

## SECURITIES AND EXCHANGE BOARD OF INDIA

## ORDER

Under sections 11(1), 11(4)(d) and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of trading by suspected entities in the scrip of Gammon Infrastructure Projects Limited

In respect of -

S.No.	Name	Permanent Account Number
1.	Mr. Abhijit Rajan	AAEPR0342J
2.	Consolidated Infrastructure Company Private Limited	AACCC6756C
3.	Mr. Indru B. Hingorani	AAAPH5679L
4.	Mr. Kiran Indru Hingorani	AAAPH4604F

1. Securities and Exchange Board of India ('SEBI') conducted an investigation into the possible insider trading in the scrip of Gammon Infrastructure Projects Limited ('GIPL' or 'the Company') prior to the Company's announcement regarding *'Termination of Shareholders Agreement with Simplex Infrastructures Limited'* to the stock exchange.

2. GIPL had informed the National Stock Exchange of India Limited ('NSE') on September 03, 2013 that GIPL and Simplex Infrastructures Limited ('Simplex') have executed an agreement to terminate:

- the Shareholders Agreement dated April 26, 2012, which enabled GIPL to purchase 49% equity stake in Maa Durga Expressways Private Limited ('MDEPL').

MDEPL was promoted by Simplex for implementing the project *'Four laning of Mahulia to Bahragoa section on NH-33 and Bahragora to Kharagpur on NH-6 in the States of Jharkhand and West Bengal respectively under NHDP Phase III on DBFOT (Toll) Basis'*, which was awarded by the National Highways Authority of India ('NHAI') to Simplex; and

- the Shareholders Agreement dated April 26, 2012, which enabled Simplex to purchase 49% equity stake in Vijayawada Gundugolanu Road Project Private Limited ('VGRPPL').

VGRPPL was promoted by GIPL for implementing the project '*Six laning of Vijayawada-Gundugolanu section of NH-5 in the state of Andhra Pradesh under NHDP Phase V on DBFOT (Toll) basis*', which was awarded by the NHAI to GIPL.

3. As per the details submitted by GIPL, in the course of SEBI's investigation, a chronology of events related to the aforesaid corporate announcement made on September 03, 2013 regarding '*Termination of Shareholders Agreement with Simplex Infrastructures Limited*' is given below:

Date	Event
2nd Week of July, 2013	Telephonic discussion; Termination of the tie-up between Simplex and GIPL
29/07/2013 to 28/08/2013	E-mails exchanged between GIPL and Simplex culminating in the finalization of the termination terms and a decision to execute the termination agreement on 30/08/2013.
07/08/2013	Circulation of Agenda for Board meeting to be held on 09/08/2013. Agenda included item " <i>Disassociation with Simplex Infrastructure in Vijayawada Gundugolanu Project and Maa Durga Project</i> "
09/08/2013	Meeting of Board of Directors of GIPL. Approval taken to terminate the two shareholders agreement with Simplex for the two projects.
30/08/2013	Execution of Termination. Two agreements signed.
03/09/2013	Intimation to Stock Exchange

4. The investigations observed that GIPL in its submission dated September 18, 2013 has stated that '*Termination of Shareholders Agreement with Simplex Infrastructures Limited*' was the only major corporate development during the period August, 2013 to September 2013. Further, as per the Code of Conduct for Prevention of Insider Trading as adopted by GIPL, any significant changes in policies, plans or operations of the company is deemed to be a Price Sensitive Information.

5. I note that the information relating to the '*Termination of Shareholders Agreement with Simplex Infrastructures Limited*' is deemed to be a '**Price Sensitive Information**' ('PSI') in terms of the regulation 2(ha)(vii) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 (the '**PIT Regulations**'). Till such time this information was made public, the said PSI constituted an **Unpublished Price Sensitive Information** (the '**UPSI**').

6. Considering the observations made in the paragraphs 3-5, it can be inferred that the UPSI was in existence from the second week of July, 2013 till September 3, 2013 13:05 hours, when the disclosure regarding termination of agreements with Simplex was eventually made public.

7. SEBI had analysed the trading done in the shares of GIPL and had identified certain entities for further analysis. The investigation had thereafter analyzed the trading pattern, perused the KYC documents and the bank account statements of the suspected entities. In the said analysis, SEBI noticed the following:

- i. One **Mr. Abhijit Rajan** had traded in the shares of GIPL on NSE and BSE through the stock broker, Vibrant Securities Private Limited and had sold a total of **1,43,81,246 shares** of GIPL on August 22, 2013 i.e. during the existence of UPSI. The total sell value of 1,43,81,246 shares was **₹ 10,27,40,533.50/-**. It is important to note that Mr. Abhijit Rajan was the Chairman and Managing Director of GIPL during the period when the shares were sold.

He was also aware of the information pertaining to termination of shareholders' agreement between GIPL and Simplex and had participated in the Board Meeting held on August 9, 2013 wherein the termination of shareholders' agreement was discussed and approved. As per the minutes of the meeting of board of directors of GIPL held on August 09, 2013, it was Mr. Abhijit Rajan who had apprised the board regarding the agreements with Simplex and that the entities had decided to terminate the shareholders' agreement.

- ii. **Consolidated Infrastructure Company Private Limited ('CICPL')** was another entity which had traded in the scrip of GIPL on NSE and BSE through the stock broker, India Infoline Limited, and had sold a total of **28,56,618 shares** of GIPL on **August 06, 2013** i.e. during the existence of UPSI. The total sell value of 28,56,618 shares was **₹ 2,14,66,740.50/-**. The investigation observed that **Mr. Kiran Hingorani** and **Mr. Indru Hingorani** were the only Directors of CICPL during the period of UPSI.

It is noted that CICPL was allotted 5,68,070 shares in the IPO of GIPL on March 28, 2008. Pursuant to various buy transactions and corporate action (stock split on 28.11.2009 and bonus issue on 14.02.2013), this entity was holding 31,42,000 shares of GIPL as on June 17, 2013. Pursuant to this, CICPL has sold substantial shares i.e. 28,56,618 shares on August 06, 2013, as mentioned above. It is also relevant to note that

when the shares were sold, the same were pledged by CICPL with India Infoline Finance Limited (IIFL, an NBFC).

- iii. The investigation had also noticed that **CICPL** has acquired several properties (*as mentioned in table below*) from **Mr. Abhijit Rajan** for an aggregate consideration of **₹5,15,00,000/-**.

Sr. No.	Nature of Property	Property Value	Date of Payment	Date of Agreement for Sale	Date of registration of Sale
1	Agricultural Land- Village Kale, Dist.- Pune	Rs. 90,00,000	28/08/2013	28/08/2013	Not yet registered
2	Agricultural Land- Village Kolgaon, Dist.- Raigad	Rs. 1,10,00,000	28/08/2013	28/08/2013	20/12/2013
3	Agricultural Land- Village Kolgaon, Dist.- Raigad	Rs 2,40,00,000	28/08/2013	28/08/2013	20/12/2013
4	Flat, Four Bungalows, Andheri, Mumbai	Rs. 75,00,000	28/08/2013	28/08/2013	19/09/2013

**CICPL**, in its letter dated September 2, 2015, had stated that they were introduced to Mr. Abhijit Rajan during August, 2013. Further, based on details such as date of agreement for sale and date of registration of the properties, it can be seen that neither Mr. Abhijit Rajan nor CICPL had shown any kind of urgency to register the sale. It is important to note that one of the properties (at Pune; Sr.No.1 in the table above) is yet to be registered after two years of entering into agreement for sale.

8. The investigation also noted that CICPL has sparsely traded in the scrip of GIPL and the majority of shares sold by it were during the UPSI period. As mentioned above, CICPL had received shares in the IPO of GIPL and had pledged them with India Infoline Finance Limited (an NBFC). CICPL had also pledged shares of other companies for loan with IIFL. In this regard, it is noted that CICPL sold the shares of GIPL on the market and had telephonically requested IIFL to release the shares of GIPL. IIFL had released the shares of GIPL pledged with it as the value of the total pledged shares were more and that the release of GIPL shares did not affect IIFL's security retained towards loan to CICPL. The fact that CICPL sold shares of GIPL during the UPSI period and then specifically requested IIFL to release the pledge only on GIPL shares indicates that the sale of GIPL shares during UPSI period was on the basis of and pursuant to the receipt of the UPSI from Mr. Abhijit Rajan. The relationship between CICPL and Mr. Abhijit Rajan has already been discussed above.

9. In view of the above, it is alleged that Mr. Abhijit Rajan was an 'insider' in terms of regulation 2(e) of the PIT Regulations read with regulation 2(c) thereof. Further, CICPL is also alleged to be an 'insider' in terms of regulation 2(e)(ii) of the PIT Regulations as it *prima facie* received the UPSI. It is further alleged Mr. Abhijit Rajan dealt in the securities of GIPL when in possession of UPSI and had also communicated the UPSI to CICPL while in possession of the same. CICPL had also dealt in the securities of GIPL allegedly on receiving the UPSI from Mr. Abhijit Rajan. Accordingly, –

- (a) Mr. Abhijit Rajan had *prima facie* contravened the provisions of section 12A (d) - (e) of the SEBI Act, 1992 read with regulations 3 and 4 of the PIT Regulations; and
- (b) CICPL had *prima facie* contravened the provisions of section 12A (d) - (e) of the SEBI Act, 1992 read with regulations 3, 3A and 4 of the PIT Regulations.

10. The investigation has also observed that by indulging in 'insider trading' and sold shares while in possession of UPSI, Mr. Abhijit Rajan and CICPL had averted losses. The following table brings out the losses that were averted by Abhijit Rajan and CICPL by virtue of indulging in insider trading, as brought out in this order:

Name	No of shares sold (X)	Wt. Average Price Rs.	Total sale value Rs. (A)	Wt. Avg. Closing Price on September 4, 2013 (Rs.) (Y)	Approx Sale value as on September 4, 2013 Rs. (B)=(Y)*(X)	Loss avoided Rs. (A)-(B)
Abhijit Rajan	1,43,81,246	7.14	10,27,40,533.50	6.56	9,44,07,599	83,32,934.5
CICPL	28,56,618	7.51	2,14,66,740.5	6.57	1,87,76,017	26,90,723.5
<b>Total</b>	<b>1,72,37,864</b>	<b>7.21</b>	<b>12,42,07,274</b>	<b>6.56</b>	<b>11,31,83,616</b>	<b>1,10,23,658</b>

11. Considering that **Mr. Abhijit Rajan** and **CICPL** connived with each other in furtherance of the common intention of indulging in the scheme of Insider Trading and thereby averting losses, it is pertinent to make Abhijit Rajan, CICPL and its directors, jointly and severally, liable for the undue profits made by Mr. Abhijit Rajan and CICPL by trading in the scrip of GIPL on the basis of UPSI.

12. With the initiation of investigation and quasi-judicial proceedings, it is possible that Mr. **Abhijit Rajan**, **CICPL** and its directors, **Mr. Kiran Hingorani** and **Mr. Indru Hingorani** may divert the unlawful gains (*subject to the adjudication of the allegation on the merits in the final order*), which may result in defeating the effective implementation of the direction of disgorgement, if any to be passed after adjudication on merits. Non-interference by the Regulator at this stage would therefore result in irreparable injury to interests of the securities market and the investors. It therefore becomes necessary for SEBI to take urgent steps of impounding and retaining the proceeds

(unlawful gains) allegedly made by the above noticees, by way of an interim measure. Considering the facts and circumstances of the case, the balance of convenience lies in favour of SEBI.

13. Further, as the alleged gains were made during the year 2013, it becomes reasonable and necessary to levy an interest at 12% simple interest per annum. The sale transactions took place between August 06 and August 22, 2013. The amount of gain as mentioned above is **Rs.1,10,23,658/-** and the simple interest at the rate of 12% per annum from August 23, 2013 to March 21, 2016 is **Rs.34,14,012/-**. Therefore, the total amount to be impounded aggregates to **Rs.1,44,37,670/-**.

14. Accordingly, as an interim measure, an ad-interim ex-parte Order for impounding such alleged gains under section 11(4)(d) of the Securities and Exchange Board of India Act, 1992 needs to be issued against the 4 noticees tabulated below.

S.No	Name	Permanent Account Number
1.	Abhijit Rajan	AAEPR0342J
2.	Consolidated Infrastructure Company Pvt. Ltd.	AACCC6756C
3.	Indru B. Hingorani	AAAPH5679L
4.	Kiran Indru Hingorani	AAAPH4604F

15. In view of the foregoing, in order to protect the interest and the integrity of the securities market, I, in exercise of the powers conferred upon me by virtue of section 19 read with sections 11(1), 11(4)(d) and 11B of the SEBI Act, 1992, hereby order to impound the alleged unlawful gains of a sum of **₹ 1,44,37,670/-** (alleged gain of **₹1,10,23,658/-** + interest of **₹ Rs.34,14,012/-** from August 23, 2013 upto March 21, 2016), jointly and severally from the persons/entity tabulated in the paragraph above.

16. The Banks are directed that no debits shall be made, without permission of SEBI, in respect of the bank accounts held by all the persons/entities tabulated in **paragraph 14** above, except for the purposes of transfer of funds to the escrow account as directed in paragraph 17 below. Further, the Depositories are also directed that no debit shall be made, without permission of SEBI, in respect of the demat accounts held by the above said persons. However, credits, if any, into the accounts may be allowed. The Banks and the Depositories are directed to ensure that all the above directions are strictly enforced. Further, debits may also be allowed for amounts available in the account in excess of the amount to be impounded. Banks are allowed to debit the accounts for the purpose of complying with this Order.

17. The persons/entities tabulated in **paragraph 14** above are also directed not to dispose off or alienate any of their assets/properties/securities, till such time the amounts mentioned in **paragraph 15** are credited to an escrow account {“**Escrow Account in Compliance with SEBI Order dated March 21, 2016 – A/c (in the name of the respective persons/entities)**”} created specifically for the purpose in a Nationalized Bank. The escrow account/s shall create a lien in favour of SEBI and the monies kept therein shall not be released without permission from SEBI. Banks are allowed to debit the accounts for the purpose of complying with this order. On production of proof by any of the persons, mentioned in **paragraph 14**, that the said money is deposited in the escrow account, SEBI shall communicate to the Banks and Depositories to defreeze the accounts.

18. Further, the persons/entities tabulated in **paragraph 14** above are directed to provide, within 7 days of this order, a full inventory of all their assets and properties and details of all their bank accounts, demat accounts and holdings of shares/securities, if held in physical form and details of companies in which they hold substantial or controlling interest.

19. The abovedirectionsshallcome into force with immediate effect.

20. This Order is without prejudice to the right of SEBI to take any other action that may be initiated against the persons/entities covered under this Order, in accordance with law. The persons/ entities against whom this Order has been passed may file their replies to SEBI within 21 days from the date of receipt of this order, if they so desire. They may also indicate in their replies whether they wish to avail an opportunity of personal hearing in the matter.

**PRASHANT SARAN**  
**WHOLE TIME MEMBER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**

**Date: March 21, 2016**  
**Place: Mumbai**