hereinafter referred to as “**UPSI**”).

4. Similarly, during the investigation, the company had replied that the agenda for the Board meeting to be held on July 25, 2007 was discussed internally during the period July 15-17, 2007 and the agenda papers were circulated on July 17, 2007. The price of the scrip closed 9.93% higher on July 18, 2007 than previous day's closing price after the announcement of bonus issue proposal and by 1.79% higher on July 26, 2007 after the announcement of bonus ratio on July 25, 2007. In view of the above factors, the period July 15-17, 2007 has been considered to be the period when information about issue of bonus shares was UPSI.
5. The trading details of all the company related entities who dealt in the scrip when the information about the announcement of financial results and dividend was UPSI were analyzed. The summary of trading by the above entities is tabulated below

S. No	Entities	19/6/2007 - 30/6/2007					1/7/2007 – 6/7/2007				
		Buy Qty	Avg. Buy Price (₹)	Sell Qty	Avg. Sell Price (₹)	Net Buy Qty	Buy Qty	Avg. Buy Price (₹)	Sell Qty	Avg. Sell Price (₹)	Net Sell Qty
1	Ranjana Kothari	17505	25.54	1000	30.35	16505	10349	32.15	-	-	(10349)
2	Uttam Kothari	10060	26.02	-	-	10060	-	-	400	31.75	400
3	Chandrakala	4065	26.38	6300	25.79	(2235)	3550	31.41	1611	32.63	(1939)
4	Kashyap Kothari	3700	25.25	-	-	3700	-	-	-	-	-

## **Appointment of Adjudicating Officer**

6. The undersigned has been appointed as the Adjudicating Officer, vide order dated January 17, 2011 under section 15 (I) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**Act**”) and rule 3 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as “**Rules**”) to inquire into and adjudge under section 15I of SEBI Act, the allegation of violation of regulation 12 (1), (2) & (3) , clause 1.2 of Part A to Schedule I to regulation 12 (1) read with clause 3.2 of Part A to Schedule I to regulation 12 (1) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992, (hereinafter referred to as “**PIT Regulations**”) by Rasi Electrodes Ltd, B. Popatlal Kothari, G. Mahavirchand Kochar, Ruchi Kothari, Hitesh M Dharamshi, Mahesh C Turakhia, Ajay Goyal, N. Prakash Kumar and Ranjeet Kumar Kothari (hereinafter collectively referred to as “**Noticees**”)
7. In addition to be above it is alleged that Ranjeet Kothari had shared UPSI relating to financial results and dividend with his wife Ranjana Ranjeet Kothari and brother Uttam Kumar Kothari who traded in the scrip of the Company based on that information; hence Ranjeet Kothari has violated regulation 3 (i), (ii) & 4 of PIT Regulations.

## **Show cause notice, hearing and reply**

8. Show cause notice (hereinafter referred to as “**SCN**”) dated March 09, 2011 was issued to the Noticees under rule 4 (1) of the Rules to show cause as to why inquiry should not be held and penalty be not imposed on them under section 15HB of SEBI Act for the alleged violations of regulation 12 (1), (2) & (3), clause 1.2 of Part A to Schedule I to regulation 12 (1) read with clause 3.2 of Part A to Schedule I to regulation 12 (1) of PIT Regulations. In response to the said SCN, the Company vide letter dated March 18, 2011 informed that a Board of Directors

meeting was scheduled to be held on March 28, 2011 to decide further course of action that would be taken in the matter.

In case of Ranjeet Kothari, in the SCN, it was further alleged that he had also violated regulation 3 (i), (ii) & 4 of PIT Regulations and was thereby liable for penalty under section 15G of SEBI Act.

9. Noticees were granted a personal hearing on April 05, 2011 which was informed to the Noticees vide hearing notice dated March 24, 2011. The Company vide letter dated March 28, 2011 replied to the SCN stating that it had followed all the procedures and that none of the Directors of the Company have disclosed nor traded based on UPSI. With regard to the trading done by Uttam Kumar Kothari, the Company stated that except for Ranjeet Kothari all the brothers of Popatlal Kothari have ceased to be promoters of the Company and that none of them are privy to any price sensitive information. The Company further stated that none of the brothers except Ranjeet Kothari are on the Board of Directors and even Ranjeet Kothari has no controlling stake in the Company.

With regard to trading done by Uttam Kothari, the Company stated that neither Popatlal Kothari nor Ranjeet Kothari had disclosed any information to Uttam Kothari. Further Uttam Kothari and Ranjeet Kothari were not staying together during relevant period and were not meeting each other on daily basis.

With regard to trading done by Chandrakala, the Company submitted that her husband, Uttam Kothari was neither director nor promoter of the Company hence she was not privy to any UPSI.

With regard to trades done by Ranjeet Kothari, the Company stated that he had not done any trades during the period of investigation.

With regard to trading done by Ranjana Kothari and Kashyap Kothari, it was submitted that they have traded as part of their regular trading and not in order to make any profit and pre-clearance was not taken inadvertently for the trades done by them. The Company felt the reason was truthful and bonafide.

10. In response to SCN, Ranjeet Kothari vide letter dated March 28, 2011 submitted that with regard to allegation of violation of regulation 12 (1), (2) & (3) , clause 1.2 of Part A to Schedule I to regulation 12 (1) read with clause 3.2 of Part A to Schedule I to regulation 12 (1) of PIT Regulations, Popatlal Kothari will reply. With regard to allegation of violation of regulation 3 (i), (ii) & 4 of PIT Regulations, Ranjeet Kothari submitted that he had not shared any UPSI with his wife, Ranjana Kothari and that his brother Uttam Kothari was not staying at the same residence as alleged in SCN. Ranjeet Kothari enclosed a copy of his voter's identity card to show he was residing at a different address than his brother Uttam Kothari. He further stated that the violation if any, on his part was not to have taken pre-clearance for the trades done by his wife.
11. With regard to the allegation that the Company had not put in place a model code of conduct as required under clause 3.2 of Part A to schedule I to regulation 12(1) of PIT Regulations, the Company stated that the reason why the Company had not put in place the procedures of relating to Closing of Trading Window was because the Company did not have an elaborate organization structure or wide geographical spread of operations. The Company further stated that it is a small scale industry with a very flat organization structure and the entire financial affairs and price sensitive matters are handled only by the BoDs, Managing Director and Whole Time Directors. There are no tier 2 and tier 3 employees having access to price sensitive information. Besides, none of the employees ever trade in the shares of the company. It has stated that the directors and promoters have been made aware of their obligations under these regulations to make disclosures to the company in case they trade in the shares of the company. It had further stated that the MD and Compliance Officer of the

company were monitoring the discharge of the company's obligations through periodic disclosures that were made under SEBI SAST Regulations and Clause 35 of Listing Agreement as and when the disclosures were required. The Company added that Popatlal Kothari would represent the Company and all the directors before the adjudicating officer.

12. The hearing that was scheduled for April 5, 2011 was postponed to April 18, 2011. The hearing was conducted on April 18, 2011 wherein Popatlal Kothari, A.M. Gopikrishnan (Company Secretary), Authorised Representative (AR) appeared on behalf of Rasi Electrodes Ltd. and the following directors Ruchi Kothari, Hitesh M. Dharamshi, Mahesh C. Turakhia, Ajay Goyal and N. Prakash Kumar. Mr. A.M. Gopikrishnan also appeared on behalf of Ranjeet Kothari. In case of Mahavir Kochar, he appeared himself. Following submissions were made during the hearing on their behalf:

*“We have already made our submissions vide letter dated March 28, 2011. We are a small scale industry and this was the first price sensitive information and we were monitoring the compliance issues by submitting the Clause 35 requirements and that of SEBI (SAST) Regulations. The procedure relating to pre clearance of trades and opening and closing of trading windows were not in place at the time. However, after the bonus issue we could see the volume of shares traded going up and we thought it fit to implement the disclosure requirements as per the Insider Trading Regulations. At present we do not intend to go for consent process. We request SEBI to take a lenient view in the present matter.”*



## Consideration of issues and findings

The issues that arise for consideration in the present case are:

- a). Whether Noticees had violated regulation 12 (1), (2) & (3), clause 1.2 of Part A to Schedule I to regulation 12 (1) read with clause 3.2 of Part A to Schedule I to regulation 12 (1) of PIT Regulations?
- b). in case of Ranjeet, whether he also violated regulations 3 (i), (ii) and 4 of PIT Regulations?
- c). Does the violation, if any, on the part of Noticees and Ranjeet attract monetary penalty under section 15HB & 15G of SEBI Act respectively?
- d). If so, what would the monetary penalty be that can be imposed taking into consideration the factors mentioned in section 15J of SEBI Act?

Before moving forward, it will be appropriate to refer to the relevant provisions which read as under:

***“Prohibition on dealing, communicating or counseling on matters relating to insider trading***

**3. No insider shall—**

- (i) *either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange when in possession of any unpublished price sensitive information; or*
- (ii) *communicate, counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities:*

*Provided that nothing contained above shall be applicable to any communication required in the ordinary course of business or profession or employment or under any law.*

***Violation of provisions relating to insider trading***

4. *Any insider who deals in securities in contravention of the provisions of regulation 3 or 3A shall be guilty of insider trading.*

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

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

- (a) the intermediaries as mentioned in section 12 of the Act, asset management company and trustees of mutual funds;*
- (b) the self-regulatory organisations recognised or authorised by the Board;*
- (c) the recognised stock exchanges and clearing house or corporations;*
- (d) the public financial institutions as defined in section 4A of the Companies Act, 1956; and*
- (e) the professional firms such as auditors, accountancy firms, law firms, analysts, consultants, etc., assisting or advising listed companies,*

*shall frame a code of internal procedures and conduct as near thereto the Model Code specified in Schedule I of these Regulations.*

- (2) The entities mentioned in sub-regulation (1), shall abide by the code of Corporate Disclosure Practices as specified in Schedule II of these Regulations.*
- (3) All entities mentioned in sub-regulation (1), shall adopt appropriate mechanisms and procedures to enforce the codes specified under sub-regulations (1) and (2).*

### ***Schedule I***

***[Under regulation 12(1)]***

#### ***PART A***

#### ***MODEL CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING FOR LISTED COMPANIES***

***1.0 ....***

***1.1 ....***

- 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.***

*Explanation: For the purpose of this Schedule, the term ‘designated employee’ shall include:—*

- (i) *officers comprising the top three tiers of the company management;*
- (ii) *the employees designated by the company to whom these trading restrictions shall be applicable, keeping in mind the objectives of this code of conduct*

1.3 ....

1.4 ....

2.0 .....

2.1 ....

2.2 .....

2.2.1 ....

2.3 ....

2.3.1 ....

3.0 .....

3.1 .....

### **3.2    *Trading window***

3.2.1 *The company shall specify a trading period, to be called “trading window”, for trading in the company’s securities. The trading window shall be closed during the time the information referred to in para 3.2.3 is unpublished.*

3.2.2 *When the trading window is closed, the employees/directors shall not trade in the company's securities in such period.*

3.2.3 *The trading window shall be, inter alia, closed at the time:—*

- (a) *Declaration of financial results (quarterly, half-yearly and annually).*
- (b) *Declaration of dividends (interim and final).*
- (c) *Issue of securities by way of public/rights/bonus etc.*
- (d) *Any major expansion plans or execution of new projects.*
- (e) *Amalgamation, mergers, takeovers and buy-back.*
- (f) *Disposal of whole or substantially whole of the undertaking.*
- (g) *Any changes in policies, plans or operations of the company.*

3.2.3A *The time for commencement of closing of trading window shall be decided by the company.*

3.2-4 *The trading window shall be opened 24 hours after the information referred to in para 3.2.3 is made public.*

3.2-5 *All directors/officers/designated employees of the company shall conduct all their dealings in the securities of the Company only in a valid trading window and shall not deal in any transaction involving the purchase or sale of the company's securities during the periods when trading window*

*is closed, as referred to in para 3.2.3 or during any other period as may be specified by the Company from time to time.*

*3.2-6 In case of ESOPs, exercise of option may be allowed in the period when the trading window is closed. However, sale of shares allotted on exercise of ESOPs shall not be allowed when trading window is closed.”*

13. I note that the company has claimed to have adopted Model Code of conduct for prevention of insider trading. The Company also admitted that the procedure relating to pre-clearance of trades and of closing of trading window was not made effective. I find that since the appropriate procedure to enforce the Code was not in place the company did not close/open the trading window and hence some entities who otherwise were not eligible to trade / required to obtain pre-clearance of trades, were found to have traded during that period and did not obtain pre-clearance. Trading details of all the company related entities who dealt in the scrip when the information about the announcement of financial results and dividend was UPSI were analyzed. The summary of trades is given below :

<b>S. No</b>	<b>Entities</b>	<b>19/6/2007 - 30/6/2007</b>					<b>1/7/2007 – 6/7/2007</b>				
		<b>Buy Qty</b>	<b>Avg. Buy Price (₹)</b>	<b>Sell Qty</b>	<b>Avg. Sell Price (₹)</b>	<b>Net Buy Qty</b>	<b>Buy Qty</b>	<b>Avg. Buy Price (₹)</b>	<b>Sell Qty</b>	<b>Avg. Sell Price (₹)</b>	<b>Net Sell Qty</b>
1	Ranjana Kothari	17505	25.54	1000	30.35	16505	10349	32.15	-	-	(10349)
2	Uttam Kothari	10060	26.02	-	-	10060	-	-	400	31.75	400
3	Chandrakala	4065	26.38	6300	25.79	(2235)	3550	31.41	1611	32.63	(1939)
4	Kashyap Kothari	3700	25.25	-	-	3700	-	-	-	-	-

14. I find that the Company has admitted that the procedure relating to pre-clearance of trades and of closing of trading window was not made effective. Further the

Company has also admitted to the trades done by the entities mentioned in the table above.

15. The Company while replying to SCN had submitted that it had questioned the Directors, Popatlal and Ranjeet who responded that pre-clearance with respect to trades done by connected entities was not taken inadvertently. The Company has added that the submissions made by the said Directors appear to be truthful and bonafide. The comments of the Company are not appreciated.
16. It is observed that while the Company had adopted the Model Code of Conduct for prevention of Insider Trading for listed companies as stipulated by the PIT Regulations, it had not practically implemented certain important ingredients thereof viz., closing of trading window and procedure for pre-clearance of trades by connected entities. Had it implemented the procedure for closing of trading window while any information was UPSI, the possibility of such trades happening would have been greatly reduced. Further, if it had put in place the procedure for pre-clearance of trades by connected entities, the Company would have got an opportunity of preventing such trades. By not implementing the above procedures, the Company has been negligent resulting in violation of regulations 12 (1), (2) & (3), clause 1.2 of Part A to Schedule I to regulation 12 (1) read with clause 3.2 of Part A to Schedule I to regulation 12 (1) of PIT Regulations which makes Noticees liable for monetary penalty under section 15HB of SEBI Act which reads as under

***Penalty for contravention where no separate penalty has been provided***

*15HB. 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 may extend to one crore rupees.*

17. In case of Ranjeet Kothari, his submission that he was not residing at the same address as his brother, Uttam Kothari is accepted as he has supported the same with address given on the voter's identity card. However, in case of his wife, Ranjana Kothari, it is difficult to accept that he had not shared UPSI relating to financial results and dividend with his wife. I note that she had traded through Angel Broking Ltd and Religare Securities Ltd. through who she had purchased 31, 354 shares at an average price of ₹ 28.78 during the period June 26 2007 to July 20, 2007 and sold 1, 000 shares at an average price of ₹ 30.35 on June 29, 2007 when the information of financial results and dividend was UPSI. I further note that she had purchased 17, 505 shares of the Company at an average price ₹ 25.54 per share during the period June 26 – 29, 2007. After the said announcement, she had bought 13, 849 shares upto July 11, 2007. Details of trading done by her with Client codes: R 2652 & N123145 are as under

<i>S. No.</i>	<i>Buy Date</i>	<i>Buy Qty</i>	<i>Buy Value</i>	<i>Avg. Buy Price</i>	<i>Sell Date</i>	<i>Sell Qty</i>	<i>Sell Value</i>	<i>Avg. Sell Price</i>
1	26/6/2007	2800	74060	26.45				
2	27/6/2007	9051	230633	25.48				
3	28/6/2007	952	24174	25.39				
4	29/6/2007	4702	118144	25.13	29/6/2007	1000	30350	30.35
	<b>Sub total</b>	<b>17505</b>				<b>1000</b>		
5	2/7/2007	1500	44985	29.99				
6	3/7/2007	4249	138023	32.48				
7	4/7/2007	3500	113940	32.55				
8	5/7/2007	1100	35818	32.56				
9	9/7/2007	3000	104987	35.00				
10	11/7/2007	500	17735	35.47				
11	20/7/2007	100	6150	61.50				
<b>Total</b>		<b>31354</b>	<b>902499</b>	<b>28.78</b>		<b>1000</b>	<b>30350</b>	<b>30.35</b>

18. I find that Ranjana Kothari had during the investigation, vide letter dated December 18, 2009, admitted that she had purchased shares for the purpose of investment. Investigation has brought out that her trades in the scrip of Company



during the investigation period accounted for 89.7% of the total traded value of all her transactions. Perusal of her bank account statements revealed that on June 26, 2007, her husband, Ranjeet Kothari had transferred an amount of ₹ 2.00 lacs from his ING Vysya Bank account no. 400010070205 to her ING Vysya Bank account no. 400010070195. It is noted that on June 27, 2007, an amount of ₹ 2 lacs was debited from Ranjana's aforesaid bank account to Angel Broking Ltd. towards the purchases in the scrip of the Company around the same period. The transfer of funds from the bank account of Ranjeet Kothari to the bank account of his wife establishes that he was well aware of her transactions which happened during the period when the information was UPSI. It is thus clear that Ranjeet Kothari has passed on UPSI to his wife, based on which she had traded during the said period. Hence, the violation of regulation 3 (ii) and 4 of PIT Regulations by Ranjeet Kothari is established which makes him liable for penalty under section 15G of SEBI Act which reads as under

***“Penalty for insider trading***

***15G. If any insider who,-***

- (i) either on his own behalf or on behalf of any other person, deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price sensitive information; or*
- (ii) communicates any unpublished price- sensitive information to any person, with or without his request for such information except as required in the ordinary course of business or under any law; or*
- (iii) counsels, or procures for any other person to deal in any securities of any body corporate on the basis of unpublished price-sensitive information,*

*shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher.”*

19. PIT Regulations have been framed as a measure to prohibit insider trading. The intention behind the prohibitions provided under PIT Regulations is inter alia to ensure that the insiders do not breach the fiduciary duty or the duty arising out of a relationship of trust or confidence towards the investors. Further, these regulations aim to achieve the objective of growth of securities market by ensuring that the securities market operates in fair manner with all the participants having equal access to all the information so that they can make informed investment decisions.
20. While determining the quantum of penalty it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

***“15J - Factors to be taken into account by the adjudicating officer***

*While adjudging quantum of penalty under section 15-I, 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.”*

The loss caused to investors cannot always be quantifiable in monetary terms and the unfair advantage to insider as a result of insider trading may also not always be possible to be specified in pecuniary terms. The prohibitions provided

in SEBI Act and PIT Regulations have specific purpose and the penalty provisions for enforcing Regulations need to be given effect to ensure that a level playing field is provided to all participants and the securities market works on sound business principles. Therefore, even if no quantifiable loss is caused to any investor or no unfair advantage is made as a result of violations, it has to be kept in mind that in respect of contraventions of PIT Regulations, the violator should face the consequences otherwise the objects of Regulations is defeated.

### **Order**

21. In terms of provisions of rule 5 (1) of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, I impose a penalty of ₹ 2, 50, 000/- (Rupees two lakhs and fifty thousand only) jointly and severally on Rasi Electrodes Ltd, B. Popatlal Kothari, G. Mahavirchand Kochar, Ruchi Kothari, Hitesh M Dharamshi, Mahesh C Turakhia, Ajay Goyal, N. Prakash Kumar and Ranjeet Kumar Kothari under section 15HB of Securities and Exchange Board of India Act, 1992 for violation of regulations 12 (1), (2) & (3) , clause 1.2 of Part A to Schedule I to regulation 12 (1) read with clause 3.2 of Part A to Schedule I to regulation 12 (1) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.

In addition to the above, I impose a penalty of ₹ 4, 00, 000/- (Rupees four lakhs only) in terms of provisions of rule 5 (1) of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 on Ranjeet Kumar Kothari under section 15G of Securities and Exchange Board of India Act, 1992 for violation of regulation 3 (ii) and 4 of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.

Considering the facts and circumstances of the case, the above penalties will be commensurate with the violations committed by Noticees.

22. The above entities shall pay the said amount of penalty by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, within 45 days of receipt of this order. The said demand draft should be forwarded to General Manager, ID-3, Investigations Department, SEBI, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.

In terms of rule 6 of the Rules, copies of this order are sent to the Noticee and to Securities and Exchange Board of India.

**Date: April 29, 2011**

**Place: Mumbai**

**PIYOOSH GUPTA**

**ADJUDICATING OFFICER**