

BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. ASK/RGA/AO/36/2014]

UNDER SECTION 15-I OF 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

Mr. Kishore Krishn Patki

(Pan No. Not Available)

In the matter of

M/s Inventure Growth & Securities Ltd.

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted an examination into the alleged irregularity in the trading in the shares of Inventure Growth & Securities Ltd. (hereinafter referred to as '**IGSL**') and into possible violation of the provisions of SEBI Act and various rules and regulations made there under for the period from August 04, 2011 to July 05, 2012.

2. The examination inter-alia revealed that the shares of IGSL are listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange Limited (NSE). Mr. Kishore Krishn Patki (hereinafter referred to as 'Noticee'), one of the directors of IGSL had violated provisions of regulation 13(4) read with 13(5) of SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as '**PIT Regulations, 1992**') and clause 4.2 of Model Code of Conduct specified in Part A of Schedule I read with regulation 12(1) of PIT Regulations, 1992.

APPOINTMENT OF ADJUDICATING OFFICER

3. The undersigned was appointed as Adjudicating Officer vide order dated February 17, 2014 under section 15 I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalty by Adjudicating Officer) Rules, 1995 (hereinafter referred to as the '**Rules**') to inquire into and adjudge under section 15A (b) for the alleged violation of regulation 13(4) read with 13(5) of PIT Regulations, 1992 and section 15HB of the SEBI Act for the alleged violation of clause 4.2 of Model Code of Conduct specified in Part A of Schedule I read with regulation 12(1) of PIT Regulations, 1992 .

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. Show Cause Notice No. ASK/RGA/11607/2014 dated April 22, 2014 (hereinafter referred to as '**SCN**') was issued to the Noticee under rule 4(1) of the Rules to show cause as to why an inquiry should not be initiated and penalty be not imposed under section

15A (b) and 15HB of the SEBI Act for the alleged violation specified in the SCN.

5. It was alleged in the SCN that Noticee had violated of regulation 13(4) read with 13(5) of PIT Regulations, 1992 and clause 4.2 of Model Code of Conduct specified in Part A of Schedule I read with regulation 12(1) of PIT Regulations, 1992 .
6. Vide letter dated April 30, 2014, Noticee filed a reply to the SCN. In the interest of natural justice and in order to conduct an inquiry in terms of rule 4(3) of the Rules, the Noticee was granted an opportunity of personal hearing on May 26, 2014 vide notice dated May 12, 2014. The said hearing notice was delivered to and acknowledged by the Noticee. However, the Noticee did not appear for the hearing. The salient points of submissions of Noticee in its letter dated April 30, 2014 are as follows:
 - Appointed as Additional Director in IGSL on September 15, 2012.(Copy of Form No. 32 filed with ROC enclosed)
 - Designated to the post of whole time director on September 20, 2012.
 - Resigned as director w.e.f. May 17, 2013.
 - Not traded in the scrip of IGSL after being appointed as a director and therefore not liable to make disclosure under PIT Regulations, 1992.

CONSIDERATION OF ISSUES AND FINDINGS

7. I have carefully perused the written submissions of the Noticee and the documents available on record. The issues that arise for consideration in the present case are :

- a. Whether the Noticee had violated the provisions of regulation 13(4) read with 13(5) of PIT Regulations, 1992 and clause 4.2 of Model Code of Conduct specified in Part A of Schedule I read with regulation 12(1) of PIT Regulations, 1992?
 - b. Does the violation, if any, attract monetary penalty under section 15A (b) and section 15HB of SEBI Act?
 - c. If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15J of SEBI Act?
8. Before moving forward, it is pertinent to refer to the relevant provisions of PIT Regulations, 1992 which reads as under:-

SEBI (Prohibition of Insider Trading) 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 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 45 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

4.2 All directors/ officers/ designated employees who buy or sell any number of shares of the company shall not enter into an opposite transaction i.e. sell or buy any number of shares during the next six months following the prior transaction. All directors/ officers/ designated employees shall also not take positions in derivative transactions in the shares of the company at any time.

Disclosure of interest or holding by directors and officers and substantial shareholders in listed companies - Initial Disclosure.

13. (1)

(2)

(3).....

(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.

(4A)

(5) The disclosure mentioned in sub-regulations (3) and (4) and (4A) shall be made within 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.

Finding

The issues for examination in this case and the findings thereon are as follows:

(a) Whether the Noticee had violated the provisions of regulation 13(4) read with 13(5) of PIT Regulations, 1992 and clause 4.2 of Model Code of Conduct specified in Part A of Schedule I read with regulation 12(1) of PIT Regulations, 1992 ?

9. It was observed during examination that

- Noticee was a director of IGSL
- Noticee had traded in the scrip with Gross Buy quantity of 730969 shares and Gross Sale quantity of 735904 shares,

during the period of examination i.e. from August 04, 2011 to July 05, 2012

- Noticee had entered into opposite transactions within six months following the prior transaction.
- Noticee's shareholding had changed by more than 25000 shares at many instances.

10. Based on the above, it was alleged in the SCN that the Noticee, being a director had entered into opposite transactions within six months following the prior transaction and has thus violated clause 4.2 of Model Code of Conduct specified in Part A of Schedule I read with regulation 12(1) of PIT Regulations, 1992.
11. It was also alleged in the SCN that since the Noticee was a director and that change in Noticee's shareholding exceeded the bench limit of 25000 shares as specified under regulation 13(4) of PIT Regulations, 1992, Noticee was required to disclose his shareholding to the company i.e. IGSL and the stock exchange i.e. BSE and NSE within two days from the date of such acquisition or sale of shares , but failed to do so thereby violated the provisions of regulation 13(4) read with regulation 13(5) of PIT Regulations, 1992.
12. Noticee in his reply has submitted that he was appointed as director of IGSL on September 15, 2012. He was designated to the post of whole time director on September 20, 2012 and he resigned as director w.e.f. May 17, 2013. Noticee also submitted that he has not traded in the scrip of IGSL after being appointed as a director and therefore not liable to make disclosure under PIT Regulations, 1992.

13. Upon careful submissions of the documents available on record and the reply of the Noticee, I find that the Noticee traded from August 04, 2011 to July 05, 2012. I also find from the reply of the Noticee that he was appointed as the director of IGSL on September 15, 2012 and was not a director during the relevant period when he traded in the scrip. Since the Noticee was not a director during the relevant period, the provisions of regulation 13(4) read with 13(5) of PIT Regulations, 1992 and clause 4.2 of Model Code of Conduct specified in Part A of Schedule I read with regulation 12(1) of PIT Regulations, 1992 are not attracted. Therefore, I find no merit in the allegations made against the Noticee in the SCN.

ORDER

14. In view of the foregoing, the alleged violation of the provisions of PIT Regulations, 1992 by the Noticee, as specified in the SCN dated April 22, 2014, does not stand established and the matter is, accordingly, disposed of.
15. In terms of rule 6 of the Rules, copies of this order are sent to the Noticee and also to the Securities and Exchange Board of India.

DATE: JUNE 27, 2014

PLACE: MUMBAI

A. SUNIL KUMAR

ADJUDICATING OFFICER