

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/KS/VC/2020-21/ 8459-8463]

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) RULES, 1995.

In respect of

- 1. Kavveri Telecom Products Ltd (CIN: L85110KA1996PLC019627)**
- 2. Mr. C S Reddy (PAN: AFKPS1146S)**
- 3. Ms. R H Kasturi (PAN: ADDPK6263D)**
- 4. Mr. L Nicholas (PAN: ABCPN4794R)**
- 5. Ms. Uma Reddy (PAN: AEMPC4963Q)**

In the matter of Kavveri Telecom Products Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation in the scrip of Kavveri Telecom Products Limited (hereinafter referred to as '**Kavveri**' / '**KTPL**' / '**Company**') for the period August 01, 2012 to November 05, 2012 (hereinafter referred to as '**Investigation Period or IP**'). The shares of Kavveri are listed on the National Stock Exchange (hereinafter referred to as '**NSE**') and the Bombay Stock Exchange (hereinafter referred to as '**BSE**').

2. Based on the findings of the investigation, SEBI initiated adjudication proceedings against Kavveri Telecom Products Ltd (hereinafter referred to as **KTPL/Noticee 1**), Mr. C S Reddy (hereinafter referred to **by name or as Noticee 2**), Ms. R H Kasturi (hereinafter referred to **by name or as Noticee 3**), Mr. L Nicholas (hereinafter referred to **by name or as Noticee 4**), Ms. Uma Reddy (hereinafter referred to **by name or as Noticee 5**) and Mr. Sidharth CA for the violations, as applicable, of the provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as '**PIT Regulations, 1992**') and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as '**SAST Regulations, 2011**'). Noticee 1, Noticee 2, Noticee 3, Noticee 4 and Noticee 5 are hereinafter collectively referred to as '**the Noticees**'.
3. The following provisions of PIT Regulations, 1992 and SAST Regulations, 2011 were alleged to have been violated by the above Noticees:

S. No.	Noticee	Provision allegedly violated
1	KTPL	Regulation 13(6) of PIT Regulations, 1992 and Clause 1.2 of Model Code of Conduct contained in Schedule I of Part A read with Regulation 12(1) of PIT Regulations, 1992.
2	C S Reddy	Clause 1.2, 3.3-1, 3.2-2 & 3.2-5 of Model Code of Conduct contained in Schedule I of Part A read with Regulation 12(1) of PIT Regulations, 1992; Regulations 3(i), 13 (3), 13(4), 13(4A) and 13(5) of

		PIT Regulations, 1992; and Regulations 29(2), 29(3), 31(1), 31(2) & 31(3) of SAST Regulations, 2011.
3	R H Kasturi	Clauses 1.2, 3.3-1, 3.2-2, 3.2-5 & 4.2 of Model Code of Conduct contained in Schedule I of Part A read with Regulation 12(1) of PIT Regulations, 1992; Regulation 3(i), 13 (3), 13(4), 13(4A) and (5) of PIT Regulations, 1992; and Regulations 29(2), 29(3), 31(1) & 31(2) of SAST Regulations, 2011.
4	L Nicholas	Clause 1.2 of Model Code of Conduct contained in Schedule I of Part A read with Regulation 12(1) of PIT Regulations, 1992.
5	Uma Reddy	Regulations 31(1) & 31(3) of SAST Regulations, 2011.

APPOINTMENT OF ADJUDICATING OFFICER

4. SEBI appointed Ms. Rachna Anand as the Adjudicating Officer vide communique dated January 22, 2016 under Section 15-I of the SEBI Act, 1992 (hereinafter referred to as '**SEBI Act**') read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under Sections 15A(b), 15G and 15HB of the SEBI Act, the aforesaid alleged violations of PIT Regulations, 1992 and SAST Regulations, 2011 by above Noticees. Subsequently, Shri Jeevan Sonparote was appointed as the Adjudicating Officer in the matter. Pursuant to transfer of Shri Jeevan

Sonparote, Shri V S Sundaresan was appointed as Adjudicating Officer by the Competent Authority. Later, the adjudication proceedings were transferred to the undersigned which was intimated vide communique dated December 26, 2019.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A common Show Cause Notice dated September 15, 2017 (hereinafter referred to as '**SCN**') was issued to the Noticees by the erstwhile Adjudicating Officer under Rule 4 (1) of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against them and penalty not be imposed upon them under Sections 15A(b), 15G and 15HB of the SEBI Act for the alleged violation of PIT Regulations, 1992 and SAST Regulations, 2011.

6. It was alleged in the SCN that:

(a) During the investigations for the period August 01, 2012 to November 05, 2012, details of the directors, key personnel of the company as disclosed by the Company is as given below:

Sr. No.	Particulars	Designation
1	CS Reddy	Managing Director & Promoter
2	Rajpeta H Kasturi	Whole-time Director
3	Nicholas L	Whole-time Director
4	Shankarnarayan Srikantiah	Independent Director
5	Lakshmipuram R Venugopal	Independent Director
6	CV Jagadish (resigned on 5/6/13)	Independent Director
7	Sidharth C A	Company Secretary

The relevant corporate announcements made by KTPL during the investigation period are as follows:

S. No.	Date & Time	Announcement	Price Impact/Shares Traded	Remarks																														
1	27-Aug-2012 19:32 hrs (Monday)	<p>Kavveri Telecom Products Ltd. Informed BSE that a meeting of the Board of Directors of the Company will be held on September 05, 2012, inter alia, for considering the following items:</p> <ol style="list-style-type: none"> The Notice of the AGM proposed to be held on September 29, 2012. Directors Report for the year ended March 31, 2012 and other related reports forming part of Annual Report for the year ended March 31, 2012. To consider the closure of the Register of Members and the Share Transfer Books and; To consider and approve the proposal for merger of Kavveri Telecom Infrastructure Limited with Kavveri Telecom Products Limited 	<p>27-Aug-2012 (Monday)</p> <table border="1"> <thead> <tr> <th>Exch.</th><th>O</th><th>H</th><th>L</th><th>C</th></tr> </thead> <tbody> <tr> <td>NSE</td><td>227.9</td><td>238.7</td><td>225.25</td><td>236.3</td></tr> <tr> <td>BSE</td><td>229</td><td>239.1</td><td>225</td><td>236.45</td></tr> </tbody> </table> <p>No. of shares traded: 25173 (NSE) 33572 (BSE)</p> <p>28-Aug-2012 (Tuesday)</p> <table border="1"> <thead> <tr> <th>Exch.</th><th>O</th><th>H</th><th>L</th><th>C</th></tr> </thead> <tbody> <tr> <td>NSE</td><td>255</td><td>255</td><td>226.3</td><td>229</td></tr> <tr> <td>BSE</td><td>239.25</td><td>239.25</td><td>226.15</td><td>229.25</td></tr> </tbody> </table> <p>No. of shares traded: 153944 (NSE) 186381 (BSE)</p>	Exch.	O	H	L	C	NSE	227.9	238.7	225.25	236.3	BSE	229	239.1	225	236.45	Exch.	O	H	L	C	NSE	255	255	226.3	229	BSE	239.25	239.25	226.15	229.25	<p>On 28.08.12, at NSE, the scrip opened at 7.33% higher than the previous day closing price and closed at 3.09% lower than the previous day closing price.</p> <p>At BSE, the scrip opened at 1.18% higher than previous day closing price and closed at 3.05% lower than the previous day closing price.</p>
Exch.	O	H	L	C																														
NSE	227.9	238.7	225.25	236.3																														
BSE	229	239.1	225	236.45																														
Exch.	O	H	L	C																														
NSE	255	255	226.3	229																														
BSE	239.25	239.25	226.15	229.25																														
2	05-Sep-2012 15:01 hrs (Wednesday)	The BOD of KTPL in their meeting held on September 05, 2012 have considered and approved the scheme of	<p>04-Sep-2012 (Tuesday)</p> <table border="1"> <thead> <tr> <th>Exch.</th><th>O</th><th>H</th><th>L</th><th>C</th></tr> </thead> <tbody> <tr> <td>NSE</td><td>223</td><td>224.45</td><td>220</td><td>220</td></tr> <tr> <td>BSE</td><td>223</td><td>223</td><td>219</td><td>221.8</td></tr> </tbody> </table> <p>No. of shares traded : 18962 (NSE) 25551 (BSE)</p>	Exch.	O	H	L	C	NSE	223	224.45	220	220	BSE	223	223	219	221.8	<p>On 05.09.12, at NSE, the scrip opened at 1.54% higher than the previous day closing price and closed at 2.05% lower than the previous day closing price.</p>															
Exch.	O	H	L	C																														
NSE	223	224.45	220	220																														
BSE	223	223	219	221.8																														

		amalgamation for merger of Kavveri Telecom infrastructure with KTPL	<p><u>05-Sep-2012 (Wednesday)</u></p> <table border="1"> <tr> <th>Exch.</th><th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>NSE</td><td>223.4</td><td>224.9</td><td>208.1</td><td>215.5</td></tr> <tr> <td>BSE</td><td>223.7</td><td>224.75</td><td>207.05</td><td>217.05</td></tr> </table> <p>No. of shares traded: 76607(NSE) 62230 (BSE)</p> <p><u>06-Sep-2012 (Thursday)</u></p> <table border="1"> <tr> <th>Exch.</th><th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>NSE</td><td>215.75</td><td>217.15</td><td>174.6</td><td>185.3</td></tr> <tr> <td>BSE</td><td>216.5</td><td>216.5</td><td>177.25</td><td>185.25</td></tr> </table> <p>No. of shares traded: 83077(NSE) 85174 (BSE)</p>	Exch.	O	H	L	C	NSE	223.4	224.9	208.1	215.5	BSE	223.7	224.75	207.05	217.05	Exch.	O	H	L	C	NSE	215.75	217.15	174.6	185.3	BSE	216.5	216.5	177.25	185.25	<p>At BSE, the scrip opened at 0.86% higher than the previous day closing price and closed at 2.14% lower than the previous day closing price.</p> <p>On 06.09.12, at NSE, the scrip opened at 0.11% lower than the previous day closing price and closed at 14.01% lower than the previous day.</p> <p>At BSE, the scrip opened at 0.25% lower than the previous day closing price and closed at 14.65% lower than the previous day closing price.</p>
Exch.	O	H	L	C																														
NSE	223.4	224.9	208.1	215.5																														
BSE	223.7	224.75	207.05	217.05																														
Exch.	O	H	L	C																														
NSE	215.75	217.15	174.6	185.3																														
BSE	216.5	216.5	177.25	185.25																														
3	05-Nov-2012 11:10 hrs (Monday)	KTPL, referring to the meeting of BoD's held on September 05, 2012 informed to exchange that the resolution passed in the above meeting for approval of scheme of Amalgamation in connection with merger of Kavveri Telecom Infrastructure with KTPL stand cancelled and the company is re-working on the proposal of merger having discussion with the merchant bankers for issuance of fairness certificate.	<p><u>02-Nov-12 (Friday)</u></p> <table border="1"> <tr> <th>Exch.</th><th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>NSE</td><td>120.15</td><td>120.15</td><td>114.15</td><td>114.3</td></tr> <tr> <td>BSE</td><td>117.25</td><td>121.9</td><td>114.25</td><td>114.25</td></tr> </table> <p>No. of shares traded: 28286(NSE) 14524(BSE)</p> <p><u>05-Nov-12 (Monday)</u></p> <table border="1"> <tr> <th>Exch.</th><th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>NSE</td><td>110</td><td>114.7</td><td>108.6</td><td>108.6</td></tr> <tr> <td>BSE</td><td>110.80</td><td>113.95</td><td>108.55</td><td>108.55</td></tr> </table> <p>No. of shares traded: 17642(NSE) 32373 (BSE)</p>	Exch.	O	H	L	C	NSE	120.15	120.15	114.15	114.3	BSE	117.25	121.9	114.25	114.25	Exch.	O	H	L	C	NSE	110	114.7	108.6	108.6	BSE	110.80	113.95	108.55	108.55	<p>On 02.11.12, at NSE, the scrip price opened at the same price as the previous day's closing price and closed at 4.87% lower than previous day closing price</p> <p>At BSE, the scrip opened at 2.49% lower than the previous day closing price and closed at 4.98% lower than the previous day closing price.</p> <p>On 05.11.12, at NSE, the scrip price opened at 3.76% lower than previous day closing price and closed at 4.98% lower than the previous day closing price.</p> <p>At BSE, the scrip opened at 3.01% lower than the previous day closing price and closed at 4.98% lower than the</p>
Exch.	O	H	L	C																														
NSE	120.15	120.15	114.15	114.3																														
BSE	117.25	121.9	114.25	114.25																														
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NSE	110	114.7	108.6	108.6																														
BSE	110.80	113.95	108.55	108.55																														

				previous day closing price.
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(b) From the above table, it is seen that while the announcement made on August 27, 2012 had a positive impact on the price of the scrip, the announcements made on September 05, 2012 and November 05, 2012 had a negative impact on the price of the scrip.

(c) KTPL has submitted that the Code of Conduct for Prevention of Insider Trading was adopted by the Company on January 23, 2009.

Chronological Details of Board Meetings regarding Proposal for Merger, Cancellation of Proposal for Merger and its effect on the Share Price of KTPL:

(d) KTPL, announced the merger with Kavveri Telecom Infrastructure Limited (KTI), in its Board Meeting held on September 05, 2012 (Annexure C) for the first time. Thereafter, KTPL cancelled the same in its Board Meeting held on November 05, 2012 (Annexure D). The chronology of both these events relating to the merger of KTI with KTPL and cancellation of the same, as submitted by KTPL and the effect of these announcements on the share price of KTPL is as given below:

Price Sensitive Information (PSI):

(e) In terms of Section 2(ha) (v) of SEBI (Prohibition of Insider Trading) Regulations, 1992 (Herein referred as "SEBI (PIT) regulations"), the "price sensitive information" includes "amalgamation, mergers or takeover". Therefore, the following announcements made by KTPL have been considered as:

PSI -1 Proposal of merger of KTI with KTPL

I. Chronology of Proposal of merger of KTI with KTPL: Called as PS II

Date	Event
14.08.2012	In the Board meeting of KTI, an idea to merge KTI with KTPL was floated and discussed. Shri C. S. Reddy, Ms. Kasturi and Shri L. R. Venugopal, Directors of KTI attended the said

	<i>meeting. Incidentally, the above three individuals were also on the Board of KTPL.</i>
<i>26.08.2012</i>	<i>Company Secretary in consultation with Shri C. S. Reddy initiated preparation of the agenda for the KTPL Board meeting scheduled on September 05, 2012, which included the proposal for merger of KTI with KTPL.</i>
<i>27.08.2012</i>	<i>Agenda for the KTPL Board meeting finalised. KTPL intimated BSE at 19:32 hrs on the same day, i.e. August 27, 2012 that "a meeting of BoDs of KTPL will be held on September 05, 2012 to consider and approve the proposal for merger of KTI with KTPL". The trading window was closed from August 28, 2012 to September 06, 2012.</i>
<i>04.09.2012</i>	<i>Agenda circulated to the Board Members.</i>
<i>05.09.2012</i>	<i>KTPL convened Board Meeting at 11.00 am and disclosed to the Exchange at 15:01 hrs on the same day that the BoD of KTPL have considered and approved the scheme of amalgamation for merger of KTI with KTPL.</i>
<i>28.08.2012 to 10.09.2012</i>	<i>The price of KTPL moved from a close of Rs.229.25 on August 28, 2012 to a low of Rs.150 on September 10, 2012 i.e., registered a fall by 34.56% in 11 trading days on BSE. Similar movement in the price of the scrip was observed on NSE.</i>

(f) From the chronology of events tabulated above, the PSI came into existence on August 26, 2012 when the Company Secretary in consultation with Shri C. S. Reddy, initiated preparation of the agenda for the KTPL Board meeting scheduled on September 05, 2012, which included the proposal for the merger of KTI with KTPL.

(g) KTPL informed BSE on September 05, 2012 at 15:01 hrs (Annexure F) that its Board of Directors in the meeting held on September 05, 2012 had considered and approved the scheme of amalgamation for the merger of KTI with KTPL. Therefore, the PSI regarding the said merger became public on September 05, 2012 at 15:01 hrs.

(h) The period of the UPSI-I is August 26, 2012 to September 05, 2012 at 15:01 hrs.

(i) The period of the trading window closure period: as informed by company was August 28, 2012 to September 06, 2012.

PSI - II Cancellation of proposal of merger of KTI with KTPL.

II. Chronology of cancellation of proposal of merger of KTI with KTPL: Called as PSI-II

Date	Event
22.10.2012	Subsequent to the announcement of proposal for merger of KTI with KTPL, KTPL approached the legal advisors (B S Sivaji, Advocate, High Court of Andhra Pradesh) to draft the KTPL's petition to file in the court. The Advocate, B S Sivaji advised vide letter on 22.10.12 that it would be appropriate to draw up new scheme of amalgamation by taking into account the valuation done by an independent auditor and fairness certificate given by merchant banker. The trading window was not closed.
02.11.2012	Decision to conduct Board Meeting of November 05, 2011 was taken by MD - C. S. Reddy
04.11.2012	Company Secretary in consultation with Shri C. S. Reddy prepared the agenda which included cancellation of merger proposal.
05.11.2012	Agenda of the Board Meeting to be held on Nov 05, 2012 was circulated and in the Board Meeting, it was decided to cancel the earlier announcement considering the opinion of the legal advisors. On the same day, KTPL made an announcement on BSE at 11:10 hrs with respect to cancellation of merger proposal of KTI with KTPL.
28.10.2012 to 07.11.2012	The price of KTPL moved from a close of Rs.123.85 on October 29, 2012 to a low of Rs.92.85 on November 07, 2012 i.e. registered a fall of 25.03% in 8 trading days on BSE. Similar movement in the price of the scrip was observed on NSE.

(j) From the chronology of events tabulated above, it is seen that the advice from the legal advisor Mr B. S. Sivaji was received on October 22, 2012. On November 02, 2012, Mr C.S. Reddy, Promoter / Managing Director of KTPL decided to convene Board Meeting on November 05, 2012. Subsequently, as

submitted by KTPL, the agenda for the November 05, 2012 Board Meeting was finalized on November 04, 2012, which included the proposal for cancellation of merger, and circulated on November 05, 2012. The copy of email dated March 19, 2014 from Mr C S Reddy is placed at Annexure H.

(k) Considering the fact that the decision to convene the Board Meeting was taken on November 02, 2012, the PSI for the cancellation of merger came into existence on November 02, 2012.

(l) KTPL made an announcement at 11:10 hrs of November 05, 2012 on BSE with respect to the cancellation of merger proposal of KTI with KTPL (Annexure I). Therefore, the PSI for cancellation of merger became public on November 05, 2012 at 11:10 hrs.

(m) The period during which the information remained unpublished PSI was November 02, 2012 to November 05, 2012 at 11:10 hrs.

(n) KTPL informed that the trading window was not closed for the above PSI.

(o) The term "Insider" is defined in SEBI (PIT) Regulations, 1992 is as follows:

As per Regulation 2(e) of SEBI (PIT) Regulations "Insider" means,

(i) "is or was connected with the company or is deemed to have been connected with the company and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or

(ii) has received or has had access to such unpublished price sensitive information.

(p) Further, in terms of Regulation 2(c) of SEBI (PIT) Regulations, 1992 connected person means any person who-

(i) is a director, as defined in clause (13) of section 2 of the Companies Act, 1956 (1 of 1956, of a company, or is deemed to be a director of that company by virtue of sub-clause (10) of section 307 of that Act; or

(ii) occupies the position as an officer or an employee of the company or holds a position involving a professional or business relationship between himself and the company and who may reasonably be expected to have an access to unpublished price sensitive information in relation to that company.

(q) The agenda for the Board Meeting of September 05, 2012 was circulated on September 04, 2012 to all the Board Members while for the BoD meeting dated November 05, 2012 agenda papers were circulated during the meeting. Further, the agenda papers were prepared by the Company Secretary, Mr Sidharth C.A., in consultation with Mr C. S. Reddy. Hence all the Directors of the Company and Company Secretary Mr Sidharth C.A, were in possession of the UPSI regarding merger proposal which was discussed in the Board Meeting held on September 05, 2012, while Mr C. S. Reddy and Mr Sidharth C.A were in possession of the UPSI for cancellation of merger proposal which was discussed in the Board Meeting held on November 05, 2012.

(r) Trading Pattern Analysis:

i. It is observed that during the period of investigation, only Mr C. S. Reddy and Ms. R. H. Kasturi had traded in the scrip of KTPL. Mr C. S. Reddy had sold shares of the scrip during the investigation period. Further, both Mr C. S. Reddy and Ms R. H. Kasturi did not trade in the scrip during the period August 01, 2012- September 04, 2012 in the scrip of KTPL.

Details of trades of Mr C. S. Reddy & Ms R. H. Kasturi along with the details of the pre-clearances sought by them during the investigation period are as under:

C. S. Reddy				R. H. Kasturi			
Date of transaction	No. of shares	Type of Transaction	Preclearance sought	Date of transaction	No. of shares	Type of Transaction	Preclearance sought
05-Sep-12	50000	Off market transfer to R. H. Kasturi	Not sought	05-Sep-12	50000	Off-market transfer from C. S. Reddy	Not sought
06-Sep-12	59213	Sell	27.08.12	05-Sep-12	50000	Sell	27.08.12
07-Sep-12	134014	Sell	06.09.12	25-Sep-12	84800	Off-market transfer from C. S. Reddy	Not sought

25-Sep-12	84800	Off market transfer to R. H. Kasturi	Not sought	
12-Oct-12	10000	Sell	06.10.12	
15-Oct-12	10000	Sell	12.10.12	
16-Oct-12	14000	Sell	12.10.12	
17-Oct-12	17000	Sell	12.10.12	
18-Oct-12	30000	Sell	12.10.12	
19-Oct-12	20000	Sell	18.10.12	
22-Oct-12	5600	Sell	18.10.12	
23-Oct-12	23400	Sell	18.10.12	

(s) From the above table, it is observed that:

- On September 05, 2012, i.e., during the period of UPSI - I, Mr C. S. Reddy transferred 50000 shares of KTPL to Ms R. H. Kasturi through off market transaction. Ms R. H. Kasturi further sold these shares on market on the same day. Copy of letter dated January 24, 2014 from NSDL is placed at Annexure J. Extract of trade log and Order log is placed at Annexure K.
- As mentioned earlier, the UPSI -1 was in existence from August 26, 2012 till September 05, 2012. Since the trades of Mr C.S. Reddy & Ms R. H. Kasturi took place on September 05, 2012.
- As submitted by the Depository Participant - Way2Wealth Broker Pvt. Ltd (Annexure L), it is seen that Mr C. S. Reddy transferred 50000 shares through off market to Ms R H Kasturi by submitting transfer request at 11:30 am on September 05, 2012 (email from Way2Wealth Brokers Pvt. Ltd dated February 3, 2014 - Annexure M) i.e., prior to dissemination of information on merger of KTI with KTPL at 3.00 pm. This transfer was executed at 5:00 pm. on the same day.
- Ms R. H. Kasturi placed sell orders on September 05, 2012 for 20,000 shares from 9:36:28 hrs on BSE till 14:52 hrs and for 30,000 shares from 9:15 hrs on NSE till 14:53 hrs through BGSE Financials Ltd - Annexure K.

- *The Board meeting on September 05, 2012 commenced at 11:00 hrs and the announcement regarding the merger of KTI with KTPL was made at 15:01 hrs on September 05, 2012.*
 - *Thus, it is clear that both Mr C. S. Reddy and Ms R. H. Kasturi have traded in the shares of KTPL while in possession of the Price Sensitive Information before it was disseminated to the public, which is in violation of Regulation 3(i) of SEBI (PIT) Regulations, 1992.*
- (t) Both these entities had obtained pre-clearance for their trades from the Company except in the following instances -*
- a) On September 05, 2012, there is an off market transfer of 50000 shares by Mr C. S. Reddy to Ms R. H. Kasturi.*
 - b) On the same day, Ms R. H. Kasturi sold 50000 shares on market.*
 - c) On September 06, 2012, Mr C. S. Reddy sold a total of 59213 shares of KTPL on BSE & NSE.*
 - d) These transactions were carried out during the window closure period for the first UPSI i.e. August 28, 2012 to September 06, 2012.*
- (u) As per Clause 3.2-2 of the Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of SEBI (PIT) Regulations, 1992, (here after Model Code of Conduct), "when the trading window is closed, the employees/ directors shall not trade in the Company's securities in such period".*
- (v) Further, Clause 3.2-5 of the Model Code of Conduct states that "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".*

- (w) *Since the above mentioned transactions were carried out during the trading window period by Mr C. S. Reddy and Ms R. H. Kasturi, both of these entities have alleged to have violated Clauses 3.2-2 and 3.2-5 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of SEBI (PIT) Regulations, 1992.*
- (x) *Further, it is observed from the submissions made by the Company that no pre-clearance was sought for the off market transfer of 50000 shares by Mr C. S. Reddy to Ms R. H. Kasturi on September 05, 2012. Thus, it is also alleged that both Mr C. S. Reddy and Ms R. H. Kasturi have violated Clause 3.3-1 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of SEBI (PIT) Regulations, 1992.*
- (y) *Again, on September 25, 2012, there was an off market transfer of 84800 shares by Mr C. S. Reddy to Ms R. H. Kasturi. It is observed that pre-clearance for off market transfer of 84800 shares was not sought since it was not applicable as the transaction was a gift from husband to wife.*
- (z) *As per Clause 3.3-1 of the Model Code of Conduct, "All directors/ officers/ designated employees of the company (and their dependents as defined by the company) who intend to deal in the securities of the company (above a minimum threshold limit to be decided by the company) should pre-clear the transaction as per the pre-dealing procedure as described hereunder".*
- (aa) *As per the Code of Conduct adopted by KTPL (Annexure N), for pre-clearance of deals in securities, "In case of Directors, pre-dealing approval would be necessary in respect of every deal."*
- (bb) *Since the above mentioned off market transfer of 84800 shares was carried out without obtaining pre-clearance from KTPL, both Mr C. S. Reddy and Ms R. H. Kasturi being directors of KTPL, have violated Clause 3.3-1 of Model Code of*

- Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of SEBI (PIT) Regulations, 1992.*
- (cc) Further, as per Clause 4.2 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of SEBI (PIT) Regulations, 1992, "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".*
- (dd) From the trades of Ms R. H. Kasturi, it is observed that she received 50000 shares in an off market transaction from Mr C. S. Reddy on September 05, 2012 which were sold by her on market on the same day. Again, on September 25, 2012, she received 84800 shares from Mr C. S. Reddy through off market. All these three transactions, which were opposite in nature, were carried out within a duration of six months. Thus, Ms R. H. Kasturi, by entering into opposite transactions within a duration of six months, has violated Clause 4.2 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of SEBI (PIT) Regulations, 1992.*
- (ee) Further, it was also the responsibility of the Compliance Officer to monitor adherence to the rules including those for pre-clearance of trades and also to monitor the trades carried out by the Directors during the window closure period from August 28, 2012 to September 06, 2012 for PSI -1 and subsequent off market transfer of 84800 shares between the Directors.*
- (ff) Also, KTPL did not close the trading window during the PSI - II. It was the Compliance Officer's responsibility to ensure closure of the trading window in terms of the Code of Conduct for Prevention of Insider Trading adopted by the Company.*
- (gg) Thus, the Compliance Officer of KTPL, Mr Sidharth C.A. under the overall supervision of the Board has failed to ensure compliance of code of conduct*

adopted by KTPL on January 23, 2009 in violation of Clause 1.2 of Part A of Schedule I, r/w Regulation 12(1) of SEBI (PIT) Regulation, 1992.

Alleged disclosure violations by Mr Shivakumar Reddy Chennareddy, Ms. R H Kasturi and Ms. Uma Reddy C

(hh) Analysis of shareholding pattern of KTPL (Annexure O) the three promoters of the company Mr Shivakumar Reddy Chennareddy, Ms. R H Kasturi and Ms. Uma Reddy C. shows that their holding reduced from 32.15% during the quarter June 2012 to 27.47% and 26.85% in the Sept 2012 and Dec 2012 quarters respectively as per the details given below:

Particular	Quarter ended March 2012		Quarter ended June 2012		Quarter ended Sept. 2012		Quarter ended Dec. 2012	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Shivakumar Reddy	23,56,704	11.71	23,56,704	11.71	19,28,677	9.58	17,98,399	8.93
Kasturi	23,63,769	11.74	26,63,769	11.74	18,48,569	9.19	18,55,777	9.22
Uma Reddy	17,50,100	8.7	17,50,100	8.7	17,50,100	8.7	17,50,100	8.7
Total Promoter Holding	6470573	32.15	6470573	32.15	5527346	27.47	5404276	26.85
Total Share Capital	20124260	100.00	20124260	100.00	20124260	100.00	20124260	100.00

(ii) During the quarters ended June 2012-September 2012, the promoters' shareholding in KTPL reduced from 32.15% to 27.47% of the share capital as per the following details:

Name	Quarter ended June 2012		Quarter ended Sept. 2012		Quarter ended Dec. 2012	
	No. of shares	%	No. of shares	%	No. of shares	%
C. S. Reddy	2356704	11.71	1928677	9.58	1798399	8.94
R. H. Kasturi	2363769	11.75	1848569	9.19	1855777	9.22
Uma Reddy C	1750100	8.70	1750100	8.70	1750100	8.70
Total	6470573	32.15	5527346	27.47	5404276	26.85

(jj) From the above table, it is observed that there is a reduction of 5,58,305 shares in the shareholding of Mr C. S. Reddy (i.e.,2.77%) from quarter ending June 2012 to December 2012. It is also observed that for the same period, there is

also a reduction of 5,07,992 shares in the shareholding of Ms. R. H. Kasturi (i.e. 2.53%). Shareholding of Ms.Uma Reddy C remained constant during this period.

(kk) It is observed that for the quarter ending December 2011, the shareholding of Mr C. S. Reddy and Ms R. H. Kasturi stood at 23,56,704 shares (11.71%) and 23,63,769 shares (11.75%) each.

(ll) Details of the transactions carried out by Mr C. S. Reddy and details of the relevant disclosures during the quarter ending June 2012 to quarter ending December 2012 are as follows:

Sr. No	Date of transaction	No. of shares	Type of Transaction	Total share holding	%of shares held	Disclosure		Type of Disclosure
						Company	SE	
1	14-Jul-12	3,50,000	Pledge in favour of Karjat Trade Place Pvt. Ltd	NA	NA	not disclosed	not disclosed	*
2	19-Jul-12	20,505	Pledge in favour of Axis Bank	NA	NA	not disclosed	not disclosed	*
3	05-Sep-12	50000	Off market transfer to R. H. Kasturi	2306704	11.46	not disclosed	not disclosed	#
4	06-Sep-12	59213	Sell	2247491	11.17	disclosed	not disclosed	#
5	07-Sep-12	134014	Sell	2113477	10.5	disclosed	not disclosed	#
6	21-Sep-12	100000	Invocation of pledge - ACG Associated Capsules Pvt Ltd	2013477	10.01	not disclosed	not disclosed	*
7	25-Sep-12	84800	Off market transfer to R. H. Kasturi	1928677	9.58	not disclosed	not disclosed	# @
8	26-Sep-12	41,695	Pledge in favour of Axis Bank	NA	NA	not disclosed	not disclosed	*
9	12-Oct-12	10000	Sell	1918677	9.53	disclosed	not disclosed	#
10	15-Oct-12	10000	Sell	1908677	9.48	disclosed	not disclosed	#
11	16-Oct-12	14000	Sell	1894677	9.41	disclosed	not disclosed	#
12	17-Oct-12	17000	Sell	1877677	9.33	disclosed	not disclosed	#
13	18-Oct-12	30000	Sell	1847677	9.18	disclosed	not disclosed	#

14	19-Oct-12	20000	Sell	1827677	9.08	disclosed	not disclosed	#
15	22-Oct-12	5600	Sell	1822077	9.05	disclosed	not disclosed	#
16	23-Oct-12	23400	Sell	1798677	8.94	disclosed	not disclosed	#
17	22-NOV-12	4400	Sell	1794277	8.92	disclosed	not disclosed	#
18	23-NOV-12	100000	Off market transfer from R. H. Kasturi	1894277	9.41	not disclosed	not disclosed	#
19	29-NOV-12	95878	Off market transfer to R. H. Kasturi	1798399	8.94	not disclosed	not disclosed	#
* 31 (1), (2) & (3) of SEBI (SAST) Reg., 2011 @ 29(2) & (3) of SEBI (SAST) Reg., 2011				# 13 (3), 13(4), 13(4A) r/w 13(5) of SEBI (PIT) Regulation, 1992.				

(mm) Mr C. S. Reddy, who was promoter as well as Managing Director of KTPL, did not file all the disclosures with the Company. Mr C. S. Reddy has submitted that these disclosures were filed only with the Company and not filed with the Exchanges (email dated January 23, 2014, February 3, 2014 and February 5, 2014 from Mr C S Reddy to SEBI - Annexure P1, P2 & P3). Further, KTPL has vide letter dated December 20, 2013 submitted that it did not file any disclosures under the respective Regulations of SEBI (SAST) Regulations, 2011 and SEBI (PIT) Regulations, 1992 during the period June 01, 2012 to December 31, 2012 as indicated in the above table. Copy of emails dated September 26, 2013 and January 20, 2014 from NSE and January 15, 2014 from BSE confirming regarding nondisclosure by KTPL are placed at Annexure Q, Annexure R and Annexure S respectively.

(nn) Details of the transactions carried out by Ms R. H. Kasturi Reddy and details of the relevant disclosures during the quarter ending June 2012 to quarter ending December 2012 are as follows:

Sr. No.	Date of transaction	No. of shares	Type of Transaction	Total share holding	% of shares held	Disclosure		Type of Disci
						Company	SE	
1	14-Jul-12	2,50,000	Pledge in Favour of Karjat Trade Place Pvt. Ltd	NA	NA	not disclosed	not disclosed	*

2	05-Sep-12	50000	Off-market transfer from C. S. Reddy	2413769	12	not disclosed	not disclosed	#
3	05-Sep-12	50000	Sell	2363769	11.75	disclosed	not disclosed	#
4	21-Sep-12	600000	Invocation of pledge - ACG Associated Capsules Pvt Ltd	1763769	8.76	not disclosed	not disclosed	* @
5	25-Sep-12	84800	Off-market transfer from C. S. Reddy	1848569	9.19	not disclosed	not disclosed	#
6	26-Sep-12	84800	Pledge in favour of Axis bank	NA	NA	not disclosed	not disclosed	*
7	15-Nov-12	361658	Off-market transfer from ACG Capsules Pvt Ltd	2210227	10.98	disclosed	not disclosed	*#@
8	16-Nov-12	19200	Sell	2191027	10.89	disclosed	not disclosed	#
9	19-Nov-12	15500	Sell	2175527	10.81	disclosed	not disclosed	#
10	20-Nov-12	30000	Sell	2145527	10.66	disclosed	not disclosed	#
11	21-Nov-12	10000	Sell	2135527	10.61	disclosed	not disclosed	#
12	23-Nov-12	100000	Off-market transfer to C. S. Reddy	2035527	10.11	disclosed	disclosed	#
13	26-Nov-12	2150	Sell	2033377	10.1	disclosed	not disclosed	#
14	27-Nov-12	54400	Off-market transfer to Thyagaraja Babu	1978977	9.83	not disclosed	not disclosed	#
15	27-Nov-12	54400	Off market transfer to Patil Kumar	1924577	9.56	not disclosed	not disclosed	#
16	27-Nov-12	14400	Off-market transfer to Ramakrishna	1910177	9.49	not disclosed	not disclosed	#
17	29-Nov-12	95878	Off-market transfer from C. S. Reddy	2006055	9.97	not disclosed	not disclosed	#

18	29-Nov-12	41478	Off-market transfer to Ramakrishna	1964577	9.76	not disclosed	not disclosed	#
19	29-Nov-12	54400	Off-market transfer to Muniraju	1910177	9.49	not disclosed	not disclosed	#
20	29-Nov-12	54400	Off-market transfer to Naveen	1855777	9.22	not disclosed	not disclosed	#
* 31 (1), (2) & (3) of SEBI(SAST) Reg., 2011 @ 29(2) & (3) of SEBI(SAST) Reg., 2011				# 13 (3), 13(4), 13(4A) r/w 13(5) of SEBI(PIT) Regulation, 1992.				

(oo) Ms R. H. Kasturi, promoter as well as Director of KTPL, did not file all the disclosures with the Company. Ms R. H. Kasturi has submitted that these disclosures were filed only with the Company and not filed with the Exchanges. Further, KTPL has vide letter dated December 20, 2013 submitted that it did not file any disclosures under the respective Regulations of the SEBI (SAST) Regulations, 2011 and SEBI (PIT) Regulations, 1992 during the period June 01, 2012 to December 31, 2012 as mentioned in the above table.

(pp) On July 13, 2012, Ms C. Uma Reddy, promoter of KTPL pledged 300000 shares and failed to file disclosures for creation of pledge of these shares as per the provisions of Regulations 31(1)&(3) of SEBI (SAST) Regulations-, 2011 to the Company and the Stock Exchanges.

(qq) Further, KTPL was required to disclose to the Stock Exchanges, within two working days, wherever the information was received from its Directors/ Promoters. However, the Company has also not filed any disclosure as per Regulation 13(6) of SEBI (PIT) Regulations, 1992.

7. Pursuant to the issuance of SCN, the Noticees submitted settlement applications in the matter. However, the concerned division of SEBI vide communication dated September 16, 2019 informed that the Noticees had failed to submit the revised settlement terms within the stipulated time. In

view of the same, the settlement application of the Noticees was rejected. Subsequently, the matter was transferred to the undersigned for conducting the adjudication proceedings. In view of the same, a hearing notice dated January 07, 2020 was issued to the Noticees informing about the change of Adjudicating Officer and granting an opportunity of hearing in the matter on January 17, 2020. Thereafter, the Noticees requested for additional time for making submissions in the matter. In view of the same, the Noticees were granted a final opportunity of hearing in the matter on February 12, 2020, vide hearing notice dated January 24, 2020. Further, the Noticees were also granted time till February 07, 2020 to submit their reply in the matter. Thereafter, the Noticees again requested for postponing the hearing scheduled on February 12, 2020, vide email dated February 06, 2020. In view of the same, the Noticees were granted an opportunity of hearing on February 24, 2020. Thereafter, the Noticees again requested for adjournment of hearing scheduled on February 24, 2020 vide email dated February 20, 2020. In view of the same, a final opportunity of hearing was provided to the Noticees on March 16, 2020, vide email dated March 06, 2020.

8. Thereafter, KTPL in its letter dated March 12, 2020 made the following submissions on behalf of itself and Noticee 5:

(i) The present reply is being filed on behalf of the Company i.e. KTPL and L Nicholas, Director of the Company. We refer to Show Cause Notice dated 15.09.2017 ("SCN") which is issued for alleged violations of SEBI (Prohibition of Insider Trading) Regulations, 1992 ("PIT Regulations").

- (ii) *It has been alleged in the said SCN that we were required to disclose to the Stock Exchanges, within two working days, wherever the information was received from its Directors/Promoters. It has been alleged that I have failed to make required disclosures to the stock exchange as stipulated under PIT Regulations.*
- (iii) *KTPL has regularly been filing shareholding pattern as required under the Listing Agreement and that the shareholding of the promoters was properly disclosed under the heading 'shareholding belonging to Promoter and Promoter Group' for the quarter ending June 2012, September 2012 and December 2012 and the same was in public domain. We state that appropriate disclosure under clause 35 of the Listing Agreement was filed by KTPL as per Listing Agreement, wherein shareholding pattern of the promoter of KTPL was disclosed, whereby the public shareholders were made aware of the change in shareholding of Promoter/Director in KTPL. Hence, it is denied that there was any non-disclosure on our part.*
- (iv) *At the outset and without prejudice to anything stated hereinafter, we deny all the allegations and findings made against us in the said notice except to the extent specifically admitted by us. Nothing contained in the said notice may be deemed to be admitted by us by reason of non-traverse or otherwise, save and except what is expressly admitted herein. We deny all the statements, submissions, contentions, allegations and averments contained in the said notice that are contrary to and/or inconsistent with what is stated herein below.*
- (v) *W.r.t. allegations of non disclosure of transactions of Promoters/Directors in shares of KTPL to the Stock Exchange, we state that the shareholding patterns filed for Quarter ending June 2012, September 2012 and December 2012 clearly revealed about changes in shareholding of Promoter/Director in KTPL as alleged in the SCN and no non-disclosure can be alleged on our part. Hence,*

the information w.r.t. shareholding of Promoter/Director was in public domain and no non-disclosure can be alleged on our part. We therefore, submit and reiterate that we did not have any intention to conceal or hide shareholding of Promoter/Director in KTPL from anyone. Hence, the said disclosures were already in public domain and there was no malafide intention of not making any specific disclosures. A copy of shareholding pattern as on Quarter ending June, 2012, September, 2012 and December, 2012 as downloaded from the website of BSE is hereto annexed and marked as Annexure - 1, Annexure - 2 and Annexure - 3 respectively.

(vi) Additionally, we have filed the relevant disclosures in the requisite format with the Stock Exchanges. Below are the disclosures filed with the Stock Exchange for the Promoters/Directors –

- a) Copy of disclosures filed with Stock Exchange for transactions of Mr. C S Reddy and its acknowledgement is hereto annexed and marked as Annexure - 4 (Colly)*
- b) Copy of disclosures filed with Stock Exchange for transactions of Mrs. R H Kasturi and its acknowledgement is hereto annexed and marked as Annexure - 5 (Colly)*

The aforesaid disclosures filed under SAST Regulations and PIT Regulations is also displayed on the website of BSE under the head disclosures. A copy of screen shot of disclosures as displayed on the website of BSE under SAST Regulations, PIT Regulations and Pledge is hereto annexed and marked as Annexure - 6, Annexure 7 and Annexure 8 respectively.

(vii) Further, we would like to submit as under:

- a. It is submitted that SEBI (Prohibition of Insider Trading) Regulation, 2015 which has replaced SEBI (Prohibition of Insider Trading) Regulations,*

1992, has not stipulated the disclosure requirement for the type of transactions mentioned in the SCN.

b. In this connection, we would like to invite your kind attention to order dated 02.02.2017 passed by Hon'ble Whole Time Member, SEBI in the case of Refex Industries Limited (formerly known as Refex Refrigerants Limited), wherein Hon'ble Whole Time Member did not issue any directions against the promoter and director and inter-alia held that:

"13 ...

...

- that the violation is un-intentional and not for consolidation;
- that the violation is technical and venial in nature; and
- that there are clear mitigating circumstances in the form of subsequent amendments to the takeover regulations which further lessens the gravity of the violation"

c. We also submit that our alleged violation of Regulation 13(6) of PIT Regulations, if any, is unintentional and there are clear mitigating circumstances in the form of subsequent amendments to the PIT regulations which further lessens the gravity of the violation.

(viii) We further submit that non - disclosure, if any, was technical in nature and due to inadvertence, devoid of any malafide intention. Further, no harm has been caused to any investor or loss has occurred due to non-disclosure as the details regarding the change in shareholding Promoter/Director was disclosed in the shareholding patterns filed by KTPL.

(ix) Mitigating factors for alleged non-disclosure, if any:

a) The business of KTPL was severally affected as the Hon'ble Supreme Court cancelled 122 licenses of the cellular operators in the 2G scam and all the operators who were the customers of KTPL, cancelled their orders

and also stopped further investments in India due to this and paralysis in Government machinery.

- b) The aforesaid circumstances created severe cash crunch for KTPL. Due to the said circumstances, Promoters of KTPL had to sell shares of KTPL on urgent basis at whatever the price was on the exchange in order to raise funds and infuse funds in KTPL.*
- c) It is pertinent to note that, Promoters of KTPL had sold shares of KTPL despite fall in prices of the shares as there was a need to raise funds and pump the same in KTPL for continuing its operations to avoid catastrophic situation of not being able to operate as a going concern.*
- d) We would also like to highlight that, keeping the grave financial situation of KTPL in mind, the Promoters/Directors of KTPL had foregone their share of dividend declared by KTPL amounting to Rs. 93.41 Lakhs during the year 2012 as KTPL was suffering from severe cash crunch.*

(x) Legal submissions:

- a. Case of Reliance Industries Ltd. v SEB1 (Appeal No. 39/2002) -*

The company failed to make relevant disclosure in time under Regulation 7(1) of Takeover Regulations, and then Hon'ble Securities Appellate Tribunal observed that "The High Court in Cabot's case has pronounced that if a breach was merely technical and unintentional, it does not merit penal consequence. It ultimately depends on the facts of each case. "

- b. Akbar Badrudin Badrudin Jiwani V. Collector of Customs, Bombay AIR 1990 SC 1579- It is noteworthy to mention wherein the Hon'ble Court had stated that:-Para 61:"We refer in this connection the decision of Merck Spares v. Collector of Central Excise & Customs, New Delhi, 1983*

ELT 1261, Bombay v. Collector of Customs, Bombay (1984) 18 ELT 533 and Madhusudhan Gordhandas & Co. v. Collector of Customs,

Bombay, (1987) 29 ELT 904, wherein it has been held that in imposing penalty the requisite mens rea has to be established.

c. Hindustan Steel Ltd., v State of Orissa, (1970) 1 SCR 753; (AIR 1970 SC 2563)

The Court held that:- "The discretion to impose a penalty must be exercised judicially. A penalty will ordinarily be imposed in cases where the party acts deliberately in defiance of or is guilty of contumacious or dishonest conduct, or acts in conscious disregard to its obligation; but not, in cases where there is a technical or venial breach of the provisions of the Act or where the breach flows from a bona fide belief that the offender is not liable to act in the manner prescribed by the statute".

(xi) In view of the aforesaid, we deny that we have violated PIT Regulations, 1992.

(xii) Further, it is reiterated that changes in Promoters/Directors shareholding was disclosed in the shareholding pattern under the heading 'shareholding belonging to Promoter and Promoter group' for the quarter ending June 2012, September 2012 and December 2012 and the same was in public domain. The information regarding changes in Promoters/Directors number of shares and percentage of shareholding was in public domain and hence, there was no non-disclosure on our part either.

(xiii) We submit and say that we have always followed all the procedures as stipulated by any regulatory authority, followed all rules/ regulations/ instructions etc. issued by any government agency and our intention has never been to conceal any information. Further, we submit and reiterate that in this case also our intention was not to conceal any information/detail. As already explained above, the details of holding of Promoters/Directors were already in public domain.

(xiv) In view of the above circumstances, we submit as follows:

- a) *We did not have any intention to conceal the information nor we have concealed any information.*
- b) *No unfair advantage or gain has occurred to us and also no harm or any loss has been caused to any retail investors.*
- c) *There is no investor complaint against us for alleged non-disclosure of transactions as mentioned in the SCN.*
- d) *Violations, if any, are merely technical in nature.*

9. Noticee 2, vide letter dated March 07, 2020, made the following submissions in the matter:

- (a) *It has been alleged in the said SCN that my transactions in the scrip of KTPL during the period of investigation, the details of which have been provided in the SCN, for which I was allegedly required to adhere to the Model Code of Conduct of PIT Regulations and was also required to make certain disclosures under PIT Regulations and SAST Regulations. It has been alleged that I have failed to make required disclosures to the stock exchange as stipulated under PIT Regulations and SAST Regulations. Further, it has also been alleged that for certain transactions, I was required to follow the Regulations and Model Code of Conduct as specified under PIT Regulations.*
- (b) *I state that I am one of the promoter of KTPL and KTPL has regularly been filing the shareholding pattern as required under the Listing Agreement and that my shareholding was disclosed under the heading 'shareholding belonging to Promoter and Promoter Group' for the quarter ending June 2012, September 2012 and December 2012 and the same was in public domain. I state that appropriate disclosure under clause 35 of the Listing Agreement was filed by KTPL as per Listing Agreement, wherein shareholding pattern of the promoter of KTPL was disclosed, whereby the public shareholders were made aware of*

the change in my shareholding in KTPL. Hence, it is denied that there was any non-disclosure on our part.

(c) At the outset and without prejudice to anything stated hereinafter, I deny all the allegations and findings made against me in the said notice except to the extent specifically admitted by me. Nothing contained in the said notice may be deemed to be admitted by me by reason of non-traverse or otherwise, save and except what is expressly admitted herein. I deny all the statements, submissions, contentions, allegations and averments contained in the said notice that are contrary to and/or inconsistent with what is stated herein below.

(d) It has been alleged that for the transactions mentioned in the following table we have either made disclosures to the Company or did not make any disclosures and have allegedly violated Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations, Regulation 29(2) read with 29(3) of SAST Regulations and 31(1), (2) and (3) of SAST Regulations:

Sl. No.	Date of transaction	No. of shares	Type of transaction	Disclosures required under Regulation
1.	14.07.2012	3,50,000	Pledge in favour of Karjat Trade Place Pvt Ltd	31(1), (2) and (3) of SAST Regulations
2.	19.07.2012	20,505	Pledge in favour of Axis Bank	31(1), (2) and (3) of SAST Regulations
3.	05.09.2012	50,000	Off market transfer to R H Kasturi	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
4.	06.09.2012	59,213	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
5.	07.09.2012	1,34,014	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
6.	21.09.2012	1,00,000	Invocation of Pledge - ACG Associates Capsules Pvt Ltd	Regulation 31(1), (2) and (3) of SAST Regulations
7.	25.09.2012	84,800	Off market transfer to R H Kasturi	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations and Regulation 29(2) read with 29(3) of SAST Regulations

8.	26.09.2012	41,695	Pledge in favour of Axis Bank	
9.	12.09.2012	10,000	Sell	31(1), (2) and (3) of SAST Regulations
10.	15.10.2012	10,000	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
11.	16.10.2012	14,000	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
12.	17.10.2012	17,000	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
13.	18.10.2012	30,000	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
14.	19.10.2012	20,000	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
15.	22.10.2012	5,600	Sell	^Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
16.	23.10.2012	23,400	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
17.	22.11.2012	4,400	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
18.	23.11.2012	1,00,000	Off market transfer from R H Kasturi	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
19.	29.11.2012	85,878	Off market transfer to R H Kasturi	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations

(e) Further, w.r.t. allegations of non disclosures of my transaction in shares of KTPL, I state that the shareholding patterns filed for Quarter ending June 2012, September 2012 and December 2012 clearly revealed about my changes in shareholding in KTPL as alleged in the SCN and no non-disclosure can be alleged on my part. Hence, the information w.r.t. our shareholding was in public domain and no non-disclosure can be alleged on my part. I, therefore, submit and reiterate that I did not have any intention to conceal or hide our shareholding in KTPL from anyone. Hence, the said disclosures were already in public domain and there was no malafide intention of not making any specific disclosures. A copy of shareholding pattern as on Quarter ending June, 2012,

September, 2012 and December, 2012 as downloaded from the website of BSE is hereto annexed and marked as Annexure - 1. Annexure - 2 and Annexure - 3 respectively.

- (f) Further, for transactions stated at Sr. No. 4, 5, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, and 19 as required under Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulation, I have filed disclosures with KTPL. A copy of my disclosures submitted under Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations with KTPL is hereto annexed and marked as Annexure - 4 (colly)
- For transaction stated at Sr. No. 6, as required under Regulation 31(1), (2) and (3) of SAST Regulation I have filed disclosure with KTPL. A copy of my disclosures submitted under Regulation 31(1), (2) and (3) of SAST Regulation with KTPL is hereto annexed and marked as Annexure - 5

The aforesaid disclosures were also submitted by KTPL to Investigation Department, SEBI by their letter dated 20.12.2013.

Additionally, I have filed all the transactions mentioned in the aforesaid table in the requisite format with the Stock Exchanges. A copy of the disclosures along with acknowledgement filed under Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulation and Regulation 31(1), (2) and (3) of SAST Regulations is hereto annexed and marked as Annexure - 6 (colly)

The aforesaid disclosures filed under SAST Regulations and PIT Regulations is also displayed on the website of BSE under the head disclosures. A copy of screen shot of disclosures as displayed on the website of BSE under SAST Regulations, PIT Regulations and Pledge is hereto annexed and marked as Annexure – 7, Annexure - 8 and Annexure - 9 respectively.

- (g) Further, I would like to submit as under:

- i. As regard to allegation of 13(4A) of PIT Regulations, it is submitted that SEBI (Prohibition of Insider Trading) Regulation, 2015 which has replaced

SEBI (Prohibition of Insider Trading) Regulations, 1992, has not stipulated the disclosure requirement for this type of transactions. I submit that there is no corresponding provisions of Regulation 13(4A) of PIT Regulations, 1992 in the PIT Regulations, 2015, save and except disclosure of transactions more than Rs. 10 lakh in value in calendar quarter.

- ii. I also submit that my alleged violation of Regulation 13(4A) of PIT Regulations, if any, is unintentional and there are clear mitigating circumstances in the form of subsequent amendments to the PIT regulations which further lessens the gravity of the violation.*
- (h) I further submit that non - disclosure, if any, was technical in nature and due to inadvertence, devoid of any malafide intention. Further, no harm has been caused to any investor nor any loss has occurred due to my non- disclosure as the details regarding the change in my shareholding was disclosed in the shareholding patterns filed by KTPL.*
- (i) At the outset, I would like to apprise your kind selves of the situation which was prevalent during the year 2012:*
 - a) The business of KTPL was severally affected as the Hon'ble Supreme Court cancelled 122 licensed of the cellular operators in the 2G scam and all the operators who were the customers of KTPL, cancelled their orders and also stopped further investments in India due to this and paralysis in Government Machinery.*
 - b) The aforesaid created severe cash crunch for KTPL. Due to the said circumstances, I and R H Kasturi, promoters of KTPL had to sell the shares of KTPL on urgent basis on whatever the price was at the exchange in order to raise funds and pump the funds in KTPL.*
 - c) It is pertinent to note that I and R H Kasturi, promoters of KTPL had sold shares of KTPL despite the fall in prices of the shares as we wanted to pump*

the funds in KTPL for continuing its operations to avoid catastrophic situation of not being able to operate as a going concern.

d) I would like to highlight that, keeping the grave financial situation of KTPL in mind, the promoters of KTPL had foregone their share of dividend declared by KTPL amounting to Rs. 93.41 Lakhs during the year 2012 as KTPL was suffering from severe cash crunch.

(j) Further, w.r.t. transfer in off market of 50,000 and 84,800 shares on 05.09.2012 and 25.09.2012 respectively of KTPL to R H Kasturi, I would like state as under:

- i. On 05.09.2012, Mrs. R H Kasturi had asked the broker to sell 50,000 shares of KTPL to fund the company to help tide over tight liquidity crunch and later she realized that she did not have any shares in her account. Due to the said reasons, I had to transfer 50,000 shares as gift to her on the same day. As it was a gift and no consideration was received, no pre clearance was sought from KTPL.*
- ii. Subsequently, on 25.09.2012, I gifted Mrs. R H Kasturi 84,800 shares so that loans could be raised by her against the shares and the said amounts were to be funded for the requirements of Kaweri group companies which were facing severe cash crunch.*
- iii. It is pertinent to mention that for all the aforesaid transactions, no consideration was received by me as the shares were gifted by me to Mrs. R H Kasturi. Hence, no pre clearance was required from KTPL.*
- iv. Further, whenever I was required to obtain pre clearance from KTPL, I have diligently obtained the same. The same can be seen from Para 23(i) on Page no. 8 of SCN dated 15.09.2017 wherein the number of times I have obtained pre clearance from KTPL during investigation period is mentioned. Hence, I deny that I have violated clause 3.3-1 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of PIT Regulations.*

- v. *As, I have gifted 50,000 and 84,800 shares of KTPL without any consideration to Mrs. R H Kasturi, it cannot be alleged that I have traded in the shares of KTPL when the trading window is closed. Further, it cannot also be alleged that I have transacted in the shares of KTPL during the closure of trading window, as I have neither purchased nor sold shares of KTPL when the trading window was closed.*
- vi. *Hence, I deny that I have violated clauses 3.2-2 and 3.2-5 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of PIT Regulations*
- (k) *In view of the aforesaid, we deny that we have violated PIT Regulations, 1992, SAST Regulations and Model Code of Conduct as mentioned in the PIT Regulations.*
- (l) *Further, it is reiterated that changes in my shareholding was disclosed in the shareholding pattern under the heading 'shareholding belonging to Promoter and Promoter group' for the quarter ending June 2012, September 2012 and December 2012 and the same was in public domain. The information regarding changes in number of shares and in my percentage of shareholding was in public domain and hence, there was no non- disclosure on my part either. Further, I have been regularly making Annual disclosures as required under Regulation 30(1) and 30(2) of SAST Regulations.*
- (m) *I submit and say that I have always followed all the procedures as stipulated by any regulatory authority, followed all rules/ regulations/ instructions etc. issued by any government agency and my intention has never been to conceal any information. I have never been penalized by any regulatory authority and have got clean track record till date. Further, we submit and reiterate that in this case also my intention was not to conceal any information/ detail. As already explained above, the details of my holding were already in public domain.*

(n) In view of the above circumstances, I submit as follows:

- i. I did not have any intention to conceal the information and nor I have concealed any information.*
- ii. No unfair advantage or gain has occurred to me and also no harm or loss has been caused to any retail investors.*
- iii. Violations, if any, are merely technical in nature.*

10. Noticee 3, in her letter dated March 09, 2020, made the following submissions:

(a) It has been alleged in the said SCN that my transactions in the scrip of KTPL during the period of investigation, the details of which have been provided in the SCN, for which I was allegedly required to adhere to the Model Code of Conduct of PIT Regulations and was also required to make certain disclosures under PIT Regulations and SAST Regulations. It has been alleged that I have failed to make required disclosures to the stock exchange as stipulated under PIT Regulations and SAST Regulations. Further, it has also been alleged that for certain transaction, I was required to follow the Regulations and Model Code of Conduct as specified under PIT Regulations.

(b) I state that I am one of the promoter of KTPL and KTPL has regularly been filing the shareholding pattern as required under the Listing Agreement and that my shareholding was disclosed under the heading 'shareholding belonging to Promoter and Promoter Group' for the quarter ending June 2012, September 2012 and December 2012 and the same was in public domain. I state that appropriate disclosure under clause 35 of the Listing Agreement was filed by KTPL as per Listing Agreement, wherein shareholding pattern of the promoter of KTPL was disclosed, whereby the public shareholders were made aware of

the change in my shareholding in KTPL. Hence, it is denied that there was any non-disclosure on my part.

(c) At the outset and without prejudice to anything stated hereinafter, I deny all the allegations and findings made against me in the said notice except to the extent specifically admitted by me. Nothing contained in the said notice may be deemed to be admitted by me by reason of non-traverse or otherwise, save and except what is expressly admitted herein. I deny all the statements, submissions, contentions, allegations and averments contained in the said notice that are contrary to and/or inconsistent with what is stated herein below.

(d) It has been alleged that for the transactions mentioned in the following table, I have either made disclosures to the Company or did not make any disclosures and have allegedly violated Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations, Regulation 29(2) read with 29(3) of SAST Regulations and 31(1), (2) and (3) of SAST Regulations:

Sl No.	Date of transaction	No. of shares	Type of transaction	Disclosures required under Regulation
1.	14.07.2012	2,50,000	Pledge in favour of Karjat Trade Place Pvt Ltd	Regulation 31(1), (2) and (3) of SAST Regulations
2.	05.09.2012	50,000	Off market transfer from C S Reddy	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
3.	05.09.2012	50,000	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
4.	21.09.2012	6,00,000	Invocation of Pledge - ACG Associates Capsules Pvt Ltd	Regulation 31(1), (2) and (3) of SAST Regulations and Regulation 29(2) and 29(3) of SAST Regulations
5.	25.09.2012	84,800	Off market transfer from C S Reddy	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
6.	26.09.2012	84,400	Pledge in favour of Axis Bank	Regulation 31(1), (2) and (3) of SAST Regulations
7.	15.11.2012	3,61,658	Off market transfer from ACG Capsules Pvt Ltd	31(1), (2) and (3) of SAST Regulations, Regulation 29(2) and 29(3) of SAST Regulations and Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations

8.	16.11.2012	19,200	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
9.	19.11.2012	15,500	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
10.	20.11.2012	30,000	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
11.	21.11.2012	10,000	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
12.	23.11.2012	1,00,000	Off market transfer to C S Reddy	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
13.	26.11.2012	2,150	Sell	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
14.	27.11.2012	54,400	Off market transfer to Thyagaraja Babu	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
15.	27.11.2012	54,400	Off market transfer to Patil Kumar	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
16.	27.11.2012	14,400	Off market transfer to Ramakrishna	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
17.	29.11.2012	95,878	Off market transfer from C S Reddy	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
18.	29.11.2012	41,478	Off market transfer to Ramakrishna	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
19.	29.11.2012	54,400	Off market transfer to Muniraju	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations
20.	29.11.2012	54,400	Off market transfer to Naveen	Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations

(e) W.r.t. allegations of non disclosures of my transaction in shares of KTPL, I state that the shareholding patterns filed for Quarter ending June 2012, September 2012 and December 2012 clearly revealed about changes in my shareholding in KTPL as alleged in the SCN and no non-disclosure can be alleged on my part. Hence, the information w.r.t. my shareholding was in public domain and no non-disclosure can be alleged on my part. I, therefore, submit and reiterate that I did not have any intention to conceal or hide our shareholding in KTPL from anyone. Hence, the said disclosures were already in public domain and there was no malafide intention of not making any specific disclosures. A copy of shareholding pattern as on Quarter ending June, 2012, September, 2012 and December, 2012 as downloaded from the website of BSE is hereto

annexed and marked as Annexure - 1, Annexure - 2 and Annexure - 3 respectively.

- (f) Further, for transactions stated at Sr. No. 3, 4, 7, 8, 9, 10, 11, 12, 13 and 17 as required under Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulation, I have filed disclosures with KTPL. A copy of my disclosures submitted with KTPL under Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulations is hereto annexed and marked as Annexure - 4 (colly)*
- (g) The aforesaid disclosures were also submitted by KTPL to Investigation Department, SEBI by their letter dated 20.12.2018. Additionally, I have filed all the transactions mentioned in the aforesaid table in the requisite format with the Stock Exchanges. A copy of the disclosures along with acknowledgement filed under Regulation 13(3), 13(4), 13 (4A) read with 13(5) of PIT Regulation, 29(2) & 29(3) of SAST Regulations and Regulation 31(1), (2) and (3) of SAST Regulations is hereto annexed and marked as Annexure - 5 (colly)*
- (h) The aforesaid disclosures filed under SAST Regulations and PIT Regulations is also displayed on the website of BSE under the head disclosures. A copy of screen shot of disclosures as displayed on the website of BSE under SAST Regulations, PIT Regulations and Pledge is hereto annexed and marked as Annexure - 6. Annexure - 7 and Annexure - 8 respectively.*
- (i) As regard to allegation of 13(4A) of PIT Regulations, it is submitted that SEBI (Prohibition of Insider Trading) Regulation, 2015 which has replaced SEBI (Prohibition of Insider Trading) Regulations, 1992, has not stipulated the disclosure requirement for this type of transactions.*
- (j) I also submit that my alleged violation of Regulation 13(4A) of PIT Regulations, if any, is unintentional and there are clear mitigating circumstances in the form of subsequent amendments to the PIT regulations which further lessens the gravity of the violation.*

(k) I further submit that non - disclosure, if any, was technical in nature and due to inadvertence, devoid of any malafide intention. Further, no harm has been caused to any investor nor any loss has occurred due to my non-disclosure as the details regarding the change in my shareholding was disclosed in the shareholding patterns filed by KTPL.

(l) At the outset, I would like to apprise your kind selves of the situation which was prevalent during the year 2012:

- The business of KTPL was severally affected as the Hon'ble Supreme Court cancelled 122 licenses of the cellular operators in the 2G scam and all the operators who were the customers of KTPL, cancelled their orders and also stopped further investments in India due to this and paralysis in Government machinery.*
- The aforesaid circumstances created severe cash crunch for KTPL. Due to the said circumstances, I and Mr. C S Reddy, promoters of KTPL had to sell shares of KTPL on an urgent basis at whatever the price was on the exchange in order to raise funds and infuse funds in KTPL.*
- It is pertinent to note that I and Mr. C S Reddy, promoters of KTPL had sold shares of KTPL despite fall in prices of the shares as we wanted to raise funds and pump the same in KTPL for continuing its operations to avoid catastrophic situation of not being able to operate as a going concern.*
- I would like to highlight that, keeping the grave financial situation of KTPL in mind, the promoters of KTPL had foregone their share of dividend declared by KTPL amounting to Rs. 93.41 Lakhs during the year 2012 as KTPL was suffering from severe cash crunch.*

(m) Further, w.r.t. transfer in off market of 50,000 and 84,800 shares on 05.09.2012 and 25.09.2012 respectively of KTPL received from C S Reddy, I would like state as under:

- *On 05.09.2012, I had asked the broker to sell 50,000 shares of KTPL to fund the company to help tide over tight liquidity crunch. Later, I realized that I did not have any shares in my account. Due to the said reasons, Mr. C S Reddy had to transfer 50,000 shares as gift to me on the same day. As it was a gift and no consideration was paid, no pre clearance was sought from KTPL.*
- *Subsequently, on 25.09.2012, Mr. C S Reddy, gifted me 84,800 shares so that funds could be raised by me against those shares by pledging such shares and the said funds raised were to be funded for the requirements of Kavveri group companies which were facing severe cash crunch.*
- *It is pertinent to mention that for all the aforesaid transactions, no consideration was received by me as the shares were gifted to me by Mr. C S Reddy. Hence, no pre-clearance was required from KTPL.*
- *W.r.t. sell of 50,000 shares of KTPL on 05.09.2012, I would like to state that the same was sold to generate funds so that the same could be infused into Kavveri group companies which were facing severe liquidity crunch. I would like to state that I had sought pre clearance from KTPL for such sell transaction on 27.08.2012. It is pertinent to note that by selling 50,000 shares of KTPL, I had generated Rs. 1,06,45,570 which was infused in KTPL (Rs. 1,00,00,000) [Rs. 60,00,000 lakh directly and Rs. 1,00,00,000 was transferred to SMR Telecom (subsidiary of KTPL) which was transferred to Nextgen Electronics Pvt Ltd (subsidiary of KTPL) which in turn was transferred to KTPL]. The relevant bank statements of aforesaid transactions are hereto annexed and marked as Annexure - 9.*
- *Further, whenever I was required to obtain pre clearance from KTPL, I have diligently obtained the same. Hence, I deny that I have violated clause 3.3-*

1 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of PIT Regulations.

- As, I was gifted 50,000 and 84,800 shares of KTPL without any consideration from Mr. C S Reddy, it cannot be alleged that I have traded in the shares of KTPL when the trading window is closed. Further, it cannot also be alleged that I have entered into opposite transaction, as I had only received the shares as a gift without paying any consideration for it, which cannot be considered as buying.*

Hence, I deny that I have violated clauses 3.2-2, 3.2-5 and 4.2 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of PIT Regulations.

(n) In view of the aforesaid, I deny that I have violated PIT Regulations, 1992, SAST Regulations and Model Code of Conduct as mentioned in the PIT Regulations.

(o) Further, it is reiterated that changes in my shareholding was disclosed in the shareholding pattern under the heading 'shareholding belonging to Promoter and Promoter group' for the quarter ending June 2012, September 2012 and December 2012 and the same was in public domain. The information regarding changes in number of shares and in my percentage of shareholding was in public domain and hence, there was no nondisclosure on my part either. Further, I have been regularly making Annual disclosures as required under Regulation 30(1) and 30(2) of SAST Regulations.

(p) I submit and say that I have always followed all the procedures as stipulated by any regulatory authority, followed all rules/ regulations/ instructions etc. issued by any government agency and my intention has never been to conceal any information. I have never been penalized by any regulatory authority and have got clean track record till date. Further, we submit and reiterate that in this

case also my intention was not to conceal any information/detail. As already explained above, the details of my holding were already in public domain.

(q) In view of the above circumstances, I submit as follows:

- I did not have any intention to conceal the information and nor I have concealed any information.*
- No unfair advantage or gain has occurred to me and also no harm or loss has been caused to any retail investors.*
- There is no investor complaint against me for my alleged transactions as mentioned in the SCN.*
- Violations, if any, are merely technical in nature.*

11. Similarly, Noticee 5 also submitted her reply dated November 01, 2019, which was received on February 07, 2020. In the said reply, the following was *inter alia* submitted:

(i) This is in reference to Show Cause Notice dated 15.09.2017 ("SCN") which is issued for alleged violations of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SAST Regulations") for alleged non disclosure of pledge of 3,00,000 shares of KTPL.

(ii) It has been alleged in the said SCN that I had pledged 3,00,000 shares of KTPL on 13.07.2012, for which I was allegedly required to make certain disclosure under SAST Regulations. It has been alleged that I have failed to make required disclosure.

(iii) Pursuant to the above, it has been alleged that I have violated Regulations 31(1) and 31(3) of SAST Regulations.

(iv) My Profile in brief:

- a. I have completed my Bachelor of Arts and have vast experience of more than 25 years in managing the business of Telecom and other sector*

companies. I was heading the marketing division of leather Products Company prior to joining Kavveri in 1996.

b. I have been instrumental in the growth of Kavveri and have played active role in evolving the organisation into a transnational company.

c. I am one of the founder of KTPL. I was a Director of KTPL from 29.09.2002 till 16.06.2009.

(v) I state that I am one of the promoters of KTPL. KTPL has been regularly filing the shareholding pattern as required under the Listing Agreement and that my shareholding was disclosed under the heading 'Shareholding of securities (including shares, warrants, convertible securities) of persons belonging to the category Promoter and Promoter Group' for the quarter ending September 2012 and the same was in public domain. I state that appropriate disclosure under clause 35 of the Listing Agreement was filed by KTPL, wherein shareholding pattern of the promoter of KTPL was disclosed, whereby the public shareholders were made aware of the encumbered shares of the promoters of the Company. Hence, it is denied that there was any non-disclosure on my part.

(vi) At the outset and without prejudice to anything stated hereinafter, I deny all the allegations and findings made against me in the said notice except to the extent specifically admitted by me. Nothing contained in the said notice may be deemed to be admitted by me by reason of non-traverse or otherwise, save and except what is expressly admitted herein. I deny all the statements, submissions, contentions, allegations and averments contained in the said SCN that are contrary to and/or inconsistent with what is stated herein below.

(vii) It has been alleged that for the pledge of 3,00,000 shares of KTPL on 13.07.2012 as mentioned in the SCN, I did not make any disclosure and have allegedly violated Regulation 31(1)85(3) of SAST Regulations.

(viii) *In reference to alleged violation as stated aforesaid, it is submitted as follows:*

- a. I have submitted disclosure w.r.t. pledge transactions on 13.07.2012 in the requisite format to BSE, NSE as well as to KTPL as required under Regulation 31(1) and 31(3) of SAST Regulations. A copy of disclosure submitted to BSE, NSE and KTPL under SAST Regulations is hereto annexed and marked as Annexure - 1 (Colly)*
- b. Additionally, KTPL has regularly been filing the shareholding pattern as required under the Listing Agreement and that my shareholding was disclosed under the category 'Shareholding of securities (including shares, warrants, convertible securities) of persons belonging to the category Promoter and Promoter Group' and the same was in public domain. Further, in the shareholding pattern filed for quarter ending September 2012, the no. of my encumbered shares has increased from shareholding pattern filed for quarter ending June 2012. The total no. of my encumbered shares has increased from 2,05,000 as per shareholding pattern filed for quarter ending June 2012 to 5,05,000 as per shareholding pattern filed for quarter ending September 2012 i.e. to say that the number of my encumbered shares increased by 3,00,000 shares, which is the subject matter of allegation of the present SCN. Therefore, the public shareholders were made aware of the number of shares encumbered in the KTPL. A copy of shareholding pattern for quarter ending June 2012 and September 2012 as downloaded from the website of BSE is hereto annexed and marked as Annexure - 2*
- c. The aforesaid shows that I did not have any intention to conceal or hide the nature of my shareholding in KTPL from anyone.*

- (ix) *I submit that my violation of Regulation 31(1) & (2) of SAST Regulations, if any, is unintentional and the same is technical and venial in nature.*
- (x) *I submit that non- disclosure, if any, was technical in nature and due to inadvertence, devoid of any malafide intention. Further, no harm has been caused to any investor nor any loss has occurred due to my non- disclosure as the details regarding my pledge of shares was disclosed in the shareholding pattern filed by KTPL.*
- (xi) *In view of the aforesaid, I deny that I have violated Regulation 31(1) and (3) of SAST Regulations.*
- (xii) *Further, it is reiterated that the nature of my shareholding (pledged shares) was disclosed in the shareholding pattern under the heading 'Shareholding of securities (including shares, warrants, convertible securities) of persons belonging to the category Promoter and Promoter Group' for the quarter ending September 2012 and the same was in public domain. The information regarding the no. of pledged shares i.e. encumbered shares was in public domain and therefore even though disclosures were not made in prescribed format, there was no non-disclosure on my part either.*
- (xiii) *Further, I have been regularly making Annual disclosures as required under Regulation 30(1) and 30(2) of SAST Regulations. Hence, there is never any intention to conceal or hide the nature of my shareholding in KTPL from anyone.*
- (xiv) *I submit and say that I have always followed all the procedures as stipulated by any regulatory authority, followed all rules/ regulations/ instructions etc. issued by any government agency and my intention has never been to conceal any information. Further, I submit and reiterate that in this case also my intention was not to conceal any information/detail. As already explained above, the details of nature of my holding was already in public*

domain. It was a procedural lapse, if any, on my part to not to disclose the information in format specified under said Regulations.

(xv) *In view of the above circumstances, I submit as follows:*

(a) I did not have any intention to conceal the information and nor I have concealed any information.

(b) No unfair advantage or gain has occurred to me and also no harm or loss has been caused to any retail investors.

(c) Violations, if any, are merely technical in nature.

(d) I deny that I have violated Regulation 31(1) and 31(3) of SAST Regulations as the information change in my shareholding was already in the shareholding patterns filed by KTPL.

12. Noticee 2, Noticee 3 and Noticee 5 in their above submissions also relied on the orders in the matters of Refex Industries Limited (order dated 2.02.2017), Reliance Industries Ltd. v SEBI (Appeal No. 39/2002), Akbar Badrudin Badrudin Jiwani V. Collector of Customs, Bombay (AIR 1990 SC 1579) and Hindustan Steel Ltd., v State of Orissa, (1970) 1 SCR 753; (AIR 1970 SC 2563).

13. In the hearing conducted on March 16, 2020, Shri Meit Shah appeared as the Authorized Representative ('AR') of the Noticees. The AR reiterated the submissions made by the Noticees in their respective replies. The AR also stated that all the relied upon documents have already been provided to the Noticees and there is no dispute regarding the facts of the case or delivery of any document/ letter / notice. The hearing proceedings were completed and the AR did not request for any further opportunity of hearing. Pursuant to the hearing, Noticee 2, vide emails dated May 15, 2020; May 16, 2020

and May 20, 2020 submitted post hearing replies of himself, KTPL, Noticee 3 and Noticee 4 reiterating their earlier submissions in the matter.

CONSIDERATION OF EVIDENCE AND FINDINGS

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

- (a) Whether the Noticees have violated the various provisions of PIT Regulations, 1992 and SAST Regulations, 2011, as alleged in the SCN?
- (b) Do the violations, if any, on the part of the Noticees attract monetary penalty under Sections 15A(b), 15G and 15HB of the SEBI Act?
- (a) If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?

15. The relevant provisions of PIT Regulations, 1992 and SAST Regulations, 2011 which have allegedly been violated are as below:

Regulation 3 of PIT Regulations, 1992

Prohibition on dealing, communicating or counselling 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;...

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.*

.....

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

.....

3.2-5 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.

.....

3.3.1 All directors/officers/designated employees of the company and their dependents as defined by the company who intend to deal in the securities of the company (above a minimum threshold limit to be decided by the company) should pre-clear the transaction as per the pre-dealing procedure as described hereunder.

.....

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.

In the case of subscription in the primary market (initial public offers), the above mentioned entities shall hold their investments for a minimum period of 30 days. The holding period would commence when the securities are actually allotted.

....

Regulation 13 of PIT Regulations, 1992

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

....

(3) Any person who holds more than 5% shares for voting rights in any listed company shall disclose to the company in Form C the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds 2% of total shareholding or voting rights in the company.

(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) Any person who is a promoter or part of promoter group 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 from the last disclosure made under Listing Agreement or under sub-regulation (2A) or under this subregulation, and the change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.

(5) The disclosure mentioned in sub-regulations (3) and (4) 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.

13(6) Every listed company, within two working days of receipt, shall disclose to all stock exchanges on which the company is listed, the information received under sub-regulations (1), (2), (2A), (3), (4) and (4A) in the respective formats specified in Schedule III.

Regulation 29(2) and Regulation 29(3) of SAST Regulations, 2011

29.(2) Any person, who together with persons acting in concert with him, holds shares or voting rights entitling them to five per cent or more of the shares or voting rights in a target company, shall disclose the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below five per cent, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds two per cent of total shareholding or voting rights in the target company, in such form as may be specified.

29(3) The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within two working days of the receipt of intimation of allotment of shares, or the acquisition of shares or voting rights in the target company to,—

(a) every stock exchange where the shares of the target company are listed;

and

(b) the target company at its registered office.

Regulation 31 of the SAST Regulations, 2011

Disclosure of encumbered shares.

(1) The promoter of every target company shall disclose details of shares in such target company encumbered by him or by persons acting in concert with him in such form as may be specified.

(2) The promoter of every target company shall disclose details of any invocation of such encumbrance or release of such encumbrance of shares in such form as may be specified.

(3) The disclosures required under sub-regulation (1) and sub-regulation (2) shall be made within seven working days from the creation or invocation or release of encumbrance, as the case maybe to,—

(a) every stock exchange where the shares of the target company are listed; and

(b) the target company at its registered office.

Allegation in respect of violation of Regulation 3(i) of PIT Regulations, 1992

16. The first allegation against the Noticees 1 to 4 in the Show Cause Notice is with regard to violation of Regulation 3(i) of PIT Regulations, 1992. It is observed that there were two periods of Unpublished Price Sensitive Information ('UPSI'). The first period of UPSI ('UPSI-1') was from August 26, 2012 to September 05, 2012 at 15:01 hrs, in respect of the approval of the proposal of merger of Kavveri Telecom Infrastructure Limited (**KTI**) with KTPL. The period of trading window closure was from August 28, 2012 to September 06, 2012 for UPSI -1. It was also observed that the agenda for the board meeting of September 05, 2012 was circulated on September 04,

2012 to all the Board Members. Therefore, the directors of KTPL, including Noticee 2, Noticee 3 and Noticee 4, were in possession of UPSI-1.

17. The second period of UPSI (UPSI-2) was from November 02, 2012 to November 05, 2012 at 11:10 hrs, in respect of the cancellation of the proposal of merger of KTI with KTPL. There was no trading window closure for UPSI – 2. It was observed that the agenda papers were circulated during the Board meeting on November 05, 2012. It was observed that, apart from other directors, Noticee 2 was in possession of UPSI-2, as the agenda papers were prepared by the Company Secretary in consultation with Noticee 2.

18. I observe that during the period of investigation Noticee 2 and Noticee 3 had traded in the scrip of KTPL as below:

Table 1

C. S. Reddy				R. H. Kasturi			
Date of transaction	No. of shares	Type of Transaction	Preclearance sought	Date of transaction	No. of shares	Type of Transaction	Preclearance sought
05-Sep-12	50000	Off market transfer to R. H. Kasturi	Not sought	05-Sep-12	50000	Off-market transfer from C. S. Reddy	Not sought
06-Sep-12	59213	Sell	27.08.12	05-Sep-12	50000	Sell	27.08.12
07-Sep-12	134014	Sell	06.09.12	25-Sep-12	84800	Off-market transfer from C. S. Reddy	Not sought
25-Sep-12	84800	Off market transfer to R. H. Kasturi	Not sought				
12-Oct-12	10000	Sell	06.10.12				
15-Oct-12	10000	Sell	12.10.12				
16-Oct-12	14000	Sell	12.10.12				
17-Oct-12	17000	Sell	12.10.12				
18-Oct-12	30000	Sell	12.10.12				
19-Oct-12	20000	Sell	18.10.12				
22-Oct-12	5600	Sell	18.10.12				
23-Oct-12	23400	Sell	18.10.12				

19. I note from above that, on September 05, 2012, i.e., during the period of UPSI-1, Noticee 2 transferred 50,000 shares of KTPL to Noticee 3 through off market transaction. I also note that the Board meeting on September 05,

2012 commenced at 11:00 hrs and the announcement regarding the merger of KTI with KTPL was made at 15:01 hrs on September 05, 2012.

20. As per the submission of Depository Participant - Way2Wealth Broker Pvt. Ltd, Noticee 2 transferred 50,000 shares through off market to Noticee 3 by submitting transfer request at 11:30 am on September 05, 2012, i.e., prior to dissemination of information on merger of KTI with KTPL at 15:01 hrs. This transfer was executed at 5:00 pm. on the same day. Thereafter, Noticee 3 had sold these shares on market on the same day. Noticee 3 had placed sell orders on September 05, 2012 for 20,000 shares from 9:36:28 hrs on BSE till 14:52 hrs and for 30,000 shares from 9:15 hrs on NSE till 14:53 hrs through BGSE Financials Ltd. Therefore, I note that Noticee 2 and Noticee 3 had traded in the shares of KTPL on September 05, 2012 while in possession of UPSI and during the trading window closure period. I also observe that, on September 06, 2012, Noticee 2 had sold a total of 59,213 shares of KTPL on BSE & NSE, during the trading window closure period.

21. As noted earlier, the period of UPSI-1 was from August 26, 2012 till September 05, 2012 at 15:01 hrs and the trading window was closed from August 28, 2012 to September 06, 2012. I also note that Noticee 2 and Noticee 3 were in possession of UPSI-1 before it was made public on September 05, 2012 at 15:00 hrs. I note from the replies of KTPL, Noticee 2 and Noticee 3 that they have not disputed the said transactions. They have *inter alia* stated that the shares of KTPL were sold by Noticee 3 in the market to fund the company to help tide over tight liquidity crunch. Noticee 3 has further stated that she later realized that she did not have any shares in her

account and Noticee 2 had to transfer 50,000 shares as gift. Since, it was a gift and no consideration was paid, no pre clearance was sought from KTPL.

22. In this regard, I note that both Noticee 2 and 3 have contended that they had sold the shares of KTPL to fund the company/associate companies to help tide over tight liquidity crunch. In this regard, Noticee 2 has submitted the details of funds used for the purpose of KTPL and associate companies as following:

SELL DATE	NO OF SHARES SOLD	AMOUNT REALISED ON SALE	AMOUNT PAID TO SMR TELECOM BY C S REDDY	PAID TO KTPL FROM C S REDDY	PAID TO NEXTGEN FROM SMR	PAID TO KTPL FROM NEXTGEN	PAID TO KTPL FROM SMR	PAID TO KTIL FROM SMR
06.09.2012	59,213							
07.09.2012	1,34,014							
10.09.2012		1,15,06,164	1,13,00,000		1,13,00,000	1,13,00,000		
11.09.2012		2,35,96,705	50,00,000				50,00,000	
12.09.2012			1,13,00,000				1,13,00,000	
			10,00,000				10,00,000	
13.09.2012			25,00,000				25,00,000	
14.09.2012			40,00,000				40,00,000	
12.10.2012	10,000							
15.10.2012	10,000							
16.10.2012	14,000	13,52,140						
17.10.2012	17,000	13,17,602						
18.10.2012	30,000	18,29,989	8,00,000					8,00,000
19.10.2012	20,000	21,27,268	12,10,000				9,10,000	3,00,000
22.10.2012	5,600	37,03,467	6,00,000					
23.10.2012	23,400							
25.10.2012		31,91,039	12,33,936	4,00,000			1,13,936	11,20,000
26.10.2012			60,25,000					60,25,000
30.10.2012		29,37,195						47,000
31.10.2012			11,00,000				6,00,000	
02.11.2012			2,40,000					2,40,000
05.11.2012			15,00,000					
08.11.2012							1,00,000	
23.11.2012			31,00,000					
29.11.2012								23,28,874
03.12.2012							6,00,000	29,50,000
Total =<=>		5,15,61,568		4,00,000		1,13,00,000	2,61,23,936	1,38,10,874

Similarly, Noticee 3 has submitted the details of funds used for the purpose of KTPL and associate companies as following:

SELL DATE	NO OF SHARES SOLD	AMOUNT REALISED ON SALE	AMOUNT PAID TO SMR TELECOM BY R H Kasturi	PAID TO KTPL FROM R H Kasturi	PAID TO NEXTGEN FROM SMR	PAID TO KTPL FROM NEXTGEN
05.09.2012	50,000					
07.09.2012		1,06,45,569.70				
08.09.2012		1,15,06,164	1,00,00,000	6,00,000	1,00,00,000	50,00,000
						50,00,000

In this regard, I note that both Noticee 2 & 3 have submitted the bank account details. The said documents are only showing transfer of funds from them to different entities which were ultimately routed and transferred to KTPL. However, there is no evidence of end-use of the funds raised by the Noticee 2 & 3. In light of this, Noticee 2 & 3 have failed to show dire need to infuse funds so important making them sell their shares that they were unable to wait till the trading window was open. Therefore, I note that Noticee 2 and Noticee 3 were in possession of UPSI when they had dealt in the securities of KTPL on September 05, 2012. In view of the same I am not inclined to accept the above argument of Noticee 2 and Noticee 3 and I find that Noticee 2 and Noticee 3 have violated the provisions of Regulation 3(i) of PIT Regulations, 1992. However, no quantification of the profit earned or loss avoided by Noticee 2 & 3 has been mentioned in the IR.

Allegation in respect of violation of Model Code of Conduct contained in Schedule I, Part A, read with Regulation 12(1) of PIT Regulations, 1992

23. I note that the period of trading window closure was from August 28, 2012 to September 06, 2012 for UPSI -1 and the aforesaid sale transactions of Noticee 2 & 3 were executed on September 06, 2012 and September 05, 2012 respectively. Therefore, I note that the said transactions were executed

when the trading window was closed by the company. I note that Clause 3.2-2 of the Model Code of Conduct contained in Schedule I, Part A, read with Regulation 12(1) of PIT Regulations, 1992, has mandated that - *"when the trading window is closed, the employees/ directors shall not trade in the Company's securities in such period"*. Further, Clause 3.2-5 of the Model Code of Conduct states that - *"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"*. Since the above mentioned transactions were carried out during the trading window closure period by Noticee 2 and Noticee 3 and since both of them were directors on Board of the company, I find that both Noticee 2 and Noticee 3 have violated Clauses 3.2-2 and 3.2-5 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of PIT Regulations, 1992.

24. I also note from Table 1 that no pre-clearance was sought for the off market transfer of 50,000 shares by Noticee 2 to Noticee 3 on September 05, 2012. Similarly, an off market transfer of 84,800 shares was executed on September 25, 2012, wherein the said shares were transferred by Noticee 2 to Noticee 3 without obtaining pre-clearance from KTPL. I note from the replies of Noticee 2 and Noticee 3 that they have not denied the said transactions.

25. I note that, as per Clause 3.3-1 of the Model Code of Conduct, - *"All directors/ officers/ designated employees of the company (and their dependents as*

defined by the company) who intend to deal in the securities of the company (above a minimum threshold limit to be decided by the company) should pre-clear the transaction as per the pre-dealing procedure as described hereunder". Further, as per the Code of Conduct adopted by KTPL, for pre-clearance of deals in securities, *"In case of Directors, pre-dealing approval would be necessary in respect of every deal."* As both Noticee 2 and Noticee 3 were directors of KTPL, it was mandatory for them to obtain pre-dealing approval as per Clause 3.3-1 of the Model Code of Conduct and as per the Code of Conduct adopted by KTPL. However, they have failed to obtain pre-dealing approval in this regard. In view of the same, I find that Noticee 2 and Noticee 3 have violated Clause 3.3-1 of Model Code of Conduct contained in Schedule I, Part A, read with Regulation 12(1) of PIT Regulations, 1992.

26. It was also alleged in the SCN in respect of the above transactions that Noticee 3 had entered into opposite transactions, i.e., sell or buy any number of shares during the next six months following the prior transaction. Noticee 3 had received 50,000 shares in an off market transaction from Noticee 2 on September 05, 2012 which were sold by her on market on the same day. Again, on September 25, 2012, she received 84,800 shares from Noticee 2 through off market. All these three transactions, which were opposite in nature, were carried out within a duration of six months. Therefore, it was alleged that Noticee 3 had violated Clause 4.2 of Model Code of Conduct contained in Schedule I, Part A, read with Regulation 12(1) of PIT Regulations, 1992.

27. I note that Noticee 3 has not denied the said transactions. However, I note that Noticee 3 has submitted that shares from Noticee 2 were received in

off-market transfers as gift and there was no consideration involved in the said transactions. Noticee 3 has also submitted that the said shares were gifted by Noticee 2 so that funds could be raised by her against those shares either by selling or pledging the said shares in order to fund the company to help tide over tight liquidity crunch.

28. I observe that, as per Clause 4.2 of Model Code of Conduct contained in Schedule I, Part A, read with Regulation 12(1) of PIT Regulations, 1992, - *"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"*.

29. In this regard, I note that the High Level Committee to review the PIT Regulations, 1992, under the Chairmanship of N K Sodhi, former Chief Justice, in its report dated December 7, 2013 has observed that – *““Trading” in the ordinary English meaning of the term would entail an act of getting something in return for something else i.e. entailing an element of consideration changing hands. Even an act of subscription to securities would be an act of “trading” in as much as the subscriber would trade his funds towards subscription money for the securities allotted to him...”*

30. I note that Noticee 3 had received shares from Noticee 2 in off-market transfers without payment of any consideration and therefore, claimed as a gift. Therefore, I am of the view that the said transfers dated September 05, 2012 and September 25, 2012 cannot be termed as ‘trading’ as they are off-market transfers for no consideration by Noticee 2 to Noticee 3 and,

therefore, do not fall under the category of 'buy or sell transaction'. Noticee 3 has admitted that she had subsequently sold/pledged the said shares.

In view of the same, I find that the allegation against Noticee 3, of entering into opposite transactions within a duration of six months, has not been established. Therefore, the allegation of violation of Clause 4.2 of Model Code of Conduct contained in Schedule I, Part A, read with Regulation 12(1) of PIT Regulations, 1992 is not established against Noticee 3.

31. It was also alleged in the SCN that the violations of insider trading provisions have also resulted in violation of Clause 1.2 of Model Code of Conduct contained in Schedule I, Part A, read with Regulation 12(1) of PIT Regulations, 1992 by KTPL and its directors, i.e. Noticee 2, Noticee 3 and Noticee 4. I also note that the trading window was not closed during the UPSI –2 period.

32. In this respect, I note that Clause 1.2 of Model Code of Conduct mandates that the Compliance Officer shall be responsible for monitoring of trades and the implementation of the code of conduct under the overall supervision of the Board of a listed company. Therefore, it is the obligation of the compliance officer to ensure compliance with Clause 1.2 of Model Code of Conduct under the supervision of the board of directors of KTPL. In this regard, I note that, Noticee 4 in a common reply dated March 12, 2020, which is also signed by him, has admitted knowledge of the transactions of Notice 2 & 3. Therefore, I am of the view that Noticee 2, 3 and 4 were aware of the said transactions taking place.

33. Further, I note that there were 6 directors in the Company out of which 3 were Independent directors. Therefore, Noticee 2, 3 and 4 were the

executive directors of KTPL. As mentioned above, in terms of their respective submissions to the common SCN, Noticee 2, 3 and 4 were aware of the transactions of Noticee 2 and Noticee 3. Further, it is a matter of fact that Noticee 2 & 3 have claimed that pre-clearance for the trades mentioned in Table 1, was taken as per Model Code of Conduct. However, when the documentary evidence of the same was sought for the said pre-clearance, no proof in support of the claim was submitted.

34. Therefore, I am of the view that Noticee 2, 3 and 4, despite being aware of the said transaction and the fact that no evidence of pre-clearance was produced, failed to bring it to the knowledge of Board of Directors and did not take any action in terms of their powers/obligation under Clause 1.2 of Model Code of Conduct. In light of the above, though the obligation to comply with the Model Code of Conduct rests with the compliance officer who in-turn had to be supervised by the Board of Directors of a company, however in the present matter it is not even established by the Noticee 2, 3 and 4 that they had brought the above transactions to the attention of the Board of Directors enabling the compliance officer to ensure compliance. Therefore, I am of the view that Noticee 2, 3 and 4 have failed in supervising and ensuring the required compliances with regard to implementation of model code of conduct.

35. I further note that the responsibility of supervision and ensuring that the Model Code of Conduct is duly complied with in a company is squarely placed on Board of Directors of the said company under Clause 1.2 of Model Code of Conduct. I note that a company is responsible for the acts of its Board of Directors, being its agent. However, in the present provision under

consideration, no separate/specific/parallel obligation has been imposed on the listed company under Clause 1.2 for the said supervision.

In light of the above legal position, I find it not fit to hold the company responsible for a breach of duty specifically cast on the Board of Directors and as a result, no penalty can be imposed on KTPL for the allegation of violation of the said provision under Model Code of Conduct.

Allegation in respect of violation of disclosure obligations specified in PIT Regulations, 1992 and SAST Regulations, 2011

36. The next allegation in the SCN is with respect to disclosure violations by Noticee 1, Noticee 2, Noticee 3 and Noticee 5. It was alleged that Noticee 2, who was promoter as well as MD of KTPL, did not file the relevant disclosures with the Company and the Stock Exchanges under Sections 13 (3), 13(4), 13(4A) r/w 13(5) of PIT Regulations, 1992 and under Regulations 29(2), 29(3), 31 (1), 31(2) & 31 (3) of SAST Regulations, 2011 in the following instances mentioned in the below table:

Table 2

Sr. No	Date of transaction	No. of shares	Type of Transaction	Total share holding	%of shares held	Disclosure status		Type of Disclosure
						Company	SE	
1	14-Jul-12	3,50,000	Pledge in favour of Karjat Trade Place Pvt. Ltd	NA	NA	not disclosed	not disclosed	*
2	19-Jul-12	20,505	Pledge in favour of Axis Bank	NA	NA	not disclosed	not disclosed	*
3	05-Sep-12	50000	Off market transfer to R. H. Kasturi	2306704	11.46	not disclosed	not disclosed	#
4	06-Sep-12	59213	Sell	2247491	11.17	disclosed	not disclosed	#
5	07-Sep-12	134014	Sell	2113477	10.5	disclosed	not disclosed	#
6	21-Sep-12	100000	Invocation of pledge - ACG	2013477	10.01	not disclosed	not disclosed	*

			Associated Capsules Pvt Ltd					
7	25-Sep-12	84800	Off market transfer to R. H. Kasturi	1928677	9.58	not disclosed	not disclosed	# @
8	26-Sep-12	41,695	Pledge in favour of Axis Bank	NA	NA	not disclosed	not disclosed	*
9	12-Oct-12	10000	Sell	1918677	9.53	disclosed	not disclosed	#
10	15-Oct-12	10000	Sell	1908677	9.48	disclosed	not disclosed	#
11	16-Oct-12	14000	Sell	1894677	9.41	disclosed	not disclosed	#
12	17-Oct-12	17000	Sell	1877677	9.33	disclosed	not disclosed	#
13	18-Oct-12	30000	Sell	1847677	9.18	disclosed	not disclosed	#
14	19-Oct-12	20000	Sell	1827677	9.08	disclosed	not disclosed	#
15	22-Oct-12	5600	Sell	1822077	9.05	disclosed	not disclosed	#
16	23-Oct-12	23400	Sell	1798677	8.94	disclosed	not disclosed	#
17	22-Nov-12	4400	Sell	1794277	8.92	disclosed	not disclosed	#
18	23-Nov-12	100000	Off market transfer from R. H. Kasturi	1894277	9.41	not disclosed	not disclosed	#
19	29-Nov-12	95878	Off market transfer to R. H. Kasturi	1798399	8.94	not disclosed	not disclosed	#
* 31 (1), (2) & (3) of SAST Regulations, 2011 @ 29(2) & (3) of SAST Regulations, 2011				# 13 (3), 13(4), 13(4A) r/w 13(5) of PIT Regulations, 1992.				

37. I note that Noticee 2 in his reply dated March 07, 2020 has stated that KTPL has been regularly filing the shareholding pattern as required under the Listing Agreement and that his shareholding was available in public domain whereby the public shareholders were made aware of the change in his shareholding in KTPL. In this respect, I note that existence of information in public domain through various disclosures made by the Company does not absolve the shareholders from making the relevant disclosure under the regulations. In this context, I note that in the matter of Man Finance Pvt. Ltd. Vs SEBI (Appeal No 339 of 2018 decided on June 18, 2019), Hon'ble SAT had observed that - *"When the law requires a particular act to be done in a*

particular manner, no leeway can be given to a person to deviate from the said procedure. Thus, even though the company may have sent the information to the stock exchange, nonetheless, it was the duty of the appellant to disclose the acquisition of the shares to the stock exchange in the requisite 'Form D' within two days from the acquisition of the shares which apparently had not been done.."

38. Similarly, I would also like to rely on observation of Hon'ble Securities Appellate Tribunal ('SAT') in *Ambaji Papers Pvt. Ltd. vs. the Adjudicating Officer, SEBI* dated January 15, 2014, wherein similar contention of information being in the public domain was raised by the appellant. Hon'ble SAT observed: *".... that a reading of Regulation 7 of the SAST Regulations, 1997 read with Regulation 35(2) of the SAST Regulations, 2011 clearly points out that not only the company, but an acquirer is also required to inform the stock exchanges at every stage of aggregate of the shareholding or voting rights in the company. The object underlying these regulations is, therefore, unequivocally to bring more transparency by dissemination of complete information to the public as well as shareholders at large not only by the concerned company but by the individual acquirer as well."*

39. I also note that Noticee 2 in its reply dated March 07, 2020 has stated that he had filed disclosures with KTPL for transactions at Sr. No. 4, 5, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18 and 19 as required under Regulation 13(3), 13(4), 13(4A) read with 13(5) of PIT Regulations, 1992. Noticee 2 has further stated that he had filed disclosure under Regulation 31(1), (2) and (3) of SAST Regulations, 2011 with KTPL for transaction stated at Sr. No. 6. Therefore, I note that Noticee 2 has not disputed that he had not made disclosures to KTPL for transactions stated at Sr. No. 1, 2, 3, 7 and 8.

40. Noticee 2 has also stated that he has filed disclosure in requisite format with the Stock Exchanges for all the transactions mentioned in the above table. I note from the documents submitted by Noticee 2 that the disclosures to Stock Exchanges in all the above instances was made on September 24, 2018 by Noticee 2, i.e., after the issuance of SCN to him. Therefore, I note that Noticee 2 has made a delayed disclosure to the Stock Exchanges for the aforesaid transactions as below:

Table 3

S. No.	Date of Transaction	Due date of disclosure	Date of actual disclosure	Delay (in working days)
1	14-Jul-12	24-Jul-12	24-Sep-18	1525
2	19-Jul-12	30-Jul-12	24-Sep-18	1521
3	05-Sep-12	07-Sep-12	24-Sep-18	1494
4	06-Sep-12	08-Sep-12	24-Sep-18	1493
5	07-Sep-12	10-Sep-12	24-Sep-18	1492
6	21-Sep-12	03-Oct-12	24-Sep-18	1477
7	25-Sep-12	27-Sep-12	24-Sep-18	1480
8	26-Sep-12	08-Oct-12	24-Sep-18	1474
9	12-Oct-12	16-Oct-12	24-Sep-18	1468
10	15-Oct-12	17-Oct-12	24-Sep-18	1467
11	16-Oct-12	18-Oct-12	24-Sep-18	1466
12	17-Oct-12	19-Oct-12	24-Sep-18	1465
13	18-Oct-12	22-Oct-12	24-Sep-18	1464
14	19-Oct-12	23-Oct-12	24-Sep-18	1463
15	22-Oct-12	25-Oct-12	24-Sep-18	1462
16	23-Oct-12	26-Oct-12	24-Sep-18	1461
17	22-Nov-12	26-Nov-12	24-Sep-18	1441
18	23-Nov-12	27-Nov-12	24-Sep-18	1440
19	29-Nov-12	03-Dec-12	24-Sep-18	1437

41. In view of the above, I find that Noticee 2 has violated the provisions of Regulations 13 (3), 13(4), 13(4A) and (5) of PIT Regulations, 1992; and Regulations 29(2), 29(3), 31(1) & 31(2) of SAST Regulations, 2011.

42. It was also alleged in the SCN that Noticee 3, who was promoter as well as director of KTPL, did not file the relevant disclosures with the Company and the Stock Exchanges under Sections 13 (3), 13(4), 13(4A) read with 13(5) of PIT Regulations, 1992 and under Regulations 29(2), 29(3), 31 (1), 31(2) & 31 (3) of SAST Regulations, 2011 in the following instances mentioned in the below table:

Table 4

Sr. No.	Date of transaction	No. of shares	Type of Transaction	Total share holding	% of shares held	Disclosure		Type of Disclosure
						Company	SE	
1	14-Jul-12	2,50,000	Pledge in Favour of Karjat Trade Place Pvt. Ltd	NA	NA	not disclosed	not disclosed	*
2	05-Sep-12	50000	Off-market transfer from C. S. Reddy	2413769	12	not disclosed	not disclosed	#
3	05-Sep-12	50000	Sell	2363769	11.75	disclosed	not disclosed	#
4	21-Sep-12	600000	Invocation of pledge - ACG Associated Capsules Pvt Ltd	1763769	8.76	not disclosed	not disclosed	* @
5	25-Sep-12	84800	Off-market transfer from C. S. Reddy	1848569	9.19	not disclosed	not disclosed	#
6	26-Sep-12	84800	Pledge in favour of Axis bank	NA	NA	not disclosed	not disclosed	*
7	15-Nov-12	361658	Off-market transfer from ACG Capsules Pvt Ltd	2210227	10.98	disclosed	not disclosed	*#@
8	16-Nov-12	19200	Sell	2191027	10.89	disclosed	not disclosed	#
9	19-Nov-12	15500	Sell	2175527	10.81	disclosed	not disclosed	#
10	20-Nov-12	30000	Sell	2145527	10.66	disclosed	not disclosed	#

11	21-Nov-12	10000	Sell	2135527	10.61	disclosed	not disclosed	#
12	23-Nov-12	100000	Off-market transfer to C. S. Reddy	2035527	10.11	disclosed	disclosed	#
13	26-Nov-12	2150	Sell	2033377	10.1	disclosed	not disclosed	#
14	27-Nov-12	54400	Off-market transfer to Thyagaraja Babu	1978977	9.83	not disclosed	not disclosed	#
15	27-Nov-12	54400	Off market transfer to Patil Kumar	1924577	9.56	not disclosed	not disclosed	#
16	27-Nov-12	14400	Off-market transfer to Ramakrishna	1910177	9.49	not disclosed	not disclosed	#
17	29-Nov-12	95878	Off-market transfer from C. S. Reddy	2006055	9.97	not disclosed	not disclosed	#
18	29-Nov-12	41478	Off-market transfer to Ramakrishna	1964577	9.76	not disclosed	not disclosed	#
19	29-Nov-12	54400	Off-market transfer to Muniraju	1910177	9.49	not disclosed	not disclosed	#
20	29-Nov-12	54400	Off-market transfer to Naveen	1855777	9.22	not disclosed	not disclosed	#
* 31 (1), (2) & (3) of SAST Regulations, 2011 @ 29(2) & (3) of SAST Regulations, 2011				# 13 (3), 13(4), 13(4A) r/w 13(5) of PIT Regulations, 1992.				

43. Noticee 3 in her letter dated March 09, 2020 has stated that KTPL has been regularly filing the shareholding pattern as required under the Listing Agreement and that his shareholding was available in public domain whereby the public shareholders were made aware of the change in his shareholding in KTPL. In this respect, I note that existence of information in public domain through various disclosures made by the Company does not absolve the shareholders from making the relevant disclosure under the regulations. In this respect, I would like to rely on observation of Hon'ble

Securities Appellate Tribunal ('SAT') in Man Finance Pvt. Ltd. Vs SEBI and Ambaji Papers Pvt. Ltd. vs. the Adjudicating Officer, SEBI dated January 15, 2014 (*supra*).

44. I also note that Noticee 3 in her reply dated March 09, 2020 has stated that she had filed disclosures with KTPL for transactions at Sr. No. 3, 4, 7, 8, 9, 10, 11, 12, 13 and 17 as required under Regulation 13(3), 13(4), 13(4A) read with 13(5) of PIT Regulations. Therefore, I find that Noticee 3 has not disputed that she had not made disclosures to KTPL for transactions stated at Sr. No. 1, 2, 5, 6, 14, 15, 16, 18, 19 and 20.

45. Noticee 3 has also stated that she has filed disclosure in requisite format with the Stock Exchanges for the aforesaid transactions. I note from the documents submitted by Noticee 3 that the disclosures to Stock Exchanges in all the above instances was made on September 24, 2018 by Noticee 3, i.e., after the issuance of SCN to her. Therefore, I note that Noticee 3 has made a delayed disclosure to the Stock Exchanges for the aforesaid transactions as below:

Table 5

S. No.	Date of Transaction	Due date of disclosure	Date of actual disclosure	Delay (in working days)
1	14-Jul-12	24-Jul-12	24-Sep-18	1525
2	05-Sep-12	07-Sep-12	24-Sep-18	1494
3	05-Sep-12	07-Sep-12	24-Sep-18	1494
4	21-Sep-12	25-Sep-12 / 03-Oct-12	24-Sep-18	1482 / 1477*
5	25-Sep-12	27-Sep-12	24-Sep-18	1480
6	26-Sep-12	08-Oct-12	24-Sep-18	1474
7	15-Nov-12	19-Nov-12 / 26-Nov-12	24-Sep-18	1446 / 1441*
8	16-Nov-12	20-Nov-12	24-Sep-18	1445
9	19-Nov-12	21-Nov-12	24-Sep-18	1444
10	20-Nov-12	22-Nov-12	24-Sep-18	1443

11	21-Nov-12	23-Nov-12	24-Sep-18	1442
12	23-Nov-12	27-Nov-12	24-Sep-18	1440
13	26-Nov-12	29-Nov-12	24-Sep-18	1439
14	27-Nov-12	30-Nov-12	24-Sep-18	1438
15	27-Nov-12	30-Nov-12	24-Sep-18	1438
16	27-Nov-12	30-Nov-12	24-Sep-18	1438
17	29-Nov-12	03-Dec-12	24-Sep-18	1437
18	29-Nov-12	03-Dec-12	24-Sep-18	1437
19	29-Nov-12	03-Dec-12	24-Sep-18	1437
20	29-Nov-12	03-Dec-12	24-Sep-18	1437

**Disclosure obligation within 7 working days under Sections 31(1), 31(2)& 31(3) of SAST Regulations, 2011 and within 2 working days under Sections 13(3), 13(4), 13(4A) & 13(5) of PIT Regulations, 1992 and/or within 2 working days under Section 29(2)& 29(3) of SAST Regulations, 2011*

46. In view of the above, I find that Noticee 3 has violated the provisions of Regulations 13(3), 13(4), 13(4A) and (5) of PIT Regulations, 1992; and Regulations 29(2), 29(3), 31(1) & 31(2) of SAST Regulations, 2011.

47. It was also alleged in the SCN that Noticee 5, promoter of KTPL, pledged 3,00,000 shares on July 13, 2012 and failed to file disclosures for creation of pledge of these shares under Regulations 31(1) and 31(3) of the SAST Regulations, 2011 to KTPL and Stock Exchanges. Noticee 5 in her reply dated November 01, 2019 has stated that she had submitted disclosure w.r.t. the said pledge transactions in the requisite format to BSE, NSE as well as to KTPL as required under Regulation 31(1) and 31(3) of SAST Regulations. Further, she has stated that KTPL was regularly filing the shareholding pattern as required under the Listing Agreement and that her shareholding was disclosed under the category 'Shareholding of securities (including shares, warrants, convertible securities) of persons belonging to the category

Promoter and Promoter Group' and the same was in public domain. Further, in the shareholding pattern filed for quarter ending September 2012, the number of her encumbered shares has increased from shareholding pattern filed for quarter ending June 2012. The total number of her encumbered shares has increased from 2,05,000 as per shareholding pattern filed for quarter ending June 2012 to 5,05,000 as per shareholding pattern filed for quarter ending September 2012, i.e., the number of her encumbered shares increased by 3,00,000 shares, which is the subject matter of allegation in the SCN. Therefore, Noticee 5 has submitted that the public shareholders were made aware of the number of shares encumbered in the KTPL.

48. In this respect, I note that existence of information in public domain through various disclosures made by the Company does not absolve the shareholders from making the relevant disclosure under the regulations. In this respect, I would like to rely on observation of Hon'ble Securities Appellate Tribunal ('SAT') in Ambaji Papers Pvt. Ltd. vs. the Adjudicating Officer, SEBI dated January 15, 2014 (*supra*). I further note from the documents submitted by Noticee 5 that the disclosures to Stock Exchanges for the above pledge transaction was made on September 24, 2018 by Noticee 5, i.e., after the issuance of SCN to her. Therefore, I note that Noticee 5 has made a delay of 1526 working days in making the disclosure under Regulations 31(1) and 31(3) of SAST Regulations, 2011 to the Stock Exchanges for the above pledge transaction. In view of the same, I find that Noticee 5 has violated the provisions of Regulations 31(1) and 31(3) of SAST Regulations, 2011.

49. It was also alleged in the SCN that KTPL, Noticee 2, Noticee 3 and Noticee 4 by not making the disclosure to BSE regarding the disclosures made by

Noticee 2 and Noticee 3 under Regulations 13(3), 13(4) and 13(4A) of PIT Regulations have violated the provisions of Regulation 13(6) of PIT Regulations. In this respect, I note that, in terms of Regulation 13(6) of PIT Regulations, every listed company, within two working days of receipt, shall disclose to all stock exchanges on which the company is listed, the information received under sub-regulations (1), (2), (2A), (3), (4) and (4A) in the respective formats specified in Schedule III. Therefore, I note that the obligation to make disclosure under this regulation is squarely placed on the listed company. No separate obligation is imposed on the director/promoters of the Company.

50. I note that KTPL has stated that the shareholding patterns filed for Quarter ending June 2012, September 2012 and December 2012 clearly revealed about changes in shareholding of Promoter/Director in KTPL as alleged in the SCN and no non-disclosure can be alleged on its part. KTPL has further stated that it has filed the relevant disclosures in the requisite format with the Stock Exchanges for the transactions of Noticee 2 and Noticee 3. In this respect, I note that disclosure under Listing Agreement cannot be said to be compliance with disclosure obligations in PIT Regulations, 1992. In this regard, I note that Hon'ble SAT in *Premchand Shah and Others V. SEBI* dated February 21, 2011 has held that - *".....When a law prescribes a manner in which a thing is to be done, it must be done only in that manner.....Non-disclosure of information in the prescribed manner deprived the investing public of the information which is required to be available with them when they take informed decision while making investments....."*

51. I note from the letter dated December 20, 2013 of KTPL to SEBI that it had admittedly received disclosures from Noticees 2 & 3 under Regulation 13(3), 13(4) and 13(4A) read with 13(5) of PIT Regulations for the transactions mentioned at Sr. No. 4, 5, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18 and 19 in Table 2 and Sr. No. 3, 4, 7, 8, 9, 10, 11, 12, 13 and 17 in Table 4 respectively. I further note that the disclosure to Stock Exchanges for the above transactions was made on September 24, 2018 by KTPL, i.e., after the issuance of SCN to KTPL. Therefore, I note that KTPL has made a delayed disclosure under Regulation 13(6) of PIT Regulations, 1992 to the Stock Exchanges for the aforesaid transactions of Noticee 2 and Noticee 3. In view of the same, I find that KTPL has violated the provisions of Regulation 13(6) of PIT Regulations, 1992. I further note that the obligation to make disclosure under this regulation is squarely placed on the listed company. No separate/ direct/ personal/ independent/ parallel obligation has been imposed on the Promoters/Directors of the Company and, therefore, the allegation is misconceived.

In light of the above legal position, no penalty can be imposed on the Noticee 2, 3 and 4 for the allegation of violation of the said provision.

52. I note that the Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) held that - *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant..."*. The above violations of the PIT Regulations, 1992 and SAST Regulations, 2011 make KTPL, Noticee 2, Noticee 3 and Noticee 4 liable for penalty under

Sections 15A(b) and 15HB of the SEBI Act; Noticee 2 and Noticee 3 liable for penalty under Section 15G of the SEBI Act; and KTPL, Noticee 2, Noticee 3 and Noticee 5 liable for penalty under Section 15A(b) of the SEBI Act. The text of the said provisions is given below:

SEBI Act, 1992

Penalty for failure to furnish information, return, etc.

15A. If any person, who is required under this Act or any rules or regulations made thereunder, -

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

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 [which shall not be less than ten lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher].

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 shall not be less than one lakh rupees but which may extend to one crore rupees.

53. While determining the quantum of penalty under Sections 15A(b), 15G and 15HB of the SEBI Act, it is important to consider the factors relevantly as stipulated in Section 15J of the SEBI Act which reads as under:

“Factors to be taken into account by the adjudicating officer.

Section 15J - 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.

Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

54. In the present matter, it is noted that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of such default by the Noticees. Further from the material available on record, it may not be possible to ascertain the exact monetary loss to the investors /clients on account of default by the Noticees. KTPL, Noticee 2 and Noticee 3 have on multiple occasions failed to make relevant disclosures / made

delayed disclosures under PIT Regulations, 1992 and SAST Regulations, 2011. To that extent, I find the violations to be repetitive.

ORDER

55. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by the Noticee and also the factors mentioned in Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose the below mentioned penalties on the Noticees:

S. No.	Name of the Noticee	Penalty
1	Kavveri Telecom Products Ltd.	Rs. 5,00,000 (Rupees Five Lakh only) under Section 15A(b) of the SEBI Act
2	Mr. C S Reddy	Rs. 10,00,000 (Rupees Ten Lakh only) under Section 15G of the SEBI Act
		Rs. 5,00,000 (Rupees Five Lakh only) under Section 15A(b) of the SEBI Act
3	Ms. R H Kasturi	Rs. 10,00,000 (Rupees Ten Lakh only) under Section 15G of the SEBI Act
		Rs. 5,00,000 (Rupees Five Lakh only) under Section 15A(b) of the SEBI Act
4	Ms. Uma Reddy	Rs. 1,00,000 (Rupees One Lakh only) under Section 15A(b) of the SEBI Act

5	Mr. C S Reddy and Ms. R H Kasturi	Rs. 2,00,000 (Rupees Two Lakh only) under Section 15HB of the SEBI Act for the violation of Clause 3.2-2, 3.2-5 and 3.3-1 of Model Code of Conduct (payable jointly and severally)
6	Mr. C S Reddy, Ms. R H Kasturi and Mr. L Nicholas	Rs. 1,00,000 (Rupees One Lakh only) under Section 15HB of the SEBI Act for the violation of Clause 1.2 of Model Code of Conduct (payable jointly and severally)

I am of the view that the said penalty is commensurate with the lapse/ omission on the part of the Noticees. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW. In case of any difficulties in payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in.

56. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

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

Place: Mumbai

Date: July 31, 2020

**K SARAVANAN
CHIEF GENERAL MANAGER AND
ADJUDICATING OFFICER**