

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: ORDER/PM/RR/2019-20/7064)**

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

In respect of:

Sethi Ravi Praduman (PAN: ANBPS5751L)

**In the matter of Alexander Stamps and Coin Limited (formerly known as Rudraksh
Cap Tech Limited)**

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted an investigation in the scrip of Alexander Stamps and Coin Limited (formerly known as Rudraksh Cap Tech Limited) (hereinafter referred to as "the Company") during September 1, 2014 to July 31, 2015 (hereinafter referred to as "investigation period") and had observed violation of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of SEBI (Prevention of Insider Trading) Regulations, 1992 (hereinafter referred to as "PIT Regulations, 1992") read with Regulation 12 of SEBI (Prevention of Insider Trading) Regulations, 2015 (hereinafter referred to as "PIT Regulations, 2015") by Sethi Ravi Praduman (hereinafter referred to as "Noticee").

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned has been appointed as Adjudicating Officer, vide Order dated May 16, 2017 (communicated to the Adjudicating Officer vide communique dated June 7, 2017) under Section 15-I of SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as 'Adjudication Rules') to inquire into and adjudge under the provisions of Sections 15HB of the SEBI Act for the alleged

violation of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015 by the Noticee.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. Show Cause Notice dated June 30, 2017 (hereinafter referred to as 'SCN') was served by the undersigned on the Noticee at his latest address available on record. The SCN was issued to the Noticee under the provisions of Rule 4 (1) of the Adjudication Rules, to show cause as to why an inquiry should not be held against the Noticee and why penalty should not be imposed on the Noticee under the provisions of Sections 15HB of the SEBI Act, for the aforesaid alleged violations.
4. Before proceeding further with respect to allegations made in the SCN, it is apposite to note that with effect from February 20, 2002, SEBI made it mandatory for the listed companies to adopt Code of internal procedures and conduct as per SEBI (PIT) Regulations 1992. As per the provisions of Schedule I (Part A) of SEBI (PIT) Regulations, 1992, the Compliance officer shall be responsible for the implementation of Code of conduct under the overall supervision of the Board of the listed company.
5. Facts of the case and allegations made in the SCN:
 - a) SEBI conducted an investigation in the scrip of Alexander Stamps and Coin Limited during September 1, 2014 to July 31, 2015.
 - b) Alexander Stamps and Coin Limited has been listed in BSE since 1994.
 - c) Adoption of Code of internal procedures and conduct for listed companies and other entities was made mandatory by SEBI under SEBI (PIT) Regulations, 1992 with effect from February 20, 2002.
 - d) It was observed that the Company had failed to implement the Code of Conduct as required under aforesaid Regulations.

- e) As per provisions of Schedule I (Part A) of SEBI (PIT) Regulations, 1992, the Compliance officer shall be responsible for the implementation of Code of conduct under the overall supervision of the Board of the listed company.
 - f) The Noticee, being a director of the Company, had failed to ensure the implementation of the Code of Conduct as required under SEBI (PIT) Regulations, 1992. Therefore, the Noticee has been alleged of violation of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015.
6. In response to the SCN, Noticee, vide letter dated August 14, 2017 had submitted his preliminary reply. Summary of Noticee reply is produced below:
- a) *At the outset, I deny all allegations levelled against me in the Notice.*
 - b) *The allegations in the Notice are flowing from the alleged non-formulation/implementation of Code of Conduct as required under the PIT Regulations, 1992 by Alexander Stamps and Coin limited (ASCL). In this context it is submitted that the alleged non-compliance of Code of Conduct by ASCL was a lapse, which should not have occurred. However, ASCL has formulated and implemented Code of Conduct as required under the PIT Regulations, 2015*
 - c) *I became director (Non-executive) of ASCL only on September 10, 2014 and shortly within a period of one month i.e., on October 8, 2014, I resigned as a Director of ASCL. Therefore, for the alleged non formulation of Code of Conduct by ASCL, prior to September 10, 2014, I cannot be held responsible or accountable in any manner. At the highest, I can be held liable for non-formulation of Code of Conduct by ASCL only for the period September 10, 2014 to October 8, 2014.*
 - d) *Allegations pertain to technical and procedural lapses which are venial in nature. The alleged technical lapse was not deliberate and intentional.*
 - e) *As a result of the alleged violations, I have not made any gains or derived any unfair advantage. I am committed to complying with the law and request that the procedural lapses be viewed leniently.*

- f) I have unblemished and impeccable track record. I have not indulged in any manipulative, fraudulent and unfair trade practice.*
- g) Request to provide opportunity for personal hearing be given before any decision is taken in the matter.*
7. In the interest of natural justice and in order to conduct an inquiry in terms of Rule 4(3) of the Adjudication Rules, the request made by the Noticee for granting an opportunity of personal hearing was duly accorded, and vide hearing Notice dated October 12, 2017, the Noticee was granted opportunity of personal hearing on November 9, 2017. The Legal representative of the Noticee attended the said hearing and submitted that the Noticee has filed Settlement Application with SEBI. Subsequently, vide letter dated November 13, 2017, Noticee requested to keep the adjudication proceedings initiated against him in abeyance until the proceedings under settlement is complete. Thereafter, it was observed that the Settlement Application filed by the Noticee was rejected by SEBI. Therefore, vide hearing Notice dated January 8, 2020, the Noticee was granted another opportunity of personal hearing on January 29, 2020. From the material available on record, it is observed that the said hearing Notice was successfully delivered to the Noticee on January 17, 2020. However, the Noticee neither attended the said hearing nor submitted its subsequent reply.
8. Taking into account the aforesaid facts, I am of the view that principles of natural justice have been followed in the matter by granting the Noticee ample opportunities for replying to the SCN and of being heard. Therefore, I deem it appropriate to decide the matter on the basis of facts/material available on record and reply submitted by the Noticee.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

9. I have taken into consideration the facts and material available on record wherein it is alleged that the Noticee has violated Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015.

After perusal of the material available on record and submissions made by the Noticee, I have the following issues for consideration, viz.

- a. *Whether the Noticee has violated the provisions of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015?*
- b. *Does the violation, if any, attract monetary penalty under 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?*

ISSUE I : Whether the Noticee has violated the provisions of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015

10. Before moving forward, it is pertinent to refer to the relevant provisions of SEBI (PIT) Regulations, 1992 and SEBI (PIT) Regulations, 2015 which reads as under:

Relevant provisions of PIT Regulations, 1992:

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

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

.....

shall frame a code of internal procedures and conduct as near thereto the Model Code specified in Schedule I of these Regulations without diluting it in any manner and ensure compliance of the same.

Schedule I (Part A)

Model Code of Conduct for Prevention of Insider Trading for Listed Companies

1.2 The compliance officer shall be responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of "Price Sensitive Information", pre-clearing; of designated employees' and their dependents' trades (directly or through respective department heads as decided by the company), monitoring of trades and the implementation of the code of conduct under the overall supervision of the Board of the listed company.

Relevant provisions of PIT Regulations, 2015:

Repeal and Savings

12. (1) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 are hereby repealed.

(2) Notwithstanding such repeal,—

(a) the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, forfeiture or punishment incurred in respect of any offence committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid, shall remain unaffected as if the repealed regulations had never been repealed; and

(b) anything done or any action taken or purported to have been done or taken including any adjudication, enquiry or investigation commenced or show-cause notice issued under the repealed regulations prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations;

(3) After the repeal of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Board shall be deemed to be a reference to the corresponding provisions of these regulations.

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

- a) SEBI, with effect from February 20, 2002, made it mandatory for the listed companies to adopt Code of internal procedures and conduct as per SEBI (PIT) Regulations 1992. As per the provisions of Schedule I (Part A) of SEBI (PIT) Regulations, 1992, the Compliance officer shall be responsible for the implementation of Code of conduct under the overall supervision of the Board of the listed company.
- b) In view of the above, the Company was required to frame and implement Code of Conduct from February 20, 2002.
- c) However, from the facts of the case, I find that the Company had not framed and implemented Code of Conduct as required under Regulation 12(1) of SEBI (PIT) Regulations, 1992 read with Schedule I, Part A of SEBI (PIT) Regulations, 1992, read with Regulation 12 of SEBI (PIT) Regulations, 2015. The period of said failure by Company was from February 20, 2002 till the Company adopted Code of Conduct under SEBI (PIT) Regulations, 2015.
- d) I find that the Noticee was a Non-executive Director of the Company during September 10, 2014 to October 8, 2014 and was part of Board of Directors of the Company. Therefore, as per the abovementioned provisions, the Noticee was responsible for framing and implementing the Code of Conduct.
- e) Noticee in his reply has stated that he was not involved in any manipulative, fraudulent and unfair trade practices. From the fact of the case, I find that the Noticee has not been alleged of the said violations in the SCN. Therefore, I do not find any merit in the contentions of the Noticee.

- f) From the reply of the Noticee, I observe that the Noticee himself admitted his period of directorship in the Company and has not denied the allegations levelled against him although has submitted some of the mitigating factors for consideration. The Noticee has further, inter-alia, stated that "I can be held liable for non-formulation of Code of Conduct by ASCL only for the period September 10, 2014 to October 8, 2014".
- g) In view of the abovementioned findings, I conclude that the Noticee, during his period of Directorship in the Company, has failed to frame and implement Code of Conduct and thereby violated Regulation 12(1) read with Schedule I, Part A of SEBI (PIT) Regulations, 1992, read with Regulation 12 of SEBI (PIT) Regulations, 2015

ISSUE II: Does the violation, if any, attract monetary penalty under Section 15HB of SEBI Act?

12. As regards the imposition of monetary penalty, I would like to quote the Order of the Hon'ble Supreme Court of India in the matter of Chairman, SEBI vs. Shriram Mutual Fund {[2006] 5 SCC 361} wherein it was held that,

".....the penalty is attracted as soon as contravention of the statutory obligations as contemplated by the Act is established and, therefore, the intention of the parties committing such violation becomes immaterial. Hence,once the contravention is established, then the penalty has to follow and only the quantum of penalty is discretionary."

13. In view of the foregoing, I am convinced that the Noticee is thus liable for monetary penalty under Section 15HB of SEBI Act for violation of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015 during his period of Directorship in the Company.

The text of the said Section is as follows:

15HB. Penalty for contravention where no separate penalty has been provided: *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but may extend to one crore rupees.*

ISSUE III: If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

14. The provisions of Section 15J of the SEBI require that while adjudging the quantum of penalty, the Adjudicating Officer shall have due regard to the following factors namely;

- a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
- b) the amount of loss caused to an investor or group of investors as a result of the default;
- c) the repetitive nature of the default.

15. The material available on record has not quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee and the loss, if any, suffered by the investors as a result of the Noticee's failure. I note that the Noticee, during his period of directorship in the Company, failed to frame and implement the Code of Conduct as required under SEBI (PIT) Regulations, 1992, and thereby has violated the provisions of Regulation 12(1) read with Clause 1.2 of Schedule 1, Part A of PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015.

ORDER

16. In view of the above, after considering all the facts and circumstances of the case and the factors mentioned in the provisions of Section 15-I of the SEBI Act, 1992 read with Rule 5 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, I hereby impose a penalty of Rs. 1,00,000/- (Rupees One Lakh) on Sethi Ravi Praduman in terms of the provisions of Sections 15HB of the Securities and Exchange Board of India Act, 1992. In the facts and circumstances of the case, I am of the view that the said penalty is commensurate with the default committed by the Noticee.

17. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either

Through online payment facility available on the SEBI website www.sebi.gov.in on the following path, by clicking on the payment link

ENFORCEMENT → Orders → Orders of AO → PAY NOW

OR

Through e-payment facility into Bank Account, the details of which are given below:

Bank Name	State Bank of India
Branch	Bandra-Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No.	31465271959

OR

By way of demand draft in favour of “SEBI-Penalties Remittable to Government of India”, payable at Mumbai.

18. The Noticee shall forward the following details / confirmation of penalty so paid to the Chief General Manager, Enforcement Department, SEBI, Mumbai.

1. Case Name :	
2. Name of Payee:	
3. Date of payment:	
4. Amount Paid:	
5. Transaction No:	
6. Bank Details in which payment is made:	
7.Payment is made for:	Penalty

19. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee and also to the Securities and Exchange Board of India.

Date: February 28, 2020

Place: Mumbai

PRASANTA MAHAPATRA

ADJUDICATING OFFICER