

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/SR/PP/2019-20/6903-6917/177-191]

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

In respect of

Sr. No.	Name of the Entity	PAN No.	Order No.
1	Parabolic Drugs Limited	AACCP1419K	Order/SR/PP/2019-20/6903/177
2	Mr. Anil Kumar	BGVPK4257Q	Order/SR/PP/2019-20/6904/178
3	Mr. Inder Bir Singh Passi	AASPP9160E	Order/SR/PP/2019-20/6905/179
4	Mr. Pranav Gupta	ABLPG9568R	Order/SR/PP/2019-20/6906/180
5	Mr. Vineet Gupta	ABTPG0949G	Order/SR/PP/2019-20/6907/181
6	Mr. Gurpreet Singh Sndhu	AGOPS2763G	Order/SR/PP/2019-20/6908/182
7	Dr. Ram Kumar	ABCPK2614H	Order/SR/PP/2019-20/6909/183
8	Mr. Arun Mathur	AAVPM2092B	Order/SR/PP/2019-20/6910/184
9	Mr. Pardeep Diwan	AAKPD4360Q	Order/SR/PP/2019-20/6911/185
10	Mr. Nikhil Goel	AGEPG2557L	Order/SR/PP/2019-20/6912/186
11	Dr. Deepali Gupta	ABNPG6225H	Order/SR/PP/2019-20/6913/187
12	Mr. Manmohan Lal Sarin	ADYPS3623C	Order/SR/PP/2019-20/6914/188
13	Mr. Balwan Bansal	AJMPB6817B	Order/SR/PP/2019-20/6915/189
14	Mr. Jagjit Singh Chahal	ABLPC5845M	Order/SR/PP/2019-20/6916/190
15	Ms. Vandana Singhla	ANJPS6348B	Order/SR/PP/2019-20/6917/191

In the matter of Parabolic Drugs Limited

FACTS OF THE CASE IN BRIEF

1. A Department (**OD**) of Securities and Exchange Board of India (hereinafter referred to as the **SEBI**) conducted an investigation regarding trading activities in the scrip of Parabolic Drugs Limited (hereinafter referred to as '**PDL**' / '**Company**') for the period from October 13, 2012 to November 11, 2012 (hereinafter referred to as **Investigation Period**). The company was listed on Bombay Stock Exchange (**BSE**) and National Stock Exchange

(**NSE**) during the investigation period. During the course of investigation it was observed by OD that Parabolic Drugs Limited (**Noticee 1**), Mr. Anil Kumar (**Noticee 2**), Mr. Inder Bir Singh Passi (**Noticee 3**), Mr. Pranav Gupta (**Noticee 4**), Mr. Vineet Gupta (**Noticee 5**), Mr. Gurpreet Singh Sndhu (**Noticee 6**), Dr. Ram Kumar (**Noticee 7**), Mr. Arun Mathur (**Noticee 8**), Mr. Pardeep Diwan (**Noticee 9**), Mr. Nikhil Goel (**Noticee 10**), Dr. Deepali Gupta (**Noticee 11**), Mr. Manmohan Lal Sarin (**Noticee 12**), Mr. Balwan Bansal (**Noticee 13**), Mr. Jagjit Singh Chahal (**Noticee 14**), Ms. Vandana Singhla (**Noticee 15**) have violated the provisions of regulation 12(1) read with clause 1.2 of Part A of Schedule I of SEBI (Prohibition of Insider Trading) Regulations, 1992 (in short **PIT Regulations, 1992**) read with regulation 12 of SEBI (Prohibition of Insider Trading) Regulations, 2015 (in short **PIT Regulations, 2015**). Based on the said examination, OD of SEBI initiated adjudication proceedings against Noticee 1 to 15 (hereinafter collectively referred to as **Noticees**), to inquire into and adjudge under section 15HB of the Securities and Exchange Board of India Act, 1992 (in short **the SEBI Act**) for alleged violations of provisions under regulation 12(1) read with clause 1.2 of Part A of Schedule I of PIT Regulations, 1992 read with regulation 12 of PIT Regulations, 2015, and being satisfied that there are sufficient grounds to inquire into and adjudicate upon, the competent authority approved appointment of Adjudicating Officer.

APPOINTMENT OF ADJUDICATING OFFICER

2. SEBI appointed Shri Nagendraa Parakh as the adjudicating officer (in short **AO**) and his appointment was communicated vide communique dated December 16, 2016. Subsequently, matter was transferred and Ms. Sangeeta Rathod (undersigned) was appointed AO in this matter. The appointment of undersigned as AO was communicated vide order dated July 10, 2017 under section 15-I of the SEBI Act r/w rule 3 of the

Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (in short **AO Rules**) to inquire into and adjudge under section 15HB of the SEBI Act, the said alleged violations of provisions of PIT Regulations, 1992 by the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. A Show Cause Notice (**SCN**) dated January 16, 2017 was issued to the Noticees in terms of rule 4 of the AO Rules requiring the Noticees to show cause as to why an inquiry should not be held against them for the alleged violations as detailed in the SCN. Allegations in the SCN are as under-

(a) It is observed that the following persons were the members of the Board of Directors and compliance officers of the Noticee 1 i.e. Parabolic Drugs Ltd. from the period of its listing on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) till financial year 2014-2015 i.e. from July 01, 2010 to March 31, 2015.

Sl.no.	Name	PAN	Designation	Status
	Directors			
1	Inder Bir Singh Passi	AASPP9160E	Chairman, Non Executive & Independent Director	Ceased to be Director and Chairman of the Board w.e.f. November 20, 2012
2	Pranav Gupta	ABLPG9568R	Chairman and Managing Director	Appointed as Chairman of the Board w.e.f. February 13, 2013
3	Vineet Gupta	ABTPG0949G	Wholetime Director	-
4	Gurpreet Singh Sandhu	AGOPS2763G	Wholetime Director (Business Promotion)	Appointed as an Additional director w.e.f. November 08, 2010 Ceased to be Director w.e.f. February 01, 2013
5	Dr. Ram Kumar	ABCPK2614H	Non Executive & Independent Director	Ceased to be Director w.e.f. August 06, 2013
6	Arun Mathur	AAVPM2092B	Non Executive & Independent Director	-
7	Pardeep Diwan	AAKPD4360Q	Non Executive Independent Director	Retired by rotation from the Directorship w.e.f. September 29, 2011
8	Nikhil Goel	AGEPG2557L	Non Executive & Independent Director	Appointed as Additional Director w.e.f. November 08, 2010 Ceased to be director w.e.f. August 12, 2014
9	Dr. Deepali Gupta	ABNPG6225H	Director	Resigned w.e.f. November 08, 2010
10	Manmohan Lal Sarin	ADYPS3623C	Non Executive & Independent Director	Appointed as a Director of the company liable to retire by

Sl.no.	Name	PAN	Designation	Status
				rotation w.e.f. September 29, 2011. Ceased to be Director w.e.f. October 18, 2012
11	Balwan Bansal	AJMPB6817B	Non Executive & Independent Director	Appointed as Director w.e.f. November 28, 2012 Ceased to be director w.e.f. 12-02-2015
12	Jagjit Singh Chahal	ABLPC5845M	Non Executive Independent Director	Appointed w.e.f. August 14, 2014
13	Vandana Singla	ANJPS6348B	Non Executive Independent Director	Appointed w.e.f. November 14, 2014
	Compliance Officer(s)			
1	Anil Kumar	BGVPK4257Q	-	During FY 2010-11
2	Vipin Gupta	ABZPG5029P	-	During FYs 2011-12 to 2014-15

(b) The Model Code of Conduct for Prevention of Insider Trading for Listed Companies was mandated in the SEBI (PIT) Regulations, 1992 through an amendment in the year 2002. Therefore, every listed companies had to frame a code of internal procedures and Conduct as near thereto the Model Code specified in Schedule I of the SEBI (PIT) Regulations, 1992. The Noticee 1 vide its email dated August 05, 2016 enclosed as Annexure B to the SCN had provided a certified copy of Code of Conduct along with relevant extract of the meeting of the Board of Directors held on May 30, 2014 adopting the said code of conduct. It is observed from the copy of the code of conduct provided by the Noticee 1 that the same was not framed as near thereto the Model Code of Conduct specified under Regulation 12(1) read with Schedule I of Part A of SEBI (PIT) Regulations, 1992. Further, the Noticee's letter dated May 30, 2014 to BSE enclosed as Annexure C to the SCN communicating the outcome of the Board Meeting held on May 30, 2014 was obtained from BSE wherein it was observed that no such code of conduct was approved in the said Board Meeting held on May 30, 2014.

(c) In view of the above, it is alleged that the company Parabolic Drugs Ltd. (Noticee no.1) has failed to adopt appropriate mechanisms and procedures to frame and enforce a Code of internal procedures and Conduct as near thereto the Model Code specified in Schedule I of SEBI (PIT) Regulations from the day of its listing on stock exchanges (BSE and NSE) i.e. from July 01, 2010 to March 31, 2015 and therefore the Noticee 1 is alleged to have violated Regulation 12(1) and Clause 1.2 of Part A of Schedule I of the SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015.

(d) Further, the Noticees from 2 to 3 in the capacity of Compliance Officers of the Noticee 1 and the Noticees from 3 to 16 in the capacity of members of Board of Directors of the Noticee 1 have also failed to adopt appropriate mechanisms and procedures to frame and enforce a Code of internal procedures and Conduct as near thereto the Model Code specified in Schedule I of SEBI (PIT) Regulations from the day of its listing on stock exchanges (BSE and NSE) i.e. from July 01, 2010 to March 31, 2015 and therefore the Noticees 3 to 16 are alleged to have violated Regulation 12(1) and Clause 1.2 of Part A of Schedule I of the SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015.

- (e) The text of the provisions of Regulations 12(1) and read with Clause 1.2 of Part A of Schedule I of SEBI (PIT) Regulations, 1992 are reproduced as under:-

SEBI (PIT) Regulations:

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 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

1.0 Compliance Officer

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.

- (f) *The alleged violations of the aforesaid provisions, if proved, make you liable to pay the penalty under Section 15HB of the SEBI Act, 1992. You all are, therefore, called upon to show cause as to why an inquiry should not be held against you in terms of Rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act, 1992 and why penalty, if any, should not be imposed on you under Section 15HB of the SEBI Act, 1992.*
- (g) *The provisions of Section 15HB of the SEBI Act, 1992 read as under :-*
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.

4. The SCN was sent to the Noticees through speed post acknowledgement due (SPAD) and the following record of delivery is on record-

Sr. No.	Name of the Entity	Address at which delivery attempted as per Adjudication Rules, 1995	Status and Mode of delivery of SCN
1	Parabolic Drugs Limited	S.C.O 99-100, Top Floor, Sector 17 B, Chandigarh	SCN sent through SPAD (Envelope not return)
2	Mr. Anil Kumar	C/O Mrs Amita Rani, L.T Government Senior, Secondary School Dada Siba, Tehsil Jaswan, Dist. Kangra, Himachal Pradesh	SCN sent through SPAD (Envelope not return)
3	Mr. Inder Bir Singh Passi	House no.381, Sector 38/A, Chandigarh	SCN sent through SPAD (Envelope not return)
4	Mr. Pranav Gupta	House no. 230, Sector-6, Panchkula, Haryana	SCN sent through SPAD (Envelope not return)
5	Mr. Vineet Gupta	A-130, New Friends Colony, Second Floor, New Delhi-110065	SCN delivered through SPAD
6	Mr. Gurpreet Singh Sndhu	S-127, Ground Floor, Panchsheel Park, New Delhi	SCN sent through SPAD undelivered, having remarks by postal department "Left without address".
7	Dr. Ram Kumar	House no. 232, Sector 16 A, Chandigarh	SCN sent through SPAD (Envelope not return)
8	Mr. Arun Mathur	House no. 3227, Sector 15-D, Chandigarh	SCN sent through SPAD undelivered, having remarks by postal department "Left".
9	Mr. Pardeep Diwan	House no. 1048, First Floor, Sector 18-C, Chandigarh	SCN sent through SPAD undelivered, having remarks by postal department "left".
10	Mr. Nikhil Goel	House no. 3135, Sector 21-D, Chandigarh	SCN sent through SPAD (Envelope not return)
11	Dr. Deepali Gupta	House no. 230, Sector – 6, Panchkula, Haryana	SCN sent through SPAD (Envelope not return)
12	Mr. Manmohan Lal Sarin	Kothi no. 48, Sector -4, Chandigarh	SCN delivered through SPAD
13	Mr. Balwan Bansal	House no. 4445/9, Jai Mata Market, Tri Nagar, New Delhi – 110035	SCN delivered through SPAD
14	Mr. Jagjit Singh Chahal	House no. 3865, Sector 22-D, Chandigarh – 160022	SCN sent through SPAD undelivered, having remarks by postal department "Left".
15	Ms. Vandana Singhla	B-XX-1373, Krishna Nagar, Civil Lines, Ludhiana- 141001, Punjab	SCN sent through SPAD undelivered having remarks by postal department "Left"

5. Vide letter dated May 12, 2017 authorized representative (**AR**) informed that his nine clients viz. Noticee no. 1, 2, 3, 4, 5, 7, 11, 14 and 15 have filed consent application for settlement of adjudication proceedings. Subsequently, on September 06, 2018 Settlement Division of SEBI informed that the consent application by said nine applicants are rejected.

6. Vide letter dated December 14, 2017 corrigendum to the SCN dated January 16, 2017 was issued to Anil Kumar (Noticee 2) stated that-

"It is noted that in paragraph number 5 of the said Show Cause Notice, due to the typographical error, Noticee 2 (you) is missed out while alleging the violations of Regulation 12(1) and Clause 1.2 of Part A of Schedule I of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015. In View of this, the paragraph number 5 of the said SCN shall now be read as under: "Further, the Noticees from 2 to 3 in the capacity of Compliance Officers of the Noticee 1 and the Noticees from 3 to 16 in the capacity of members of Board of Directors of the Noticee 1 have also failed to adopt appropriate mechanisms and procedures to frame and enforce a Code of internal procedures and Conduct as near thereto the Model Code specified in Schedule I of SEBI (PIT) Regulations from the day of its listing on stock exchanges (BSE and NSE) i.e from July 01, 2010 to March 31, 2015 and therefore the Noticees 2 to 16 are alleged to have violated Regulation 12(1) and Clause 1.2 of Part A of Schedule I of the SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015."

7. Vide letter dated July 26, 2018 corrigendum to the SCN dated January 16, 2017 was issued to the Noticees stated that-

- A. *The sentence "It is observed from the copy of the code of conduct provided by the Noticee 1 that the same was not framed as near thereto the Model Code of Conduct specified under Regulation 12(1) read with Schedule I of Part A of SEBI (PIT) Regulations, 1992" in paragraph 3 of the said SCN shall stand deleted from the said SCN. Further, the words "as near thereto the Model Code specified in Schedule I of SEBI (PIT) Regulations" appearing in paragraph numbers 4 and 5 of the said SCN shall stand deleted from the said SCN.*
- B. *In view of this, the paragraph numbers 3, 4 and 5 of the said SCN shall now be read as under:*
- "3. The Model Code of Conduct for Prevention of Insider Trading for Listed Companies was mandated in the SEBI (PIT) Regulations, 1992 through an amendment in the year 2002. Therefore, every listed companies had to frame a code of internal procedures and Conduct as near thereto the Model Code specified in Schedule I of the SEBI (PIT) Regulations, 1992. The Noticee 1 vide its email dated August 05, 2016 (Annexure B) had provided a certified copy of Code of Conduct along with relevant extract of the meeting of the Board of Directors held on May 30, 2014 adopting the said code of conduct. Further, the Noticee's letter dated May 30, 2014 to BSE (Annexure C) communicating the outcome of the Board Meeting held on May 30, 2014 was obtained from BSE wherein it was observed that no such code of conduct was approved in the said Board Meeting held on May 30, 2014.*
- 4. In view of the above, it is alleged that the company Parabolic Drugs Ltd. (Noticee no.1) has failed to adopt appropriate mechanisms and procedures to frame and enforce a Code of internal procedures and Conduct from the day of its listing on stock exchanges (BSE and NSE) i.e. from July 01, 2010 to March 31, 2015 and therefore the Noticee 1 is alleged to have violated Regulation 12(1) and Clause 1.2 of Part A of Schedule I of the SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015.*
- 5. Further, the Noticees from 2 to 3 in the capacity of Compliance Officers of the Noticee 1 and the Noticees from 4 to 16 in the capacity of members of Board of Directors of the Noticee 1 have also failed to adopt appropriate mechanisms and procedures to frame and enforce a Code of internal procedures and Conduct from the day of its listing on stock exchanges (BSE and NSE) i.e. from July 01, 2010 to March 31, 2015 and therefore the Noticees 2 to 16 are alleged to have violated Regulation 12(1) and Clause 1.2 of Part A of Schedule I of the SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015".*

The other contents of the said SCN shall stand as it is.

8. Reply of Noticee no. 12

Noticee 12 vide his letter dated August 05, 2017 stated that-

- (a) I was an independent director of PDL for the limited period between September 29, 2011 and October 18, 2012. I was not part of any sub-committees of the Board of PDL. During my tenure as an independent director, the Board of PDL met on four occasions- November 12, 2011, February 11, 2012, May 12, 2012 and August 14, 2012. I was unable to make time to attend beyond just one Board meeting on November 12, 2011. Consequently, I resigned from the Board of PDL.*
- (b) As an independent director, I was not involved in the day management of PDL. The Board meeting on November 12, 2011, the only one I attended, did not entail any discussion whatsoever on matters relating to compliance with the 1992 PIT Regulations. Copies of minutes of the said board meeting held on November 12, 2011 are attached.*
- (c) Therefore, I cannot be held liable for any acts, omissions or decisions of the Board of PDL. This common law principle has been codified under Section 149 of the Companies Act, 2013. In fact, SEBI has also in the SEBI (Listing Obligations and Disclosure Requirements), codified the scope of an independent director's responsibility. Regulation 25(5) of the LODR Regulations provide as under: "An independent director shall be held liable, only in respect of such acts of omission or commission by the listed entity which had occurred with his knowledge, attributable through processes of board of directors, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in these regulations."*
- (d) During the time of my appointment as an independent director, Mr. Vipin Gupta, the compliance officer of PDL at the time, was in charge of the compliance by PDL. I had no reason to suspect any of the alleged non-compliance with the 1992 PIT Regulations.*
- (e) Further during the only board meeting attended by me, no issues even remotely relating to Code of Conduct was discussed by the Board of Directors. Even in the other Board meetings for which I had received the agenda papers, there was nothing on the agenda in relation to the Code of Conduct or for that matter any compliance-related issues with the 1992 PIT regulations. Therefore, I had no reason to even discuss the 1992 PIT Regulations and any implications for PDL at such Board Meeting.*
- (f) Apart from Board meeting, at no time did the Compliance Officer of PDL provide any monthly reports or make disclosures to the Board on dealings by insiders in the securities of a company. Had such disclosures been made, I would have had the occasion to ascertain and verify if their dealings were in accordance with the Model Code and the status of its implementation.*
- (g) SEBI had the past exonerated independent directors of listed companies for failure to ensure that their company adopted an amended Code of Conduct under the 1992 PIT Regulations. Even where the independent director in question was aware that the Code of Conduct was not amended. In an order dated September 30, 2013 passed by the Hon'ble Adjudicating Officer of SEBI in respect of Pradip Kumar Khaitan in the matter of Suzlon Energy Limited, the Hon'ble Adjudicating Officer ruled that: "21. Thus the role of director and the responsibilities attached to that position in a listed company cannot be underestimated. Even though the Noticee was a Non-executive Independent Director of the Company and not involved in day to day management, it was expected from him to oversee the functioning of the company. As the Noticee was not present in any of the four Board Meetings dealing with the issue of change in the code of conduct, it would be difficult for the Noticee to monitor this issue. Although the*

entire Board of the company is responsible for the delay of over 2 years in the implementation of the code of conduct, it would be difficult to attribute the said delay in the noticee. Thus, I am of the opinion that the Noticee can be given benefit of doubt for the delay caused in implantation of code of conduct by suzlon. 22. In view of the above observations, findings and material on record I conclude that the allegation of violation of Clause 1.2 of Model code of Conduct in Part A, Schedule I Provided under Regulation 12(I) of the PIT Regulations by the Noticee is not proved”.

9. Reply of Noticee no. 1, 2, 3, 4, 5, 7, 11, 14 and 15

AR vide his letter dated June 27, 2017 interalia submitted as under-

- (a) We also refer to our letter dated February 6, 2017 seeking inspection of documents on behalf of our clients and the proceedings during the inspection granted to our clients on March 14, 2017.
- (b) Noticee No. 1 first adopted a Code of Conduct for prevention of Insider trading in the meeting of its Board of Directors held on July 20, 2010. A copy of the agenda for the said meeting and the minutes of the said meeting are annexed
- (c) After the shares of Noticee No.1 were listed on the BSE and NSE, the Insider trading Regulations, 1992 were amended in 2011 and 2015. In order to incorporate the changes made in the Insider Trading Regulations and changes in corporate governance practices, we amended the Code of Conduct and the Code of Conduct adopted and approved by the Board of Directors on May 30, 2014 was one such instance. A copy of the complete Agenda for the Board Meeting dated May 30, 2014 circulated by the Noticee No. 1, is enclosed herewith and marked as Annexure B and Minutes of Meeting along with all Resolutions passed in the said board meeting, a copy of which is enclosed herewith and marked as Annexure C. It was due to an oversight that the adoption of the Code of Conduct at the said meeting was not included in the letter to the BSE. Unfortunately, after the said resolution was passed Mr. Vipin Gupta who looking after the compliance work expired on July 31, 2015 and therefore, Noticee No. 1 is unable to ascertain the reason for this oversight. A copy of the death certificate of Mr. Vipin Gupta is enclosed.
- (d) The Noticee no.1 came to know about the fact that the said Board resolution adopting the Model Code of Conduct not communicated to the BSE/NSE for the first time, only after receiving the said Noticee.
- (e) It may be noted that the disclosure of information pertaining to outcome of board meetings to stock exchanges by listed entities was governed by Clause 36 of the Listing Agreement at the relevant period and is presently governed by Regulation 30 read with Schedule III of SEBI (listing Obligations and Disclosure Requirements) Regulations, 2015(hereinafter “LODR”) Disclosure regarding adoption of the Code of Conduct under Regulation 12 of the Insider Regulations was/is not mandatory under Clause 36 of the Listing Agreement and Regulation 30 of LODR.
- (f) Furthermore, the said Noticee does not specify how and in what manner the Code of Conduct adopted by Noticee No. 1 is different from the Model Code of Conduct and even if so, how such a difference was prejudicial to the interests of investors.
- (g) It is submitted that the benefit of the doubt ought to be given to the Noticees and they may not be held to have violated Regulation 12(1) and Clause 1.2 of Part A of Schedule -1 of the Insider Trading regulation, 1992 Furthermore, since Noticee No.1 has already adopted a Code of Conduct for prevention of Insider trading, it is apparent that they are in compliance with the provisions of the Insider Trading Regulations, 2015.

- (h) *Some of the Noticees are Non-Executive Independent Directors viz (a) Inder Bir Singh Passi (Noticee No.4), (b) Dr. Ram Kumar (Noticee No.8), (c) Mr. Jagjit Singh Chahal (Noticee No.15) and (d) Ms. Vandana Singhla (Noticee no.16). it may be noted that the Non-Executive Independent Directors had nothing to do with the day to day management of Noticee No.1 or its affairs or any of its departments; they had no control over or knowledge of the day to day working and management of the affairs of the Company nor were they in charge of or responsible to the Company for the conduct of its day to-day business in any manner whatsoever. As non-Executive Independent Directors, they used to participate, whenever possible, in the meeting of the board of directors of the Company. They had nothing to do with any of the alleged activities or violation which are the subject matter of the aforesaid Notice. Consequently, they did not have any knowledge of the alleged contravention.*
- (i) *It is well settled law laid down by various High Court that only when it is established that a director was actually responsible for the affairs of the Company than a director can be said to be liable and not otherwise. In order to be make vicariously liable, the person must be shown to have been a person who was in charge of or was responsible to the Company for the conduct of the business of the Company. In view thereof, the aforesaid Non-Executive Independent Directors cannot be held for any contravention as alleged in the Notice.*

10. Hearing notices dated October 03, 2019 granting an opportunity of hearing on October 17, 2019 were issued to the Noticees through speed post acknowledgment due (**SPAD**). Hearing notices sent to Noticees were served upon all the Noticees except Noticee 6 and 8. Authorised Representatives (**AR**) of Noticee 1, 2, 3, 4, 5, 7, 11, 12, 14 and 15 requested for postponement of hearing to another date. Accordingly, another opportunity of hearing was granted to Noticee 1, 2, 3, 4, 5, 7, 11, 12, 14 and 15 on November 26, 2019 vide hearing notice dated November 06, 2019 sent through SPAD. Hearing notice sent to Noticee 6 and 8 returned undelivered with the comments 'left'. Noticee 9, 10 and 13 neither filed any reply to the SCN nor reverted to the hearing notices. Accordingly, another attempt to serve the SCN and hearing notice upon the Noticee 6, 8, 9, 10 and 13 was made by way of publication in terms of Rule 7(d) of the AO Rules and the paper clippings is on record. The Noticee 6, 8, 9, 10 and 13 were advised to file their reply to the SCN and were also provided with an opportunity of hearing on November 27, 2019. Newspaper publication were released on November 13, 2019 in the newspapers detailed here under-

Sr. No.	Name of Entity	Name of the newspaper	Newspaper date	Language	Edition
1.	Mr. Gurpreet Singh Sndhu	The Times of India New Delhi	November 13, 2019	English	Delhi
		Navbharat Times	November 13, 2019	Hindi	
2.	Mr. Balwan Bansal	The Times of India New Delhi	November 13, 2019	English	Delhi
		Navbharat Times	November 13, 2019	Hindi	
3.	Mr. Arun Mathur	The Times of India Chandigarh	November 13, 2019	English	Chandigarh
		Dainik Jagaran	November 13, 2019	Hindi	
		Ajit	November 13, 2019	Local Punjabi	
4.	Mr. Pardeep Diwan	The Times of India Chandigarh	November 13, 2019	English	Chandigarh
		Dainik Jagaran	November 13, 2019	Hindi	
		Ajit	November 13, 2019	Local Punjabi	
5.	Mr. Nikhil Goel	The Times of India Chandigarh	November 13, 2019	English	Chandigarh
		Dainik Jagaran	November 13, 2019	Hindi	
		Ajit	November 13, 2019	Local Punjabi	

However, Noticee 6, 8, 9, 10 and 13 has neither filed a reply to the SCN nor availed of opportunity of hearing fixed on the stipulated date. In view of the above reasons, I am compelled to proceed further in the matter on the basis of facts/material available on record.

11. As stated above, sufficient opportunities to submit reply and appear in personal hearing have been given to the Noticee 6, 8, 9, 10 and 13, none of which were availed by them. Therefore, I find it pertinent to refer to the judgment dated December 08, 2006 of Hon'ble Securities Appellate Tribunal in the matter of Classic Credit Ltd. v SEBI (Appeal No. 68 of 2003) wherein, it observed, "... the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them". I also observe that the Hon'ble Securities Appellate Tribunal in the matter of Sanjay Kumar Tayal & Ors. v SEBI (Appeal 68 of 2013 dated February 11, 2014) had inter alia observed that, "...As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed

reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices...” Thus, I am of the view that the allegations levelled in the SCN and the evidences enclosed therewith are not in dispute in absence of any reply from the Noticee 6, 8, 9, 10 and 13.

12. AR appeared for hearing on the specified date on behalf of ten clients viz. Noticee 1, 2, 3, 4, 5, 7, 11, 12, 14 and 15. During the course of hearing AR reiterated the submissions made by his clients viz. Noticee 1, 2, 3, 4, 5, 7, 11, 12, 14 and 15 vide letter dated June 27, 2017 and Noticee 12 vide letter dated August 05, 2017. AR submitted copies of master circular on prosecution of Directors issued by MCA and SAT Judgment dated September 16, 2019 in the matter of Dr. Uppal Devinder Kumar vs. SEBI. AR requested time for filing additional submissions. Acceding to their request AR was given time for additional submissions till December 06, 2019.
13. After taking into account, the allegations levelled in the SCN, and other evidences / material available on record, I hereby proceed to decide the case on merit.

CONSIDERATION OF ISSUES, EVIDENCES AND FINDINGS

a. Whether the Noticees have violated the provisions of clause 1.2 of the model code of conduct for prevention of insider trading read with regulation 12(1) of the PIT Regulations, 1992 and regulation 12(2) of the PIT Regulations, 2015?

- b. Do the violations, if any, on the part of the Noticees attract monetary penalty under section 15HB of SEBI Act for the alleged violations by the Noticees?***
- c. If yes, then what would be the monetary penalty that can be imposed upon the Noticees, taking into consideration the factors mentioned in section 15J of the SEBI Act r/w rule 5(2) of the AO Rules?***

14. Before proceeding further, I would like to refer to the relevant provisions:

PIT Regulations, 1992

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 dealing 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 1 of these Regulations 4 without diluting it in any manner and ensure compliance of the same.

SCHEDULE I [Under regulation 12(1)] 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.*

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.

PIT Regulations, 2015

Repeal and Savings

12. (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.

15. Issue a: Whether the Noticees have violated the provisions of clause 1.2 of the model code of conduct for prevention of insider trading read with regulation 12(1) of the PIT Regulations, 1992 and regulation 12(2) of the PIT Regulations, 2015?

a. I find that the allegations against the Noticees are that the code of conduct of PDL is not as near thereto the model code of conduct prescribed under PIT Regulations, 1992 and thus Noticee 1 is alleged to have violated clause 1.2 of the model code of conduct read with regulation 12(1) of PIT Regulations, 1992 and regulation 12(2) of the PIT Regulations, 2015. Further, the Noticee 2 in the capacity of Compliance Officer of PDL and the Noticee 3 to 15 in the capacity of members of Board of Directors of PDL have also failed to adopt appropriate mechanisms and procedures to frame and enforce a code of internal procedures and conduct from the day of its listing on stock exchanges (BSE and NSE) i.e. from July 01, 2010 to March 31, 2015. Therefore, the Noticee 2 to 15 are alleged to have violated regulation 12(1)

and clause 1.2 of Part A of Schedule I of the PIT Regulations, 1992 read with regulation 12(2) of PIT Regulations, 2015.

b. Regulation 12(1) of PIT Regulations 1992 deals with code of internal procedures and conduct for listed companies and other entities. The regulations require such entities to frame a code of internal procedures and conduct as near thereto the Model Code as specified in Schedule I of said Regulations. Clause 1.2 of Code of Conduct specified under Part A of Schedule I of the PIT Regulations, 1992 states that 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, monitoring of trades and the implementation of the code of conduct under the overall supervision of the Board of the listed company.

c. I observe that Noticee 1 has submitted a certified copy of the code of conduct for prevention of insider trading vide email dated August 05, 2016. From perusal of the said certified copy on record and from the record made available by OD, there is no deviation evident of the code of conduct adopted by Noticee 1 from the model code of conduct. Further, from the record available, I do not find any instance of non-monitoring of trades or non-implementation of the code of conduct in the instant matter.

16. In view of all of the above, the allegations levelled in the said SCN against the Noticees do not stand established. Thus, issue (b) and (c) do not need consideration.

ORDER

17. In view of the above paragraphs, I hereby dispose of the adjudication proceedings initiated against the Noticees vide SCN dated January 16, 2017 without imposing any monetary penalty.
18. Copies of this Adjudication Order is being sent to the Noticees and also to SEBI in terms of rule 6 of the AO Rules, 1995.

Date: February 26, 2020

Place: Mumbai

SANGEETA RATHOD

ADJUDICATING OFFICER