

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. BM/AO-1-14/2015]

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

In respect of

Bala Reddy Gopu (PAN: ACPPG5476K), Mary Ashwini (PAN: APGPD0968K), Sravanthi Yakkanti (PAN: ACEPY9948F), Anthony Pratap Reddy Gali (PAN: AKPPG4204R), Sahasra Investments Pvt. Ltd (PAN: AAKCS7369H), BRG Energy Ltd (PAN: AACCB9138M), Softpro Systems Ltd. (PAN: AADCS2135A), Mohan Prakash Reddy G (PAN: AMGPG8896A), Vikram Reddy Gopu (PAN Not Available), G Prakash Pradeep (PAN: ARIPG7458F), G Sleeva Reddy (PAN: AKUPG0019M), G. Velangini Mary (PAN: ABHPV6458D), V Chinnapa Reddy (PAN: AENPV7284A) and Mary Kalpana (PAN: AGBPT8630J)

In the matter of ICSA (India) Ltd

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted investigation into the trading in the scrip of ICSA (India) Ltd (hereinafter referred to as '**the Company**'/ '**ICSAI**') for the period from February 01, 2009 to February 28, 2010 (hereinafter referred to as '**investigation period**'). The shares of the company were listed at Bombay Stock Exchange Ltd (hereinafter referred to as '**BSE**') and National Stock Exchange Ltd (hereinafter referred to as '**NSE**'). Trading activity of the clients/entities was examined in terms of the corporate announcement made on March 18, 2009 by the company to BSE and NSE.
2. During the investigation period the price of the scrip opened at Rs 74.55 on February 25, 2009 and moved to a high of Rs 229.8 on October 22, 2009 and closed at Rs 160.95 on January 31, 2010.

3. Investigation observed that the company had made a corporate announcement at NSE and BSE on March 18, 2009 that the company had secured work orders for a total contract value of Rs 464.17 crore from Bihar State Electricity Board (hereinafter referred to as 'BSEB'), Maharashtra State Electricity Distribution Co. Ltd (hereinafter referred to as 'Mahavitrans') and M.P.Poorv Kshetra Vidyut Vitaran Co. Ltd. (hereinafter referred to as 'MPPKVCL'). Investigation observed that certain entities bought large number of shares in February 2009, just a few days prior to the corporate announcement made by the company. These entities, namely Sravanthi Yakkanti (hereinafter referred to as 'Sravanthi') and Mary Ashwini (hereinafter referred to as 'Mary') had bought 3,93,683 shares and 11,92,000 shares at an average buy price of Rs 74.99 and Rs. 75 on February 25, 2009 respectively. Investigation further observed that one of the promoters of the company Shri G. Bala Reddy, who is also the Chairman and Managing Director of the company, was one of the participants in such discussions/meetings that led to the signing of the work orders to the extent of Rs 464.17 crore. Investigation also observed that G. Bala Reddy, through his companies, M/s. BRG Energy Ltd. (BRG) and M/s.Sahasra Investments Ltd (Sahasra), funded the purchase of shares of ICSAI by Mary Ashwini and Sravanthi Yakkanti. Anthony Pratap Reddy Gali (APRG), husband of Mary Ashwini received around 5,64,449 shares in off market from Mary Ashwini and Sravanthi Yakkanti and transferred 2,63,490 shares to Velangini Mary, Promoter of ICSAI and wife of G. Bala Reddy. Later, shares were also sold on NSE and BSE and sale proceeds were transferred to the promoters or promoter related entities. APRG acted as conduit in routing the funds arising out of the sale of shares of ICSAI and transferring the proceeds to promoters and their related entities, namely, Softpro Systems Ltd (Softpro), Vikram Reddy Gopu, Prakash Pradeep G, Mohan Prakash Reddy G, V Chinnapa Reddy, Mary Kalpana and G Sleevea Reddy.
4. Investigation further observed that Bala Reddy had furnished misleading information to SEBI in respect of his relationship with Mary Ashwini, Sravanthi Yakkanti, Anthony Pratap Reddy Gali (APRG), V Chinnapa Reddy, G. Sleevea Reddy, Mary Kalpana, Mohan Prakash Reddy, Arun Kumar Gopu, Prakash Pradeep G, Gopu Reddy Vikram and Saritha Gali. It was also observed that Sravanthi and Mary Ashwini had furnished misleading information to SEBI regarding their relationship with the company and its promoters/ management, as well as regarding their

purchase of ICSAI shares. They also allegedly furnished incorrect information about possession of unpublished price sensitive information.

5. Investigation further observed that Shri G. Bala Reddy and G. Velangini Mary had furnished misleading declarations in respect of pledged shares in terms of Regulation 8A(1) and (2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as the 'Takeover Regulations').
6. It was therefore alleged that
 - a. Shri G. Bala Reddy and G Velangini Mary violated Regulation 3 and 4 of the SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as the 'PIT Regulations') and Sections 12A(d) and 12A(e) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the SEBI Act), Regulation 8A(1) and (2) of the Takeover Regulations, Regulation 3(c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1992 (hereinafter referred to as the 'PFUTP Regulations') and Sections 12A(b) and 12A(c) of the SEBI Act,
 - b. Anthony Pratap Reddy Gali violated Regulation 3(c) and (d) of the PFUTP Regulations and Sections 12A(b) and 12A(c) of the SEBI Act,
 - c. Mary Ashwini and Sravanthi Yakkanti violated Regulation 3 and 4 of the PIT Regulations, 1992 and Sections 12A(d) and 12A(e) of the SEBI Act, 1992, Regulation 3(c) and (d) of the PFUTP Regulations read with Sections 12A(b) and 12A(c) of the SEBI Act.
 - d. Sahasra Investments Pvt. Ltd. violated Regulation 3, 3A and 4 of the PIT Regulations, 1992 and Sections 12A(d) and Section 12A(e) of the SEBI Act, 1992.
 - e. BRG Energy Ltd was alleged to have violated Regulation 3, 3A and 4 of the PIT Regulations, 1992 and Sections 12A(d) and Section 12A(e) of the SEBI Act, 1992, Regulation 3(c) and (d) of the PFUTP Regulations read with Sections 12A(b) and 12A(c) of the SEBI Act.
 - f. Softpro Systems Ltd, Vikram Reddy Gopu, Prakash Pradeep G, Mohan Prakash Reddy G, V Chinnapa Reddy, Mary Kalpana and G Sleevea Reddy allegedly violated

Regulation 3(c) and (d) of the PFUTP Regulations read with Sections 12A(b) and 12A(c) of the SEBI Act.

- g. Bala Reddy had furnished misleading information to SEBI in respect of his relationship with certain persons/ entities; Sravanthi and Mary Ashwini had furnished misleading information to SEBI regarding their relationship with the company and its promoters/ management, as well as regarding the source of funds for purchasing the shares of ICSAI.

APPOINTMENT OF ADJUDICATING OFFICER

7. I was appointed as Adjudicating Officer vide order dated May 25, 2011 under section 15 I of SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Rules**') to inquire into and adjudge the alleged violations as stated above.

SHOW CAUSE NOTICE, HEARING AND REPLY

8. Show Cause Notices (hereinafter referred to as the 'SCN') were issued to Bala Reddy Gopu, Mary Ashwini, Sravanthi Yakkanti, Anthony Pratap Reddy Gali, Sahasra Investments Pvt. Ltd, BRG Energy Ltd, Softpro Systems Ltd., Mohan Prakash Reddy G, Vikram Reddy Gopu, G Prakash Pradeep, G Sleevea Reddy, G. Velangini Mary, V Chinnapa Reddy and Mary Kalpana (hereinafter referred to as 'the Noticees') under Rule 4(1) of the Rules to show cause as to why an inquiry should not be held against them and penalty be not imposed under Sections 15 A (a), 15G, 15 HA and/ or 15 HB of the SEBI Act 1992 as applicable for the alleged violation specified in the SCNs. The SCN's were delivered to the Noticees by way of RPAD/ hand delivery/ affixture. The details of the same are as follows:

Sl. No.	Name	Date of SCN
1.	Bala Reddy Gopu	September 19, 2011 and August 14, 2011
2.	Mary Ashwini	August 22, 2011
3.	Sravanthi Yakkanti	August 22, 2011
4.	Anthony Pratap Reddy Gali	September 2, 2011
5.	Sahasra Investments Pvt. Ltd	September 21, 2011
6.	BRG Energy Ltd	September 27, 2011
7.	Softpro Systems Ltd.	September 7, 2011
8.	Mohan Prakash Reddy G	September 9, 2011
9.	Vikram Reddy Gopu	September 7, 2011

10.	G Prakash Pradeep	September 9, 2011
11.	G Sleeva Reddy	September 9, 2011
12.	G. Velangini Mary	September 27, 2011
13.	V Chinnapa Reddy	September 9, 2011
14.	Mary Kalpana	September 9, 2011

9. It was alleged in the SCN that G Bala Reddy, G Velangini Mary, BRG, Sahasra, Sravanthi and Mary had traded while in possession of unpublished price sensitive information (hereinafter referred to as 'UPSI') in terms of Regulation 2 (ha) read with Regulation 2(k) of the PIT Regulations. Further it was alleged that shares so acquired were transferred/ sold through APRG, and that APRG acted as a conduit for routing the funds arising out of the sale of the shares of ICSAI. Shri G Bala Reddy, his wife G Velangini Mary and other persons related to him, namely, Softpro Systems Ltd, BRG, Sravanthi, Mary Ashwini, Vikram Reddy Gopu, Prakash Pradeep G, Mohan Prakash Reddy G, V Chinnapa Reddy, Mary Kalpana and G Sleeva Reddy were alleged to be the recipients/ beneficiaries of the funds received from the sale proceeds of the shares acquired through insider trading. Further it was alleged that the G Bala Reddy, Sravanthi and Mary Ashwini furnished misleading information with regard to the relationship of the entities as mentioned above; and Sravanthi and Mary Ashwini also gave misleading information to SEBI about the source of funds for purchasing ICSAI shares. It was further alleged that G Bala Reddy and G Velangini Mary had given misleading declaration with regard to shares pledged by him to in terms of Regulation 8A(1) and (2) of the Takeover Regulations.
10. Vide letter dated September 21, 2011, G Bala Reddy requested that he be provided a copy of the complete investigation report and copies of statements recorded by SEBI and relied upon to arrive at the findings and charges against him. Vide letter dated October 3, 2011, G Bala Reddy was informed that the relevant portion of the investigation report pertaining to him had already been provided to him in the SCN, and the documents on the basis of which the charges were framed were also forwarded with the SCN. G Bala Reddy was also informed that he may request an inspection of documents. The Noticee, thereafter, requested that he be granted an opportunity to inspect documents pertaining to the matter, like originals of all the annexure to the SCN. Subsequently, on November 25, 2011, Shri Shantibhushan Nirmal, representative of G Bala Reddy, inspected the originals, as requested. Thereafter, vide letter dated December 14, 2011, G Bala Reddy requested an extension to file his reply in the matter.

G Bala Reddy replied to the SCN vide letter dated January 13, 2011 (*sic, actual date January 13, 2012*), made submissions as summarised below:

- a. *Despite several request, G Bala Reddy had not been provided a copy of investigation report and therefore was not in a position to answer the charges against him complete and comprehensive manner.*
- b. *Sravanthi is not related to G Bala Reddy or to his wife, and Mary Ashwini is wife of APRG who is related to G Bala Reddy's wife. The said persons do not come within the list of relatives set out in Schedule 1A of the Companies Act, 1956 in respect of G Bala Reddy or his wife. It was in this context that G Bala Reddy had informed SEBI vide letter dated September 24, 2010 that he was not related to the said two persons, and he did not have any reason or intention to mislead SEBI.*
- c. *G Bala Reddy denied that the information regarding the work orders that were awarded by the three organisations was price sensitive information. In this regard he submitted that work orders relating to the power sector are normal routine business for an Engineering Process Company such as ICSAI and therefore these cannot be considered as price sensitive information as far as the scrip of the company is concerned. In fact, it is the absence of work orders that can adversely affect the price of the scrip.*
- d. *Furthermore, G Bala Reddy submitted that even assuming, without admitting that the said work orders were in fact price sensitive, it is pertinent to note that in all the three instances, the letters of award were issued to ICSAI in March 2009 - BSEB issued the letter on March 16, 2009, Mahavitaran issued the same on March 2, 2009 and MPPKVVCL issued the letter on March 12, 2009 i.e., much after the purchase of shares by Sravanthi Yakkanti and Mary Ashwini on February 25, 2009.*
- e. *It is also pertinent to note that in the case of tenders called by large companies and PSU especially in the power sector, work orders cannot be said to have been awarded until the company that floats the tender issues the letter of Award. There were several instances where ICSAI was lowest bidder in tenders floated by PSUs but on account of subsequent negotiations with other bidders, the work order was awarded to another bidder who revised its bid /price. Furthermore, even technical*

consideration and parameters may result in the work order being finally given to a bidder other than the lowest bidder at the time of opening the tender.

- f. Furthermore, the motive for the purchases was to provide an exit route for one Jeff Fienberg, a Non Resident Investor without adversely impacting the price of the scrip. This was done in a transparent manner through the bulk deal window of the BSE and NSE.*
- g. G Bala Reddy submitted that Sravanthi and Mary purchased the shares of ICSAI on February 25, 2009 in order to provide an exit to the Non Resident Investor and not on the basis of unpublished price sensitive information in the form of expected work orders from BSEB, Mahavitaran and MPPKVVCL.*
- h. The said Non Resident Investor wanted to exit and sell around 16 lakh shares. The sale of such a large number of shares on a single day would have adversely impacted the price of the scrip and therefore, the company. G Bala Reddy was one of the promoters of the company and since he had purchased a fairly large number of shares of the company a short while earlier, any further purchase by him could have sent a negative signal to the market. Therefore, G Bala Reddy arranged to provide an exit to the Non Resident Investor in the form of bulk deal with Sravanthi and Mary, who purchased the shares using funds provided by my other companies.*
- i. G Bala Reddy arranged for funds to be provided to Sravanthi and Mary Ashwini for purchase of the said 15,85,683 shares through a bulk deal.*
- j. G Bala Reddy had taken some loans (Corporate Finance Facility) from Cholamandalam DBS Finance limited and IDBI Bank limited. Since the said loans were against security of shares, the value of collateral available would vary. At the relevant time, the value of the collateral available with the said Banks/ Financial Companies had declined and it was necessary to increase the number of shares pledged. It was in these circumstances that Mary pledged 10,84,728 shares purchased by her, in favour of DBS Cholamandalam Finance Ltd on March 6, 2009 and became a guarantor for the loan availed by G Bala Reddy. The pledges were revoked after G Bala Reddy provided the banks with substitute shares.*
- k. While G Bala Reddy was aware of the negotiations regarding the tender floated by the three organisations and the negotiations after opening of the bid offers, he was not and could not have been aware that the work contracts had been awarded to*

ICSAI until the Company received the letters of Award in March 2009. It is pertinent to note that the impugned purchase of shares of ICSAI took place in February 2009 i.e. before the said alleged price sensitive information came into the possession of G Bala Reddy.

- l. In term of regulation 2(e)(ii) of the PIT Regulations, the information relating to the works contracts was not price sensitive as on February 25, 2009; if at all, it become price sensitive from the date on which the letters of award were issued by the power companies and/or received by ICSAI. Therefore, Sravanthi and Mary could not be said to have purchased the shares based on the unpublished price sensitive information. It is evident that both the said persons were not privy to any information regarding the works contracts that were being negotiated with the 3 power companies and it is not shown to be otherwise by SEBI. G Bala Reddy submitted that the said persons merely acted on his behalf and purchased shares sold by the FIs on behalf of the Non Resident Investor, in a bulk deal, in order to prevent distortion in the price and thus harm to shareholders of the company. Therefore, he has submitted that Sravanthi and Mary cannot be considered as Insiders.*
 - m. There was admittedly no insider trading when the shares were sold in June/July 2009. Sravanthi, Mary and APRG sold the shares in the normal course and on the BSE/NSE through their stock broker and the proceeds were credited inter alia to the company that provided them at the time of purchase.*
 - n. Sravanthi and Mary Ashwini are not and were not part of the promoter group of the company and therefore, the shares pledged by them as collateral for the loans availed by our client could not have been disclosed under Regulation 8A of the Takeover Regulations.*
11. In order to conduct an inquiry as per Rule 4 (3) of the Rules, G Bala Reddy was granted an opportunity of hearing on March 19, 2012 at SEBI, Head Office, Mumbai vide letter dated February 14, 2012. However, the said hearing was cancelled and G Bala Reddy was informed of the same. At the same time G Bala Reddy vide letter dated March 15, 2012 requested that the said hearing be adjourned for four weeks. Thereafter, an opportunity of hearing was granted on April 20, 2012. However, an e-mail dated April 19, 2012 was received from the AR,

requesting for an adjournment till May 7, 2012. Accordingly, a hearing was granted on May 7, 2012. G Bala Reddy's advocate, vide email dated May 7, 2012, once again requested that the hearing be adjourned. Hence, the hearing was rescheduled for May 14, 2012. On the scheduled date, the AR appeared and submitted that in addition to the submissions made vide letter dated January 13, 2011 (*sic, actual date January 13, 2012*) he will be filing a supplementary reply by May 24, 2012.

12. However, vide letter dated May 24, 2012, the AR of G Bala Reddy requested for additional time of ten days for filing a reply. Since no further reply was received from G Bala Reddy, a reminder vide letter dated June 28, 2012 was sent to him and also to his AR, advising them to submit his supplementary reply within seven days from the receipt of the said reminder letter. The AR of G Bala Reddy once again sought time to submit the supplementary reply. Subsequently vide letter dated July 23, 2012, G Bala Reddy through his AR submitted his supplementary reply, which is summarized as under:

- a. *G Bala Reddy submitted the details of work contracts in favour of ICSAI during the year 2007-08 and 2008-09.*
- b. *G Bala Reddy submitted that the contracts were made public only after they were awarded to the company.*
- c. *It is necessary to point out that all three letters of award were issued to the company in March 2009, as stated under:*
 - i. *BSEB issued the letter on 16.03.2009.*
 - ii. *MSEDCL issued the same on 02.03.2009 and*
 - iii. *MPPKVVCL issue the letter on 12.03.2009*
 - iv. *On the contrary the purchases by Samantha and Mary took place on 25.02.2009 i.e., much before the price sensitive information come into existence.*
- d. *Further, the company is an Engineering Process Company, incorporated in the 1994 and since then has been inter alia involved in works related to the Power Sector. The work orders relating to the Power Sector are normal routine business for the company and not special events that can influence the price of the scrip.*
- e. *In the normal course of its business, the company had applied in the bids for work orders from BSEB, MSEDCL and MPPKVVCL. There was no certainty that the work orders would be*

awarded to the company until the letters of Award were issued by BSEB, MSEDCL and MPPKVVC, and received by the company. Hence it is erroneous to consider the said work orders, which were not even awarded to the company, as being price sensitive.

- f. After the said bids being applied, neither G Bala Reddy nor the company could have been sure about the said work orders until the letters of award were issued by the said companies in March 2009. In any case, such news regarding the routine business of the company could not be expected to have any impact on the price of the scrip.*
- g. In the case of tenders called by large companies and public sector undertakings especially in the power sector, the work orders cannot be said to have been awarded until the company that floated the tender issues the letter of award. There are several instances where the company was the lowest bidder in tenders floated by PSUs but on account of subsequent negotiations with other bidders, the work order was awarded to another bidder, who revised its bid/price. Furthermore, even technical considerations and parameters may result in the work order being finally given to a bidder other than the lowest bidder at the time of opening the tender. Therefore, it is stated that, until the work orders were finally awarded by letters of award, the information relating to the work orders could not be said to be price sensitive. Thus, the information relating to the said work orders was not and cannot be said to be price sensitive information as defined under Regulation 2(ha) of PIT.*
- h. With reference to the query raised during the hearing as to whether there was any confidentiality in the contract not to disclose at the negotiation stage to the public and documents in support of the same, G Bala Reddy replied that there was no requirement in the works contract not to disclose details thereof to the public at the negotiation. However, G Bala Reddy, stated that, when the company was not sure about the work orders being awarded to it, there was no question of disclosing details of the said work orders and there was no obligation on the company to disclose the contract at the negotiation stage as the company was not sure to get the same even upon negotiation.*
- i. G Bala Reddy also relied upon the Hon'ble SAT judgment in Appeal no. 107/2011 dated October 19, 2011 - Hindustan Dorr Oliver Limited & Others v/s. SEBI, and Appeal No. 217 of 2011 dated June 22, 2011-Anil Harish v/s SEBI.*

13. Though the SCNs to Velangini Mary, Vikram Reddy G, Prakash Pradeep G, Sahasra and BRG were delivered, no reply was received from them. Thereafter, on April 30, 2011 (*sic, actual date April 30, 2012*) Velangini Mary, Vikram Reddy G, Prakash Pradeep G, Sahasra and BRG authorized the AR to appear on their behalf and on December 10, 2011 Softpro authorized the AR to appear on their behalf. They also filed replies dated May 9, 2012 stating that they adopt the submissions made by G Bala Reddy in his reply dated January 13, 2011 (*sic, actual date January 13, 2012*). An opportunity for personal hearing was granted to them on May 14, 2012. The AR attended the hearing and stated that written submissions had been filed, and also sought time to file a supplementary reply. In the supplementary reply dated September 3, 2012, the aforementioned Noticees stated that they further adopt the supplementary reply of G Bala Reddy dated July 23, 2012. With respect to G Sleeva Reddy, no reply was received despite delivery of the SCN and hearing notices. Since subsequent hearing notices could not be served despite repeated attempts, a publication was made in the 'Times of India' on October 26, 2012 regarding the same. Vide the publication, G Sleeva Reddy was also granted an opportunity for personal hearing on January 4, 2013. Thereafter, vide letter dated November 16, 2012, the AR submitted a Vakalatnama duly executed by G Sleeva Reddy, authorizing him to appear on behalf of G Sleeva Reddy in the present matter. A copy of the SCN issued to Shri G Sleeva Reddy was provided to the AR. Accordingly, the AR attended the personal hearing on January 4, 2013, and undertook to file a reply by January 11, 2013. G Sleeva Reddy vide letter dated January 24, 2013, and Mohan Prakash Reddy G vide letter dated January 18, 2013, *inter alia* also adopted the submissions made by G Bala Reddy vide letters dated January 13, 2011 (*sic, actual date January 13, 2012*) and July 23, 2012.
14. While the proceedings were in progress, Bala Reddy Gopu, Mary Ashwini, Sravanthi Yakkanti, Anthony Pratap Reddy Gali, Sahasra Investments Pvt. Ltd, BRG Energy Ltd, Softpro Systems Ltd., Mohan Prakash Reddy G, Vikram Reddy Gopu, G. Velangini Mary, V Chinnapa Reddy and Mary Kalpana had submitted applications for settlement of the proceedings through consent order. However, the applications for settlement were rejected, and the same was communicated to the respective Noticees. Hence, the proceedings kept in abeyance were commenced against the Noticees. The details of the consent applications are as follows:

Name	Date of receipt of Consent Application	HPAC Meeting	WTM Panel	Communication of date of rejection
Bala Reddy Gopu	January 14, 2013	February 8, 2013	March 19, 2013	March 20, 2013
Mary Ashwini	July 12, 2012	September 28, 2012	November 1, 2012	November 5, 2012
Sravanthi Yakkanti	May 8, 2012	Returned vide letter dated May 16, 2012 on account of deficiency		
Anthony Pratap Reddy Gali	July 12, 2012	September 28, 2012	November 1, 2012	November 5, 2012
Sahasra Investments Pvt. Ltd	May 5, 2012	September 28, 2012	November 1, 2012	November 5, 2012
BRG Energy Ltd	July 12, 2012	September 28, 2012	November 1, 2012	November 5, 2012
Softpro Systems Ltd.	January 16, 2012	September 28, 2012	November 1, 2012	November 5, 2012
Mohan Prakash Reddy G	September 13, 2012	October 29, 2012	December 5, 2012	December 7, 2012
Vikram Reddy Gopu	July 12, 2012	September 28, 2012	November 1, 2012	November 5, 2012
G. Velangini Mary	May 5, 2012	September 28, 2012	November 1, 2012	November 5, 2012
V Chinnapa Reddy	July 9, 2012	September 28, 2012	November 1, 2012	November 5, 2012
Mary Kalpana	July 12, 2012	September 28, 2012	November 1, 2012	November 5, 2012

15. In view of the above, another opportunity for personal hearing was granted to Sahasra, BRG, G Bala Reddy, G Velangini Mary, Softpro, Mohan Prakash Reddy G, Prakash Pradeep G, Vikram Reddy Gopu and G Sleeve Reddy on January 29, 2013. On the scheduled date the AR appeared before me and made oral submissions. Sahasra, BRG, G Velangini Mary, Softpro, Mohan Prakash Reddy G, Prakash Pradeep G, Vikram Reddy Gopu and G Sleeve Reddy stated that submissions made by G Bala Reddy be considered as their submissions. G Bala Reddy filed further written submissions dated February 5, 2013, as summarized hereunder:

- a. *Award of works contracts to ICSAI after a long tendering process is not unpublished price sensitive information (UPSI). The Hon'ble SAT has interpreted the definition of UPSI to exclude information with regard to the lowest bidder and processing of the award of contract to an infrastructure company cannot be said to be a price sensitive information (PSI). SEBI is bound by the decisions of the Hon'ble SAT.*
- b. *In the case of Tender no. P&D/B-119/2008/XEN-DD-1 dated June 17, 2008 for Rs. 53.60 crores issued by Haryana Bijli Vitaran Nigam, the Company was selected as L1 in December 2008. However, after price negotiations, another company was awarded the contract. G Bala Reddy also cited instances where it was selected as L1 but orders were cancelled or not placed. Thus, it was submitted, it is not certain that merely because a company is selected as L1 the work will be awarded to it.*
- c. *The lenders who had provided money for the purchase of shares were demanding payment and hence the shares were sold within a short time of 3-4 months. It was submitted that if the purchase transaction by Sravanthi and Mary was not tainted by the charge of insider trading, the sale of shares cannot be considered as tainted in any manner.*

- d. *On the sale of shares, money was transferred to certain individuals, namely, G Sleeva Reddy, G Chinnapa Reddy, Mary Kalpana, G Velangini Mary, Mohan Prakash Reddy, Prakash Reddy G., and Gopu Reddy Vikram, by way of loans. These loans were given on the basis of oral understanding.*
 - e. *The order book for the financial year (FY) ending 2008 was Rs. 900 crore, for FY 2009 was Rs.1915 crore and for FY 2010 was Rs. 1835 crores.*
 - f. *G Bala Reddy also submitted a copy of an email dated February 24, 2009 sent by Mr. Jeff Fienberg to ICSAI stating therein that he would be selling 15,89,333 shares at Rs. 75 per share the next day.*
16. With respect to Prakash Pradeep, Sravanthi, Mary Ashwini and APRG, the SCNs and hearing notices were delivered to them after several attempts and various modes- by hand delivery/ affixture through their broker Zen Securities Ltd. Vide letter dated April 10, 2012, Zen Securities Ltd confirmed that the letters had been delivered to the aforementioned Noticees. Thereafter, on April 19, 2012, Sravanthi, Mary Ashwini, V Chinnapa, Mary Kalpana and APRG authorized Shri Vinay Chauhan (AR2), to appear on their behalf. Sravanthi, Mary Ashwini and APRG filed similar replies dated May 8, 2012. Sravanthi, Mary Ashwini, V Chinnapa, Mary Kalpana and APRG were granted an opportunity for personal hearing before me on May 14, 2012, when AR2 appeared on behalf of the aforementioned Noticees. The submissions of the aforementioned Noticees *inter alia* are:
- a. *They are ordinary investors, and seldom trade in the market.*
 - b. *During February 2009, Shri G Bala Reddy had approached APRG, Mary Ashwini, and Sravanthi Yakkanti to purchase shares of ICSAI.*
 - c. *Shri G Bala Reddy had informed them that an NR investor, Mr. Jeff Feinberg wanted to sell around 16,00,000 shares of the company, and since the sale of such a large quantity of shares in the market would impact the price of the scrip, Shri G Bala Reddy requested Mary Ashwini and Sravanthi Yakkanti through APRG to purchase the shares.*
 - d. *APRG, Sravanthi Yakkanti and Mary Ashwini agreed to purchase the shares as the request of Shri G Bala Reddy was genuine and bona fide.*
 - e. *The funds for the said purchase were provided by G Bala Reddy through Sahasra and BRG.*
 - f. *The timing of the purchase was in no way connected to the corporate announcements made by ICSAI on March 18, 2009.*

- g. The purchases were made on the request of G Bala Reddy, and were not motivated by alleged access to possession of price sensitive information. Infact Mary Ashwini and Sravanthi Yakkanti were not even aware of any corporate announcements.*
 - h. Absence of proximity between the solitary date of purchase of shares by Mary and Sravanthi in the circumstances as set out, and the date of corporate announcements reinforces the contention that the trades were not actuated by possession of any UPSI.*
 - i. APRG, Sravanthi Yakkanti and APRG have not been provided with copies of the Investigation Report, which is in gross violation of the principles of natural justice.*
 - j. The transfer of shares by Sravanthi Yakkanti and Mary Ashwini to APRG was done on the instructions of G Bala Reddy.*
 - k. APRG did not make a profit, as alleged. Post sale, all funds were transferred back to persons/ entities as per the instructions of G Bala Reddy.*
17. At the time of the hearing on May 14, 2012, AR2 undertook to file a supplementary reply on behalf of Sravanthi, Mary Ashwini, V Chinnapa, Mary Kalpana and APRG. However, the 5 aforementioned Noticees filed consent applications on the dates mentioned in the table at Para 14, and the matter was kept in abeyance. Further no supplementary reply was received from them.
18. Sravanthi, Mary Ashwini, V Chinnapa, Mary Kalpana and APRG were granted another opportunity for personal hearing on February 20, 2013. AR2 appeared for the hearing on their behalf. In relation to Sravanthi, Mary Ashwini and APRG, AR2 was asked to submit documentary evidence in support of their claim that Jeff Feinberg had contacted G Bala Reddy to sell shares of ICSAI. However, no reply was received from them. Further, in respect of V Chinnapa and Mary Kalpana AR2 was asked to submit the reason for receiving funds from G Bala Reddy and also to indicate the utilization of the same. AR2 above undertook to submit the same by March 15, 2013. Accordingly, a letter of reminder dated March 20, 2013 was issued to them, once again seeking the above details. The letter was returned undelivered from the address of Sravanthi, and the same was affixed through the Broker, Zen Securities Ltd. A letter of reminder dated April 26, 2013 was again issued to the aforementioned Noticees, with copies to the AR2. However, no reply was received. The reminder letters were also forwarded by email to 'sravanthi_471@yahoo.com' but the Noticees did not respond. In view of the same, another personal hearing was scheduled on June 16, 2014. Thereafter, APRG, Mary Ashwini and Sravanthi filed written submissions dated July 10, 2014. In addition to their earlier submissions, APRG, Mary Ashwini and Sravanthi also stated:

- a. *ICSAI bagging contracts of Rs.464.17 crore is not an UPSI.*
- b. *The Noticees referred to the Judgments of the Hon'ble SAT in the matter of Anil Harish vs. SEBI (appeal 217/2011) and submitted that ICSAI is also an engineering process/ infrastructure company and in the ordinary course of its business executes work orders relating to infrastructure in the power sector. The bagging of work orders was not an unusual occurrence.*
- c. *The impugned work orders were bagged through a long drawn tendering process. There was a long gap between declaration of ICSAI as the lowest bidder and the contract actually being awarded to it. During this period, the information with regard to ICSAI being the lowest bidder and processing of the award of contract in ICSAI's favour was known to all the participants.*
- d. *The abovenamed noticees also cited the judgment of the Hon'ble SAT in the matter of Rajiv B Gandhi vs. SEBI (Appeal 50/ 2007) and submitted that the motive behind the impugned purchases was bonafide, i.e. to prevent a fall in the value of the scrip. The Noticees also cited the decision of the Hon'ble SAT in the matter of Rakesh Agarwal Vs. SEBI (Appeal) and stated that motive is built into the PIT regulations, and without establishing a motive, insider trading is not punishable.*
- e. *At the relevant time there was no certainty that ICSAI would eventually bag the orders.*
- f. *There are no sales immediately post the publication.*
- g. *The Noticees enclosed email of Jeff Feinberg, as provided by G Bala Reddy.*

19. Vide letter dated March 19, 2013, G Bala Reddy was asked to submit evidence in support of his claim that money was transferred to certain individuals, namely, G Sleeva Reddy, G Chinnapa Reddy, Mary Kalpana, G Velangini Mary, Mohan Prakash Reddy, Prakash Reddy G., and Gopu Reddy Vikram, by way of loans, and also the terms and conditions thereof. Further, vide letter dated April 8, 2013, G Bala Reddy was also asked for evidence in support of the claim that Mr. Jeff Feinberg had contacted him to sell the shares. Since no reply was received from G Bala Reddy in respect of the above letters, a reminder letter dated April 26, 2013 was issued to G Bala Reddy to submit his reply within seven days. Thereafter, vide letter dated May 6, 2013, the Noticee stated that the loans to the aforesaid persons were personal loans and were given on the basis of oral understanding of the terms of repayment. G Bala Reddy

also enclosed a copy of the email dated February 24, 2009 from Mr. Jeff Feinberg, stating "I confirm selling all 1,589,333 shares at 75 Rs per share tomorrow am". G Bala Reddy also stated that the shares were sold by Mr. Jeff Feinberg as part of a bulk deal and not on the basis of any price sensitive information as alleged. Thereafter, vide letter dated May 15, 2014, G Bala Reddy was informed that the email of Mr. Jeff Feinberg, as forwarded, does not provide evidence to the fact the he had contacted him to sell the shares. G Bala Reddy was also asked to provide documentary evidence in support of the claim that the money was advance by him to G Sleevea Reddy, G Chinnapa Reddy, Mary Kalpana, G Velangini Mary, Mohan Prakash Reddy, Prakash Reddy G., and Gopu Reddy Vikram, by way of loans. G Bala Reddy was advised to submit the above evidence, latest by June 4, 2014. The Noticees were also provided an opportunity for personal hearing before me on June 16, 2014. However, vide email dated June 12, 2014, the AR of G Bala Reddy requested for an adjournment. The request of the Noticee was acceded to, and the same was rescheduled for July 3, 2014. On July 3, 2014 the Noticee filed a reply stating that the Investment Firm in which Mr Jeff Feinberg was a partner, decided to exit from several Indian companies including ICSAI Ltd because of the global recession and urgent requirement of funds. At the behest of G Bala Reddy, Mr Jeff Feinberg sent an email dated July 3, 2014 to the office of the Adjudicating Officer, stating that he liquidated all stock holdings of his firm, JLF Asset Management as a result of poor performance which caused material redemption requests and dissolution of the firm.

20. As noted earlier, V Chinnapa Reddy and Mary Kalpana, vide letter dated March 20, 2013, were asked to state the reason why they received funds from the sale of ICSAI shares on behalf of Bala Reddy. Mohan Prakash Reddy G, Vikram Reddy Gopu, G Prakash Pradeep, G Sleevea Reddy, Mary Kalpana and V Chinappa Reddy filed written submissions dated July 18, 2014, stating:

- a. He/ She had approached Bala Reddy and G Velangini Mary for financial assistance and they had arranged funds by way of a personal loan. Since the loan was between close relatives, the terms were agreed on by both parties orally and not set out in writing.*

- b. He/ She had no knowledge regarding the trading in the shares of ICSAI, and that he had not traded in the shares of the company himself.*
- c. He/ She denied violating any rule, regulation or law in accepting the aforesaid funds as financial assistance.*

21. Softpro filed a reply dated July 18, 2014 stating that it had issued Preferential Shares after obtaining due approvals, and that it had received money as per the law and issued shares to the applicants. Softpro also stated that they had no knowledge of trading in the shares of ICSAI.

22. In respect of the personal hearing scheduled for July 3, 2014, G Bala Reddy requested that he be granted an extension, and accordingly, the personal hearing was again rescheduled for July 30, 2014, when the AR appeared and made submissions on behalf of G Bala Reddy, G Velangini Mary, Softpro, Sahasra, BRG, Mohan Prakash Reddy G, Vikram Reddy Gopu, and G Prakash Pradeep. Mary Ashwini, APRG, Sravanthi, V Chinnapa Reddy, Mary Kalpana and G Sleeva Reddy were granted a final opportunity for personal hearing on September 11, 2014. On the scheduled date, the AR and/ or Shri G Bala Reddy appeared on behalf of the aforementioned noticees, and undertook to file their submissions in writing. Written submissions were subsequently filed by the Noticees vide letters dated September - October, 2014. The submissions made by the Noticees *inter alia* are as follows:

- a. Shri G Bala Reddy arranged for buyers for the shares sold by Jeff Feinberg at his request and in order to avoid the adverse effect on the company and its shareholders in the event that he chose to dump his shares.*
- b. Shri G Bala Reddy has submitted his telephone call lists for January-March 2009, and Shri Ravi Jatavallabha's (Vice President of ICSAI) call list for March 2009. G Bala Reddy also attached a copy of the email sent by Mr. Jeff Feinberg on February 24, 2009.*
- c. G Bala Reddy stated that since he had purchased 6,85,033 shares of the company between October 2008 and January 2009, he did not have money to purchase the shares from Mr. Jeff Feinberg. Hence, he borrowed around Rs.12 crore from IL&FS Financial Services Ltd through Sahasra.*

- d. *G Bala Reddy feared that if he or his companies were to purchase such a large quantity of ICSAI shares, the market would misread this as a predatory attempt to take over the company. Hence, he arranged to purchase the shares being sold by Mr. Jeff Feinberg through Mary Ashwini and Sravanthi.*
- e. *Since the email dated February 24, 2009 of Mr. Jeff Feinberg did not specify who had approached to buy/ sell shares of ICSAI, G Bala Reddy addressed another email to Mr. Jeff Feinberg setting out the circumstances in which the shares were sold. Mr. Jeff Feinberg has not denied the same, but has refused to state anything further.*
- f. *G Bala Reddy attached a comparison of the movement of SENSEX and NIFTY against the share price of ICSAI to state that the upward trend in the price of the shares of ICSAI is purely on account of the upsurge of the share market in India and not due to the corporate announcements.*
- g. *G Bala Reddy also stated that Mohan Prakash Reddy Gopu is not his son, and submitted both their PAN cards to show that their dates of birth are only about ten years apart.*
- h. *G Bala Reddy clarified that the money given by way of loans to G Sleeva Reddy, G Chinnappa Reddy, Mary Kalpana, G Velangini Mary, Mohan Prakash Reddy, Prakash Reddy G and Gopu Vikram Reddy are still outstanding.*
- i. *G Bala Reddy also stated that the aforementioned Noticees had borrowed from him in the past as well, and undertook to submit the details within one week.*
- j. *G Bala Reddy was asked to clarify why the majority of the shares purchased from the NR investor were sold off within a period of two months, when the price of the scrip had gone up. G Bala Reddy stated that since the shares were purchased using borrowed loan amounts and interest was payable on the loans, it was not commercially prudent to hold on to the shares. Rather, it was necessary to sell the shares to repay the loans. G Bala Reddy also stated that the scrip had moved up to Rs.210.75 at one point, but the shares were sold at a lesser prevailing market price.*

23. Thereafter, vide email dated December 4, 2014, G Bala Reddy was requested to clarify, along with documentary evidence, how many times in the years 2006-07, 2007-08, and 2008-09, ICSAI was declared as lowest bidder, and of those instances, how many times were the contracts awarded to it, and how many times were the contracts not awarded to it despite

having been the lowest bidder. Vide email dated December 6, 2014, G Bala Reddy sought an extension of two weeks to file the details, and the same was granted. Thereafter, G Bala Reddy forwarded an email dated December 23, 2014, and certain other documents vide letter dated January 12, 2015. It was noted that the information with regard to the number of times ICSAI was declared the lowest bidder during the years 2006-07, 2007-08, 2008-09 and information as to how many times the contracts were awarded to ICSAI during years 2006-07, 2007-08, 2008-09 was not provided. Further, though it was claimed that during years 2006-07, 2007-08, 2008-09, on 4 instances ICSAI was the lowest bidder and had lost the contract, no documentary evidence of ICSAI having been declared as the lowest bidder and its BID having been rejected thereafter was provided. Accordingly, vide email dated January 16, 2015 G Bala Reddy was advised to submit the aforementioned details. G Bala Reddy again sought extension of time to file his reply, and the same was granted. Thereafter, G Bala Reddy submitted a letter dated January 30, 2015 *inter alia* stating:

- a. The company is into Power Infrastructure with State Electricity Boards across India. The normal procedure of the Bid Process is that a Bid is called for a specific work by a specific utility company. The Bid consists of two parts, Technical Bid and Commercial Bid. Commercial Bids of parties who qualify in the Technical Bid only are opened after evaluation. After verification of pricing they are graded as L1, L2 and L3 etc. No communication is received in writing about whether one is L1, L2 or L3 etc.
- b. Certain State Utilities orally call L1, L2 and L3 to renegotiate.
- c. If the contract is not awarded, the EMD/ BG submitted by the party will simply be returned without any communication or reason.

24. Since the above email also did not provide the details that were asked for, vide email dated February 2, 2015, G Bala Reddy was again requested to clarify, along with documentary evidence:

- a. How many times in the years 2006-07, 2007-08, 2008-09 ICSAI was declared as lowest bidder,
- b. Out of those instances, how many times were the contracts awarded to ICSAI

- c. How many times were the contracts not awarded to ICSAI despite having been the lowest bidder?
- 25. However, vide email dated February 3, 2015, G Bala Reddy submitted that he was not able to trace information over and above the information communicated vide letter dated January 30, 2015.
- 26. Thereafter, vide email dated June 4, 2015 Bala Reddy stated that he had further information to submit on the issue and requested for an opportunity for a personal hearing for making further submissions. While the Noticee was informed that there was nothing outstanding from the AO in the matter, however, given his specific request at this juncture for further additional submission and personal hearing in the matter, his request was acceded to, and he was granted a final opportunity for personal hearing on July 6, 2015. On the scheduled date, Bala Reddy appeared in person. During the hearing Bala Reddy mentioned that he had borrowed money to purchase the shares of ICSAI and that he had arranged third parties to help the NR Investor to exit. When questioned on why he did not purchase the shares himself, Bala Reddy stated that it was not he who had borrowed the money, but the corporate entities BRG and Sahasra who had borrowed the money on his behalf. He stated that BRG and Sahasra lent the money for a short period to Mary Ashwini and Sravanthi for purchase of ICSAI shares to help the NR Investor who had closed down his firm due to exigencies. When asked why he had arranged third parties rather than purchasing the shares himself, he stated that he was not eligible to borrow the money since he did not have the requisite security to borrow. Bala Reddy was subsequently asked to make written submissions, which were made by him vide his letter dated July 6, 2015 stating:
 - a. That he had gathered the information sought vide email dated February 2, 2015 with much difficulty as the company has been declared sick by BIFR and most of the employees have left the organization.
 - b. Bala Reddy submitted details of Tenders submitted to various power utilities during the years 2006-07, 2007-08 and 2008-09, including Tenders that were awarded to ICSAI, Tenders where ICSAI was L1 and Tenders where ICSAI was L1 but Orders were not awarded to it.

- c. Bala Reddy submitted some Tender Documents highlighting the clause stating the employer reserved the right to refuse to issue the tender to any applicant and also reject any tender without assigning any reason and no claim on this account shall be acceptable. Hence, even if a company's quote is L1, there is no guarantee that the Tender will be awarded to such company.
 - d. Bala Reddy again submitted copies of emails dated February 24, 2009 and July 3, 2014 from Mr. Jeff Fienberg.
 - e. Bala Reddy reiterated the judgment of the Hon'ble SAT in the matter of Anil Harish Vs. SEBI and the Adjudication Order dated July 26, 2013 in the matter of Valecha Engineering. Bala Reddy also emphasized the decision of the Hon'ble SAT in the matter of RM Shares Trading Pvt. Ltd. Vs. SEBI (August 7, 2014) stating that judicial discipline required that an Adjudicating Officer considers an adjudication Order relied on by a party, unless the facts and circumstances set out are materially different from the facts and circumstances of the case at hand.
27. Subsequently, Bala Reddy also filed additional submissions vide email dated July 13, 2015, stating that after the sale of shares by Mr. Jeff Feinberg on February 25, 2009 when the closing price was around Rs.77.75, the price came down to a low of Rs.48.35 on March 13, 2009. Hence, if he had done anything on the basis of price sensitive information he would have bought further shares as the price of the shares came down. However, they had not purchased further shares. Bala Reddy also submitted details of the Bank Guarantees and Earnest Money Deposit (EMD) for cases where Tenders were not awarded though the company stood as L1. Since there was no proof that the Bank Guarantees had been returned after the company was not awarded the contract, Mr. Bala Reddy was asked to provide the same. Thereafter, vide email dated July 15, 2015 requested for 10 days time to provide the information. Mr. Bala Reddy was informed vide email dated July 15, 2015 that his request for time upto July 27, 2015 to provide the required information had been acceded to. The Noticee was also informed that no further extension would be granted in the matter, and if no reply is received by June 27, 2015, the matter would be proceeded with on the basis of the material available on record. Thereafter, vide email dated July 27, 2015, Mr. Bala Reddy stated that the Company has been declared as sick by BIFR and almost all the staff & Officers have left the Organization. He further stated that they did not have adequate

manpower/infrastructure to dig out the old data. The documents submitted by the Noticee were as follows:

- a. Copy of 3 letters dated November 15, 2007 from the Government of Arunachal Pradesh Department of Power returning the Bank Guarantee submitted against EMD, and copy of letter dated November 22, 2007 to IDBI Bank requesting cancellation of the same.
 - b. Copy of 3 letters dated November 30, 2009 from Uttar Haryana Bijli Vitran Nigam Ltd, returning Bank Guarantees submitted for respective tenders, and copy of letter dated December 10, 2009 of ICSAI to SBI requesting it to cancel the same.
 - c. Copy of letter dated April 7, 2009 from Mahavitrans returning Bank Guarantees submitted against tender, and copy of letter dated April 21, 2009 of ICSAI to Union Bank of India requesting it to cancel the same.
 - d. Copy of letter dated June 19, 2009 from Transmission Corporation of Andhra Pradesh Ltd returning Bank Guarantees submitted against tender, and copy of letter dated June 24, 2009 of ICSAI to Union Bank of India requesting it to cancel the same.
28. Thereafter, vide email dated August 13, 2015, with respect to the letter dated July 6, 2015 wherein Mr. Bala Reddy had submitted details of Tenders where ICSAI was declared as L1 during the years 2006-07, 2007-08 and 2008-09, Mr. Bala Reddy was advised to submit documentary evidence to show that ICSAI was declared as L1 in the same. Further, in letter dated January 30, 2015 Mr Bala Reddy had stated that certain State Utilities call L1 to renegotiate. Mr. Bala Reddy was advised to submit documentary evidence with respect to cases where ICSAI was declared as L1 and was called to renegotiate by State Utilities. Vide email dated August 20, 2015, Mr. Bala Reddy requested time to locate the required data. Vide email dated August 20, 2015, Mr. Bala Reddy was granted extension up to August 28, 2015 to submit the information sought vide email dated August 13, 2015. Further, Mr. Bala Reddy was also informed that if no reply was received by August 28, 2015, it would be presumed that he had no further submissions to make, and the matter would be proceeded with on the basis of the material available on record. Thereafter, vide email dated August 31, 2015 Mr. Bala Reddy again requested for 10 days time, which was granted. However, the Noticee was once again informed that if no reply was received by September 9, 2015, it would be presumed that he

had no further submissions to make, and the matter would be proceeded with on the basis of the material available on record. Despite the same, vide email dated September 10, 2015 the Noticee again requested for further time of 3 weeks. Accordingly, Mr. Bala Reddy was advised to file his reply latest by September 30, 2015. Mr. Bala Reddy was also advised that this was the final extension granted and no further requests for extension would be entertained. Mr. Bala Reddy was also informed that if he failed to submit the information/ documents as sought vide email dated August 13, 2015 by September 30, 2015, the matter will be proceeded with on the basis of the material available on record, without any further intimation to him. Thereafter, another email dated October 4, 2015 was received from Mr. Bala Reddy, stating that the respective Electricity Utility authorities have assured that one letter would be provided by October 5, 2015 and the remaining by the end of the week. However, no further reply has been received from Mr. Bala Reddy for the same till date. I am of the considered opinion that Mr Bala Reddy has been given a more than fair chance to produce the evidence in his defence. At every juncture his requests for extensions were granted giving him opportunity to file fresh submissions. However, no additional/ fresh facts were provided as committed by Bala Reddy from time to time. Given the above, it appears to be a dilatory tactic by the entity.

CONSIDERATION OF ISSUES AND FINDING

29. I have carefully examined the SCN, the replies of the Noticees and other material available on record. I observe that the allegations in the SCN were as follows:

- a. It was alleged in the SCN that Shri G Bala Reddy who was an insider, had possession of UPSI and had funded, through his companies BRG and Sahasra, the purchase of shares by Sravanthi and Mary who were connected to him. Further, it was alleged that shares so acquired were transferred/ sold through APRG, and that APRG acted as a conduit for routing the funds arising out of the sale of ICSAI shares. Shri G Bala Reddy, his wife G Velangini Mary and other persons related to Shri G Bala Reddy, namely, Softpro Systems Ltd, BRG, Sravanthi, Mary Ashwini, Vikram Reddy Gopu, Prakash Pradeep G, Mohan Prakash Reddy G, V Chinnapa Reddy, Mary Kalpana and G Sleeva Reddy were alleged to be the recipients/ beneficiaries of the funds

received from the sale proceeds of the shares acquired through insider trading. Thus it was alleged that Bala Reddy, G Velangini Mary, BRG, Sahasra, Mary Ashwini and Sravanthi had traded when in possession of UPSI. Further, it was alleged that G Bala Reddy, Sravanthi and Mary Ashwini gave misleading information with regard to their relationship with certain entities; and Sravanthi and Mary Ashwini also gave misleading information with regard to the source of funds for the purchase of ICSAI shares by them. It was further alleged that G Bala Reddy and G Velangini Mary had given misleading declaration with regard to shares pledged by them in terms of Regulation 8A(1) and (2) of the Takeover Regulations.

- b. Thus, Shri G. Bala Reddy and G Velangini Mary violated Regulation 3 and 4 of the PIT Regulations, 1992 and Sections 12A(d) and 12A(e) of the SEBI Act, 1992, Regulation 8A(1) and (2) of the Takeover Regulations, 1997, Regulation 3(c) and (d) of the PFUTP Regulations and Sections 12A(b) and 12A(c) of the SEBI Act,
- c. Anthony Pratap Reddy Gali violated Regulation 3(c) and (d) of the PFUTP Regulations and Sections 12A(b) and 12A(c) of the SEBI Act,
- d. Mary Ashwini and Sravanthi Yakkanti allegedly violated Regulation 3 and 4 of the PIT Regulations, 1992 and Sections 12A(d) and 12A(e) of the SEBI Act, 1992, Regulation 3(c) and (d) of the PFUTP Regulations read with Sections 12A(b) and 12A(c) of the SEBI Act.
- e. Sahasra Investments Pvt. Ltd. allegedly violated Regulation 3, 3A and 4 of the PIT Regulations, 1992 and Sections 12A(d) and Section 12A(e) of the SEBI Act, 1992.
- f. BRG Energy Ltd was alleged to have violated Regulation 3, 3A and 4 of the PIT Regulations, 1992 and Sections 12A(d) and Section 12A(e) of the SEBI Act, 1992, Regulation 3(c) and (d) of the PFUTP Regulations read with Sections 12A(b) and 12A(c) of the SEBI Act.
- g. Softpro Systems Ltd, Vikram Reddy Gopu, Prakash Pradeep G, Mohan Prakash Reddy G, V Chinnapa Reddy, Mary Kalpana and G Sleeva Reddy allegedly violated Regulation 3(c) and (d) of the PFUTP Regulations read with Sections 12A(b) and 12A(c) of the SEBI Act.
- h. G Bala Reddy, Sravanthi and Mary Ashwini gave misleading information with regard to their relationship with certain entities; and Sravanthi and Mary Ashwini also gave

misleading information with regard to the source of funds for the purchase of ICSAI shares by them.

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

- a. Whether the information that the company was the lowest bidder/ secured contracts for a total value of Rs 464.17 crores from three different organisations in its favour was a UPSI in terms of regulation 2 (ha) read with 2(k) of PIT Regulation on or before February 25, 2009 when Sravanthi and Mary purchased total 15,85,683 shares?
- b. Whether G Bala Reddy, G Velangini Mary, BRG, Sahasra, Mary Ashwini and Sravanthi are 'connected persons' of the company in terms of Regulation 2(c) of the PIT Regulation and whether they are 'insiders' of the company in term of Regulation 2(e) of PIT Regulations?
- c. Whether G Bala Reddy, G Velangini Mary, BRG, Sahasra, Mary Ashwini and Sravanthi traded in the scrip while in possession of UPSI?
- d. Whether through the above acts, G Bala Reddy, G Velangini Mary, Mary Ashwini and Sravanthi violated Sections 12A (d) and 12A (e) of the SEBI Act, 1992 read with Regulation 3 and 4 of the PIT Regulations and BRG and Sahasra violated Sections 12A (d) and 12A (e) of the SEBI Act, 1992 read with Regulation 3, 3A and 4 of the PIT Regulations?
- e. Whether Shri G Bala Reddy, G Velangini Mary, APRG, Softpro Systems Ltd, BRG, Mary Ashwini, Sravanthi, Vikram Reddy Gopu, Prakash Pradeep G, Mohan Prakash Reddy G, V Chinnapa Reddy, Mary Kalpana and G Sleeva Reddy were the conduit/ recipients/ beneficiaries of the insider trading, and thus violated Sections 12A (b) and 12A (c) of the SEBI Act read with Regulation 3(c) and (d) of the PFUTP Regulations?
- f. Whether G Bala Reddy, Mary Ashwini and Sravanthi submitted misleading information to SEBI with regard to their relationship with certain entities, as sought from them at the time of investigation by SEBI?

- g. Whether G Bala Reddy and G Velangini Mary submitted misleading declaration with regard to pledged share in violation of the provisions of regulation 8A (1) and (2) of the Takeover Regulations, 1997?
- h. Do the violations, if any, on the part of the Noticees attract monetary penalty under sections 15G, 15HA, 15HB and 15A(a) of the SEBI Act? If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15J of SEBI Act?

31. Before moving forward, it will be appropriate to refer to the relevant provisions of SEBI Act., PIT Regulations, PFUTP Regulations and Takeover Regulations which read as under:

SEBI ACT:

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly –

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognised stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*
- (d) engage in insider trading;*
- (e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

(f) acquire control of any company or securities more than the percentage of equity share capital of a company whose securities are listed or proposed to be listed on a recognised stock exchange in contravention of the regulations made under this Act.

SEBI (Prohibition of Insider Trading) Regulation, 1992

Definitions. Sec 2 of SEBI (Prohibition of Insider Trading) Regulation, 1992.

2. In these regulations, unless the context otherwise requires :—

(c) “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 whether temporary or permanent and who may reasonably be expected to have an access to unpublished price sensitive information in relation to that company:

Explanation :—For the purpose of clause (c), the words “connected person” shall mean any person who is a connected person six months prior to an act of insider trading;

(e) “insider” means any person who,

- (i) is or was connected with the company or is deemed to have been connected with the company and is reasonably expected to have access to unpublished price sensitive information in respect of securities of company, or
- (ii) has received or has had access to such unpublished price sensitive information

(h) “person is deemed to be a connected person”, if such person—

- (viii) relatives of the connected person; or

(ha) “price sensitive information” means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company.

Explanation.—The following shall be deemed to be price sensitive information :—

- (i) periodical financial results of the company;
- (ii) intended declaration of dividends (both interim and final);
- (iii) issue of securities or buy-back of securities;
- (iv) any major expansion plans or execution of new projects.
- (v) amalgamation, mergers or takeovers;
- (vi) disposal of the whole or substantial part of the undertaking;
- (vii) and significant changes in policies, plans or operations of the company;

(k) “unpublished” means information which is not published by the company or its agents and is not specific in nature.

Explanation.—Speculative reports in print or electronic media shall not be considered as published information.

SEBI (Prohibition of Insider Trading) Regulation, 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;

Or

(ii) communicate or counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities :

Provided that nothing contained above shall be applicable to any communication required in the ordinary course of business or profession or employment or under any law.

3A. No company shall deal in the securities of another company or associate of that other company while in possession of any unpublished price sensitive information.

Violation of provisions relating to insider trading.

4. Any insider who deals in securities in contravention of the provisions of regulation 3 or 3A shall be guilty of insider trading.

SEBI (Prohibition of fraudulent and Unfair Trade Practices relating to the Securities Market) Regulation, 2003:

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange.

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are

listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.

SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997.

Disclosure of pledged shares.

8A.

(1) A promoter or every person forming part of the promoter group of any company shall, within seven working days of commencement of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2009, disclose details of shares of that company pledged by him, if any, to that company.

(2) A promoter or every person forming part of the promoter group of any company shall, within 7 working days from the date of creation of pledge on shares of that company held by him, inform the details of such pledge of shares to that company.

32. At the outset, I note that the Noticees were related/ connected to one another, details of which are as follows:

Entity	Connection with ICSA/promoter/ amongst each other and the Proof for such connection. (BO details/ KYC with broker/bank KYC etc.)
G. Bala Reddy	<ul style="list-style-type: none"> i) As noted from the NSE website, G. Bala Reddy was the Promoter, Chairman and Managing Director of ICSAI. ICSAI and G. Bala Reddy have also admitted this. ii) G. Bala Reddy was a promoter, Chairman and director of BRG Energy Ltd., iii) G. Bala Reddy was a Promoter, Chairman and Managing Director of Softpro Systems Ltd. iv) Sahasra Investments Pvt. Ltd. is G. Bala Reddy 's investment company and he is the promoter and Director in this company
G Velangini Mary	<ul style="list-style-type: none"> i) Promoter of ICSAI and wife of G. Bala Reddy ii) On the Board of Softpro Systems Limited, BRG Energy Ltd. and Sahasra Investments Pvt. Ltd. iii) She is also Managing Director of BRG Energy Ltd. iv) Promoter and Director of Sahasra Investments Ltd.
APRG	<ul style="list-style-type: none"> i) Employed as Assistant Manager (Projects) in ICSAI. ii) Husband of Mary Ashwini. iii) Received shares in off market from Mary Ashwini and Sravanthi and transferred part to G. Velangini Mary iv) Received ESOPs v) Mobile number (i.e. 944108400) and address same as that of G. Bala Reddy vi) For the Telephone bill for the period of June, 2007, Velangini Mary is found to have made calls to Mary Ashwini/ APRG / Bala Gopu Reddy (their common Mobile number 9441018400), vii) In the bank account opening form of APRG, the telephone number mentioned of APRG is 23161676 which is in the name of Velangini Mary. viii) In Bank account form with Corporation bank G Velangini Mary is observed to have introduced him. She is shown as the nominee of APRG and is his Aunt/ cousin.
Mary Ashwini D	<ul style="list-style-type: none"> i) Wife of APRG. Cousin of Sravanthi Yakkanti (who is niece of one B. Thomas Reddy) ii) Mobile number as shown (i.e. 944108400) same as G. Bala Reddy. iii) For the Telephone bill for the period of June, 2007, Velangini Mary is found to have made calls to Mary Ashwini/ APRG / Bala Gopu Reddy (their common Mobile number 9441018400) iv) Niece of one B. Thomas Reddy, who is one of the witnesses for Bala Reddy in agreement papers for the sale of property
Sravanthi Yakkanti	<ul style="list-style-type: none"> i) Off-market transactions with APRG. Cousin of Mary Ashwini D (who is niece of one B. Thomas Reddy)

Entity	Connection with ICSA/promoter/ amongst each other and the Proof for such connection. (BO details/ KYC with broker/bank KYC etc.)
	<ul style="list-style-type: none"> ii) Telephone number 23063552 (in KYC form furnished by Zen Securities Ltd., DP CDSL) is same as telephone No. as specified in Corporation Bank account opening form of G. Velangini Mary, promoter of ICSA. However, on perusal of the Telephone bill of February 2008 (bill date March 8, 2008) the bill appears in the name of B Thomas Reddy. iii) Address of Sravanthi in KYC form furnished by Zen Securities Ltd., DP CDSL is same as address of G. Bala Reddy iv) In the telephone bill for the period for the month of March 2008, B Thomas Reddy / Velangini Mary were found to have made calls to Sravanthi Yakkanti (mobile No. 9848723204). v) Also shown as niece of Thomas Reddy.
Vatti Chinnapa Reddy	<ul style="list-style-type: none"> i) Brother of G. Velangini Mary, promoter of ICSAI ii) G Velangini Mary is the introducer as shown in the bank account opening form of Vatti Chinnapa Reddy iii) He also acted as witness for Bala Reddy in agreement papers for the sale of property iv) Shared the office address which is the residence of G. Bala Reddy
G Sleevea Reddy	<ul style="list-style-type: none"> i) Introducer in the opening of the account is one Arun Kumar Gopu ii) Arun Kumar Gopu is the son of Sleevea Reddy. The introducer for Arun Kumar Gopu in the account opening form with Corporation Bank is G. Velangini Mary who is shown as his cousin. Thus, G. Sleevea Reddy is uncle of G. Velangini Mary.
Mary Kalpana	<ul style="list-style-type: none"> i) Introducer in the bank account opening with Corporation Bank is one Saritha Gali, who is an employee of ICSA, shown as cousin of G Velangini Mary, promoter. Sister of APRG as names of the parents in the account opening form with Corporation Bank is the same. ii) The contact no. of Mary Kalpana in KYC with broker Zen Securities is shown as 9885461494. In the Telephone bill of G. Velangini Mary submitted by Corporation Bank for June 2007, G Velangini Mary is shown to have made the calls on the telephone number of Mary Kalpana. The address of Vatti Chinnapa Reddy and Mary Kalpana are same iii) From the bank account opening form of Mary Kalpana, the address is similar to Vatti Chinnapa Reddy. The telephone bill (telephone No. 23061494) of Vatti Chinnapa Reddy for the month of July and August 2007. Calls were observed to have been made to Mary Ashwini/ APRG / G. Bala Reddy (their common Mobile number 9441018400) and Mary Kalpana (mobile No. 9885461494)
Mohan Prakash Reddy	<ul style="list-style-type: none"> i) Son of G. Bala Reddy (Source: Account opening form with Corporation Bank and Copy of PAN card).
Prakash Pradeep G	<ul style="list-style-type: none"> i) Employed in BRG Energy ii) Office address shown as: 838, Vivekananda Nagar Colony, Kukatpally, Hyderabad 500 072 which is same of residence address of G. Bala Reddy.
Gopu Reddy Vikram	<ul style="list-style-type: none"> i) Employed in ICSAI, Brother of APRG since name of his father and that of APRG is same ii) Same address as that of ICSAI in the Beneficial Owner records with NSDL.
BRG Energy Ltd.	<ul style="list-style-type: none"> i) Firm promoted by G. Bala Reddy who is also promoter of ICSAI. He is the Chairman and Director of the company ii) G. Velangini Mary, another promoter of ICSAI, is Managing Director of the company iii) Velangini Mary held 1,29,810 shares (i.e. 1.19% shareholding) and Gopu Bala Reddy held 69,13,550 shares (i.e. 63.46% shareholding) iv) The names of the directors in the Annual report of BRG Energy Ltd indicated were G. Velangini Mary, G. Bala Reddy and Y. V Ramana Reddy
Sahasra Investments Pvt. Ltd.	<ul style="list-style-type: none"> i) G. Bala Reddy and his wife G. Velangini Mary are the promoters and directors of this company ii) Address of the company as that of the residence address of Bala Reddy and Velangini Mary iii) Both the entities are 100% shareholders of the company. Velangini Mary held 25000 and G Bala Reddy held 49,75,000 iv) The names of the Directors in the Annual Report of this company were Bala Reddy and Velangini Mary.
Softpro Systems Ltd. (Presently Cura Technologies Ltd.)	<ul style="list-style-type: none"> i) Firm promoted by G. Bala Reddy. He is also the Chairman and Managing Director of the company. G. Velangini Mary is on the Board of this company. ii) The quarterly holding statement of September 2009 of Softpro Systems Ltd. indicated that Sahasra Investments Pvt. Ltd. was the promoter of this company and held around 46.99% of this company.

33. The Noticees have not refuted the above relations in their reply, other than stating that Mohan Prakash Reddy is not the son of G Bala Reddy. However, here too the trail of fund movement as shown in the following paragraphs establishes that G Bala Reddy is connected to Mohan Prakash Reddy.

34. Moving ahead, for the sake of convenience, I will consider the first two issues together. At the outset, it is to be examined whether G Bala Reddy, G Velangini Mary, BRG, Sahasra, Mary Ashwini and Sravanthi are 'connected persons' or not. It is observed that, G Bala Reddy in his reply dated January 13, 2011 has stated that he is one of the promoters and the Chairman and Managing Director of the ICSA (India) Ltd. Further, the term 'connected person' as defined under regulation 2 (c) means any person who is a director or a person who occupies the position as an officer or an employee of the company etc., is a connected person of a company. It is an admitted fact that, G Bala Reddy is a promoter and the Chairman and Managing Director of the company and thus he is connected person of the company. G Velangini Mary is also a promoter of ICSAI. Furthermore, she is the wife of G Bala Reddy and hence is deemed to be a connected person as per Regulation 2(h)(viii) of the PIT Regulations. G Bala Reddy and G Velangini Mary are also 'insiders' to ICSAI, since they can be reasonably expected to have access to UPSI. With respect to Mary Ashwini and Sravanthi, as noted in the preceding paragraphs, are related to G Velangini Mary and G Bala Reddy, and hence are 'connected persons'. I note that Mary Ashwini and Sravanthi have denied knowledge of any UPSI. However, I find the explanation given by them not convincing as they traded in large quantities of shares at the behest of, and funded by G Bala Reddy. Further, in the case *Anjali Beke Vs. SEBI* (Order dated 26.10.2006), the appellant claimed that she had no information about the trading, but the Hon'ble SAT held that

It is an admitted fact that Dr. Anjali Beke was well known to Shri Dilip Pendse for more than ten years and it is her own case that he carried on business in her name. Their closeness cannot, therefore, be in doubt. It is because of this closeness that he passed on the unpublished price sensitive information to her on the basis of which she traded in the shares of TFL. She is, therefore, an insider.

Similarly, Mary Ashwini and Sravanthi have themselves admitted that they traded in such large quantities simply at the request of G Bala Reddy. *Their closeness cannot, therefore, be in doubt.* Further, Mary Ashwini and Sravanthi have bought the shares which were funded by Bala Reddy and on sale of shares the proceeds were transferred by them to the entities connected to G Bala Reddy. Hence Mary Ashwini and Sravanthi were well aware of the UPSI. Thus, I find that Mary Ashwini and Sravanthi were also 'insiders'. BRG and Sahasra are companies controlled by G Bala Reddy and G Velangini Mary. Together, they hold the majority

shares of BRG and Sahasra. As they are under the same management, they are deemed to be 'connected persons'. Funds were provided to Mary Ashwini and Sravanthi to purchase shares of ICSAI through BRG and Sahasra, and G Bala Reddy has admitted the same. Hence, I find that BRG and Sahasra were also 'insiders'.

35. Now to examine whether the information that the company has secured work orders for total contract value of Rs 464.17 crores from three different organisations in its favour was unpublished price sensitive information in terms of Regulation 2 (ha) read with 2(k) of the PIT Regulations on or before February 25, 2009 when Sravanthi and Mary purchased a total of 15,85,683 shares. As per Regulation 2 (ha) of the PIT Regulations 'price sensitive information' means any information which relates directly or indirectly to a company and which, if published, is likely to materially affect the price of securities of the company. Further, as per Regulation 2(k) of the PIT Regulations, 'unpublished' means information which is not published by the company or its agents and is not specific in nature. The provision specifies that speculative reports in print or electronic media shall not be considered as published information.
36. Hence, it is to be first established whether or not the information was price sensitive. I note that on March 18, 2009 ICSAI had made a corporate announcement at NSE and BSE that the company had secured work orders for a total contract value of Rs.464.17 crore from Bihar State Electricity Board (hereinafter referred to as 'BSEB'), Mahavitaran (Maharashtra State Electricity Distribution Co. Ltd) and M.P.Poorv Kshetra Vidyut Vitaran Co. Ltd. (hereinafter referred to as 'MPPKVVCL'). The details of the contracts bagged by ICSAI from the three State electricity boards are as under:

S. No.	Name of the Party	Nature of work	Aggregate Value of Contract (Rs)
1.	BSEB	Supply, Installation / Erection of Rural Electricity Infrastructure and Household Electrification in Katihar District of Bihar on Turnkey basis under Rajiv Gandhi Grameen Vidyutikaran Yojna	254.21 crore
2.	Mahavitrان	Supply, transport, construction, erection, testing and Commissioning of sub transmission lines, distribution lines, power transformers, new substations, augmentation of existing substations, distribution transformers of varying capacities and allied works in Nagpur Zone	170.17 crore
3.	MPPKVVCL	Supply of material, survey, erection, installation, testing and commissioning of new three phase 11 KV lines, 11/0.4 KV Distribution Transformer substations under Rajiv Gandhi Grameen Vidyutikaran Yojna	39.79 crore

37. Investigation observed that the company was the lowest price bidder in all the cases and it was also observed from the tender documents which uniformly revealed that once the price bid is announced in favour of a company, the said company is the entity for award of final contract. The details of the tenders at different points of time applied by the company is as follows:

	Amount of Tender (in Rs.)	Date of submission of BID	Opening of Technical Bid	Opening of Price Bid
BSEB	254.21 crore	25.09.08	01.12.08	13.01.09
Mahavitaran	170.17 crore	10.10.08	20.10.08	24.12.08
MPPKVVCL	39.79 crore	25.07.08	29.07.08	07.08.08

38. The Noticees, in their replies, have denied that the aforesaid information was price sensitive in nature. In this regard G Bala Reddy has submitted that work orders relating to the power sector are normal routine business for an Engineering Process Company such as ICSAI and therefore these cannot be considered as price sensitive information as far as the scrip of the company is concerned. In fact, it is the absence of work orders that can adversely affect the price of the scrip.
39. The Noticees in support of their contentions have relied upon the judgment dated October 19, 2011 passed by Hon'ble SAT in *Hindustan Dorr Oliver Ltd and Ors vs. SEBI* (Appeal no. 107 of 2011). I note that the stated order deals with the closure of closing window, and is thus not similar to the charge in the case at hand. Moreover, in the related case of *E Sudhir Reddy vs. SEBI* (Appeal no. 138 of 2011, order dated December 16, 2011) the Hon'ble SAT has observed that *"In Appeal no.107 of 2011 in the case of the company involving same transactions and decided by us on October 19, 2011, the charge against the company was different. In that case the charge against the company was of violating the model code of conduct by not closing its trading window for prevention of insider trading. In that case, we have held that the company has not violated the model code of conduct when it did not close the trading window on bagging the contract in question and till the information with regard to award of the contract was made public. The definition of price sensitive information for the purpose of closing the trading window by the company under its code of conduct is much narrower than the definition of price sensitive information as given in section 2(ha) of the Insider Trading Regulations"*. Hence the judgment of the Hon'ble SAT in *Hindustan Dorr Oliver Ltd and Ors vs. SEBI* cannot apply to the case at hand.

40. In support of their contentions, the Noticees have also relied upon the Judgments of the Hon'ble Securities Appellate Tribunal (SAT) in the matter of Anil Harish Vs. SEBI (date of Order- June 22, 2011) wherein it was held that when a company, which is in the business of infrastructure projects, bags an order in the normal course of business, although it may be required to give intimation to the stock exchanges under Regulation 36(7) of the Listing Agreement, the information need not necessarily be price sensitive. However, I note that the Hon'ble SAT has gone on to say that whether or not the information is price sensitive will depend upon the facts and circumstances of the case. I also note that the Hon'ble SAT held that order of the Adjudicating Officer was vitiated due to certain discrepancies therein, and also because there was no finding recorded by the Adjudicating Officer on whether the information was price sensitive in nature. I observe that the judgment relied upon by the Noticees simply states that in respect of companies engaged in infrastructure project, bagging of a new project *need not necessarily be price sensitive information*. It will depend on the facts of each case.
41. I further note from the submissions of the Noticees that the order book for the FY 2008 was Rs. 900 crore, which increased more than two fold for FY 2009 and was Rs.1915 crore. Thus, the work orders more than doubled in the year 2008-2009, and saw an increase of more than Rs.1000 crores. Of this, the orders from the 3 institutions alone accounted for orders worth Rs.464.17 crore. Thus, these orders were for more than half of the previous year's orders and accounted for nearly half the current year's jump or increase. In such a scenario, I am of the opinion that the orders were not just 'routine' and were likely to materially affect the price of the scrip, once published.
42. I also note that the Hon'ble SAT in the case of Shri. E Sudhir Reddy in Appeal no. 138 of 2011 decided on 16.12.2011 in Para 7 and 8 of the order has held that,

7. We have given our thoughtful consideration to the submissions made by learned counsel for the parties and have also considered the material placed on record. A shareholder becomes an owner of the company to the extent of the value of shares held by him. He is therefore, entitled to his share in the profits earned by the company. Therefore, performance of a company is of primary importance to the investors as well as to the general public who might be interested in investing in the company. The

shareholders and general public get information about the company either through the annual report or during the annual general meeting. However, persons in the company or otherwise concerned with the affairs of the company are in possession of such information before it is actually made public. The directors of the company or for that matter even professionals like Chartered Accountants and Advocates advising the company on its business related activities are privy to the performance of the company and come in possession of information which is not in public domain. Knowledge of such unpublished price sensitive information in the hands of persons connected to the company puts them in an advantageous position over the ordinary shareholders and the general public. Such information can be used to make gains by buying shares anticipating rise in the price of the scrip or it can also be used to protect themselves against losses by selling the shares before the price falls. Such trading by the insider is not based on level playing field and is detrimental to the interest of the ordinary shareholders of the company and general public. It is with a view to curb such practices that section 12A of the Sebi Act makes provisions for prohibiting insider trading and the Board also framed the Insider Trading Regulations to curb such practice.

8. Examined in this background, we find that the appellant being one of the directors of the company, was a connected person with the company and falls within the definition of 'insider' contained in regulation 2(e) of the Insider Trading Regulations. It is also not in dispute that he purchased 19,721 shares as on February 9/10, 2009 when in possession of information that the company was declared the lowest bidder for the project in question. Accepting the argument of the learned senior counsel for the appellant that it is the award of contract on February 25, 2009 alone that was unpublished price sensitive information and the information prior to that with regard to the appellant having been declared lowest bidder was not unpublished price sensitive information as it was in public domain, will defeat the purpose of Insider Trading Regulations. No doubt, the tendering process is a long procedure involving various stages and it may be difficult to lay down any parameter as to at which stage the information in a tendering process will become price sensitive for the purpose of Insider Trading Regulations. It will depend on the facts and circumstances of each case. In the case in hand, when the appellant purchased the shares from the market, he had knowledge that the tendering process is complete and only award of contract remains. Being an insider it was incumbent upon him not to deal in the scrip of the company when this information was still unpublished from the point of view of ordinary shareholders.

I also note that the Order of the Hon'ble SAT in Anil Harish vs. SEBI does not overrule this judgment.

43. The Noticees have also cited the judgment in the matter of Valecha Engineering Ltd. (Date: July 26, 2013) wherein the learned Adjudicating Officer concluded that the information of receiving of projects / orders cannot necessarily be considered as price sensitive (emphasis added). In the cited judgment, the learned Adjudicating Officer, based on the facts and circumstances of the case found that insisting that the company disclose to the Stock Exchanges every time they receive a project/ order is neither practical nor advisable. As held by the Hon'ble SAT in Anil Harish, and reiterated by the Learned Adjudicating Officer in Valecha Engineering Ltd, I observe that the judgment relied upon by the Noticees simply states that in respect of companies engaged in infrastructure project, bagging of a new project *need not necessarily be price sensitive information*. It will depend on the facts of each case. Thus, the facts of the case at hand require independent examination of whether the impugned information was UPSI.
44. Furthermore, it may be observed that G Bala Reddy himself has stated in his reply dated January 13, 2012 that the absence of work orders can adversely affect the price of the scrip. Thus, converse would also hold true that any procurement of any work order by way of bids/ auction results can also positively affect the price. These two then need to be considered as two sides of the same coin, if the absence of orders is to be admitted as price sensitive, then the procurement of the work orders also needs to be treated in same fashion.
45. Thus, I am unable to accept the contention that the work orders received from the three organisations were relating to the power sector are normal routine business and not extraordinary events for an Engineering Process Company.
46. With respect to the case at hand, with regard to the first tender the price bid was opened on January 13, 2009. BSEB confirmed that the price quoted by the company/ICSAI was found to be lowest in the 'Bid opening' meeting on January 13, 2009. Thereafter, negotiation meeting was held on January 20, 2009 which was attended by the representative of the company/ICSAI and minutes of the same were furnished by BSEB. The company/ICSAI further reduced the lump sum amount and communicated the same to BSEB vide their letter dated January 21, 2009. The said proposal was approved by the Board of BSEB in its meeting on January 29, 2009. Therefore, considering the terms and conditions of the tender document,

the company was the lowest bidder as confirmed by BSEB vide letter dated January 13, 2009 and the company further reduced the lump sum amount and communicated the same to BSEB vide their letter dated January 21, 2009 so from these facts it was likely for the company who received bid in its favour and later bagging the contract in its favour by further negotiations and reducing the lump sum price of the bid. This act of the company through its authorized representative shows that they had knowledge of the developments taking place in the tender process and thus this is the stage where the unpublished information regarding the work order from BSEB became price sensitive and G Bala Reddy has access to this unpublished price sensitive information. Finally the letter of award was later issued to the company/ICSAI on March 16, 2009 for works aggregating Rs.25420.67 lakhs.

47. Similarly, in case of second tender the bid was submitted by the company on October 10, 2008. The price bid for the same was opened on December 24, 2008 and ICSAI was the lowest price bidder. The said proposal was approved by the Board of Mahavitrans in its meeting on February 9, 2009. Mahavitrans vide letter dated January 15, 2010 confirmed to SEBI investigation department that one of the terms and conditions of the tender was award of contract to the bidder who is the lowest price bidder. Thus this is the stage where the unpublished information regarding the work order from Mahavitrans became price sensitive and G Bala Reddy had access to this unpublished price sensitive information. The letter of award dated March 2, 2009 issued by Mahavitrans was received by the company/ICSAI on March 13, 2009 for works aggregating Rs.17016.82 lakhs.
48. In the case of third tender in respect of MPPKVVCL, the bid was submitted by the company on July 25, 2008. The technical bid was opened on July 29, 2008 and the price bid for the same was opened on August 7, 2008. The company/ICSAI in its letter dated August 7, 2010, confirmed that they were the lowest price bidder and hence the contract was awarded to the company/ICSAI.
49. I observe that, under Clause 33.2 (Comparison of BIDS) in Volume I of the tender documents the lowest Bid would be selected for the award of contract. Under Clause 35 (Award Criteria), it is stated that the contract will be awarded to the successful bidder whose bid has been determined to be substantially responsive and has been determined as the lowest evaluated

bid. Therefore, one of the terms and conditions of the tender was award of contract to the bidder who will be the lowest price bidder. Thus it was likely that the company who was the lowest bidder would get the award in its favour. In fact the contract was awarded in the company's favour. G Bala Reddy had access to this unpublished price sensitive information at every stage of developments taking place in the tender process. Thereafter the letter of award was issued on March 12, 2009 for works aggregating Rs.39,79,29,221/-.

50. In the case in hand, as observed during investigation, the tender documents uniformly revealed that once the price bid is announced in favour of the company, it may be construed that the said company is the entity for award of the final contract. The tender process for the all the three State Electricity Board and the period of UPSI can be summarized as under:

	Amount of Tender (in Rs.)	Date of submission of BID	Opening of Technical Bid	Opening of Price Bid	Period of UPSI
BSEB	254.21 crore	25.09.08	01.12.08	13.01.09	13.01.09 to 18.03.2009
Mahavitaran	170.17 crore	10.10.08	20.10.08	24.12.08	24.12.08 to 18.03.2009
MPPKVVCL	39.79 crore	25.07.08	29.07.08	07.08.08	07.08.08 to 18.03.2009

51. From the above table, and with reference to the judgment of the Hon'ble SAT in the matter of E Sudhir Reddy, it is observed that in all the three tenders the opening of the price BID is an important stage with respect to the Insider Trading Regulation. The price bids were opened for BSEB on January 13, 2009, for Mahavitrana on December 24, 2008 and for MPPKVVCL on August 7, 2008. The opening of bids was duly attended by the representative(s) of ICSAI and they were informed about the opening of the Bid in their favour. In respect of all three, the company/ICSAI was the lowest price bidder and hence the bid was opened on the said dates in favour of the company /ICSAI. The company was selected as the lowest bidder and had entered into negotiations in all three cases prior to February 25, 2009 (the date of purchase of shares by suspect entities that is Sravanthi and Mary). The final letter of intent issued by the State Electricity Boards in all three cases was subsequent to February 25, 2009, but the facts indicate that the promoters/managing director of the company were well aware of the developments taking place in respect of all the three tenders and had access to the price sensitive information.

52. Further, in the reply of G Bala Reddy dated January 13, 2011, it was submitted that ICSAI was the lowest bidder in tenders floated by PSUs, but on account of subsequent negotiations with other bidders, the work order was awarded to another bidder who revised its bid price. During the hearing held on January 29, 2013, G Bala Reddy was asked to provide details of any instances where after ICSAI was the lowest bidder and on lowering the bid price after negotiation, the work order was awarded to another bidder. In his additional reply filed on July 6, 2015, Bala Reddy submitted the following details:

Sl. No.	Year	No. of L1 Tenders(sic) No of tenders in which the company as declared L1	No. of Tenders Awarded
1.	2006-07	8	6
2.	2007-08	26	22
3.	2008-09	24	16
	TOTAL	58	44

53. From the above I note that in the year 2006-07, ICSAI was declared L1 in 8 Tenders and was awarded 6. Only in 2 instances despite being L1 ICSAI was not awarded the contract. Similarly, in the year 2007-08, ICSAI was declared L1 in 26 Tenders and was awarded 22. In 4 instances despite being L1 ICSAI was not awarded the contract. Likewise, in the year 2008-9 ICSAI was awarded 16 out of the 24 Tenders where it was declared L1, and in 8 instances despite being L1 ICSAI was not awarded the contract. Thus in the aforementioned 3 years, ICSAI was declared L1 58 times, and out of this it was awarded the contract on 44 occasions. Thus more than 75% of the time, it was L1 and the contract was awarded to the company. It is to be mentioned that on this information being published, it is likely to materially affect the price of the securities of the company. This aspect of materiality of this price sensitive information has not been contested by the applicant. I also note that Bala Reddy has submitted that no communication is received in writing about whether one is L1, and thus there is no document on record to prove that the company had actually been declared as L1 in the instances where it did not get the award. However, I observe this very statement is in contrast to the additional information submitted by the him vide his letter dated July 06, 2015 where he has provided cases where the company was mentioned to have been lowest bidder in 58 tenders. It is not clear as to how/ on what basis the applicant has provided this information if he has claimed that the same is not informed in writing. Further, Bala Reddy was repeatedly advised to submit evidence to show that ICSAI was actually declared as L1 in the above instances as

claimed by him, as it is not possible to proceed on the mere *ipse dixit* of the Noticee. However, he has failed to submit any evidence in this regard. The details of revocation of bank guarantee as submitted by Bala Reddy does not indicate that ICSAI was declared as L1. I am of the considered opinion that Mr Bala Reddy has been given a more than fair chance to produce the evidence in his defence. At every juncture his requests for extensions were granted giving him opportunity to file fresh submissions. However, no additional/ fresh facts were provided as committed by Bala Reddy from time to time. Given the above, it appears to be dilatory tactics by the entity.

54. However, even assuming for the moment that the figures given by Bala Reddy are correct, still empirically in 3 out of 4 cases it was awarded the contract once declared as L1. Hence, I have no hesitation in saying that of the company, when it was declared as a L1 bidder was price sensitive in nature. Moreover, as noted earlier, as per Regulation 2(k) of the PIT Regulations, 'unpublished' means information which is not published by the company or its agents and is not specific in nature. The provision specifies that speculative reports in print or electronic media shall not be considered as published information. It is not in dispute that the corporate announcement in respect of the above was made on March 18, 2009. Sravanthi and Mary purchased shares on February 25, 2014, and at that time the price sensitive information was unpublished.
55. Further, as noted above, the opening of the price bids in favour of ICSAI, though on different dates, is an unpublished price sensitive information, and G Bala Reddy and G Velangini Mary, 'insiders' within the meaning of Regulation 2(e) of the PIT Regulations, had access to the unpublished price sensitive information, and had traded in this period.
56. The next issue is whether G Bala Reddy, G Velangini Mary, Sravanthi, Mary Ashwini, BRG and Sahasra traded in the scrip of ICSAI while in possession of UPSI. I note that Sravanthi Yakkanti purchased 3,93,683 shares on NSE in bulk trades through broker Zen Securities Ltd. on February 25, 2009. Her trading activity in the company between October 1, 2008 and May 25, 2009 was as under:

Date	Buy Volume	Sell Volume	Avg buy price (Rs)	Avg sell price (Rs)	Net Volume	% to mkt gross	% to mkt net
25.02.2009	3,93,683	0	74.99	0	3,93,683	3.98	20.27

57. The said purchase in ICSAI was the only major activity of Sravanthi on the NSE since October 1, 2008. The gross value of the said purchases is Rs. 2,95,26,188/-

58. Similarly, Mary Ashwini purchased 11,92,000 shares on February 25, 2009 on NSE in bulk trades also through broker Zen Securities Ltd. The activities of Mary Ashwini in ICSAI since October 1, 2008 is given below:

Date	Buy Volume	Sell Volume	Avg buy price (Rs)	Avg sell price (Rs)	Net Volume	% to mkt gross	% to mkt net
06.10.2009	100	0	167.8	0	100	0.01	0.05
04.11.2009	0	50	0	203	50	0.01	0.04
10.12.08	0	25	0	142.8	25	0.02	0.05
25.02.2009	11,92,000	0	75	0	11,92,000	12.04	61.37

59. As can be seen, the buying of 11,92,000 shares in ICSAI was the only major activity of Mary Ashwini on the Exchange since October 1, 2008 across all scrips. The gross value of the said purchases is Rs. 8,94,00,000/-. Thus, as seen above, Mary Ashwini purchased 11,92,000 shares and Sravanthi Yakkanti purchased 3,93,683 shares of ICSAI on February 25, 2009 before the corporate announcement dated March 18, 2009, which constituted nearly 100% of all their trading during the period October 1, 2008 to May 25, 2009. Further, on February 25, 2009 their trading in the scrip of ICSAI together constituted 81.64% of the market net which is quite substantial considering their trading activities during last 4-5 months. They were not regular investors in the market, and their purchases in the scrip cannot be construed as usual trading pattern. The main counterparty to the above trades of Mary Ashwini and Sravanthi Yakkanti was Deutcshe Securities Mauritius Limited, SEBI registered Foreign Institutional Investor. G Bala Reddy, in his reply dated January 13, 2011 (*sic, actual date January 13, 2012*) has stated that CLSA (Mauritius) Ltd. (CLSA) and Deutsche Securities Mauritius Ltd (Deutsche), which are FII's registered with SEBI were investors in ICSAI. CLSA and Deutsche had in turn issued Participatory Notes in favour of Jeff Feinberg.

60. G Bala Reddy has submitted that, the motive for the purchases was to provide an exit route for the Jeff Feinberg without adversely impacting the price of the scrip. G Bala Reddy has submitted that this was done in a transparent manner through the bulk deal window of the BSE and NSE. G Bala Reddy submitted that Sravanthi and Mary Ashwini purchased the shares of ICSAI on February 25, 2009 in order to provide an exit to the non resident and not on the basis of unpublished price sensitive information in the form of expected work orders from BSEB, Mahavitaran and MPPKVVCL.
61. I note that in the case of *Rajiv Gandhi Vs. SEBI* (date of judgment May 9, 2008) the Hon'ble SAT held that *"We are of the considered opinion that if an insider trades or deals in securities of a listed company, it would be presumed that he traded on the basis of the unpublished price sensitive information in his possession unless he establishes to the contrary. Facts necessary to establish the contrary being especially within the knowledge of the insider, the burden of proving those facts is upon him. The presumption that arises is rebuttable and the onus would be on the insider to show that he did not trade on the basis of the unpublished price sensitive information and that he traded on some other basis. He shall have to furnish some reasonable or plausible explanation of the basis on which he traded. If he can do that, the onus shall stand discharged or else the charge shall stand established."*
62. Similarly, in the matter of *Harish K Vaid vs. SEBI* (date of judgment October 03, 2012), the Hon'ble SAT held that *"When trading is done during the existence of UPSI, the presumption is that it is on the basis of UPSI. The appellants have not placed any material on record to rebut this presumption."*
63. G Bala Reddy has admitted that he arranged for funds to be provided to Sravanthi and Mary for purchase of the 15,85,683 shares from the FIIs through a bulk deal. Thus, the trades were at his behest. As guided by these judgments, in this case too, it is already established that G Bala Reddy was an insider and had access to UPSI. The trading by Mary and Sravanthi, since carried out on his behalf, were also on the basis of UPSI. They have not provided any explanation to substantially refute the case on this ground.
64. In their replies, the Noticees have stated that the motive for the purchases was to provide an exit route for the Non Resident (NR), Mr Jeff Feinberg. The bulk deal with CLSA and Deutsche

was carried out in order to prevent a sudden and damaging fall of the price of the share and in the interest of the company and its share holders and not on the basis of UPSI. The Noticees were repeatedly advised to submit evidence with respect to his claim that the NR had approached him to sell shares. G Bala Reddy in his reply enclosed a copy of an email dated February 24, 2009 from Mr. Jeff Feinberg, stating "I confirm selling all 1,589,333 shares at 75 Rs per share tomorrow am". As is evident, this throws no light on whether the claim made by Bala Reddy is accurate. When again asked to submit further evidence in this regard, Bala Reddy enclosed with his reply dated July 3, 2014 an email from Mr. Jeff Feinberg addressed to the undersigned, stating that he liquidated all stock holdings of his firm, JLF Asset Management as a result of poor performance which caused material redemption requests and dissolution of the firm. He also stated that he had sent the earlier email dated February 24, 2009 after Mr. Reddy had communicated to him that he was in touch with a buyer for such. G Bala Reddy also submitted telephone call records to show that calls were made to/ from a USA number between January and March 2009.

65. I am of the considered opinion that not only do the above emails not prove that Sravanthi and Mary did not trade on the basis of UPSI, it further throws up various questions. It is not very clear as to why Reddy wanted to buy the shares from the non resident investor. It seems from the above email of Mr. Jeff Feinberg that Bala Reddy had given the impression that he was arranging for some buyers, where as in fact he himself was the purchaser, whereas Mary Ashwini and Sravanthi were his fronts. There is also the matter of G Bala Reddy trying to artificially maintain the price of the scrip as he feared that if he purchased the shares directly from the NR, the market would get an impression that he was increasing his shareholding in the company. However, though actually it was G Bala Reddy who, by own admission provided funds to Mary Ashwini and Sravanthi to purchase the shares, he did not want the market to know of the same. I am unable to fathom how this reasoning can lend any credence to G Bala Reddy's actions. If anything, it further establishes the culpability of G Bala Reddy. In fact the actions of G Bala Reddy weighed with his submissions that markets would have reacted had it come to know that he was buying, is an admission that he wanted to keep the markets unaware and wanted to take advantage of the impending price positive announcement. The sale of the holding, so acquired from the non resident, immediately after the positive announcement and thereby gaining from it, is a typical pattern of insider trading.

66. Furthermore, as admitted by them, G Bala Reddy and G Velangini Mary had funded Sravanthi and Mary through BRG and Sahasra for purchasing 15,85,683 shares of ICSAI. I note that the purchases of Sranvanthi and Mary Ashwini were funded in the following manner, as is evidenced from their respective bank statements.

a. Sravanthi Yakkanti: A/c No. SB/01/003611

Account opened on April 23, 2008 and closed on September 3, 2009. There was credit of Rs.1673/- as on February 1, 2009. The major entries in this account were:

Receipt of funds (in Rs.)	Received from	Date of receipt	Activity performed by these funds
1,00,00,000	Sahasra Investments Pvt. Ltd.	25.02.09	Transferred Rs.1,00,00,000 and Rs. 1,96,31,050/- to the broker Zen Securities on the same dates and purchased 3,93,683 shares on 25.02.09.
1,97,00,000	BRG Energy	27.02.09	

From the bank statement it was observed that the funds required for the purchase of 3,93,683 shares of ICSAI were received from Sahasra Investments Pvt. Ltd. (Rs.1,00,00,000/-) and BRG Energy Ltd. (Rs.1,97,00,000/-). Both BRG Energy and Sahasra Investments are promoted by G Bala Reddy. Velangini Mary was MD in BRG and a Director and Promoter of Sahasra.

i) Mary Ashwini Doda: A/c No. SB/01/005064

Account opened on January 15, 2009 and closed on August 8, 2009. The main entries in the account are as under:

Receipt of funds (Rs)	Received from	Date of receipt	Activity performed by these funds	Amount transferred (Rs)	Transferred to
1,00,00,000	Sahasra Investments Pvt. Ltd.	25.02.09	Purchased 11,92,000 shares on 25.02.09 and The amount so received in RTGS was transferred to broker Zen Securities on the same dates for purchase of ICSAI shares.	1,00,00,000	Zen Securities
2,00,00,000	Sahasra Investments Pvt. Ltd	25.02.09		2,00,00,000	Zen Securities
4,31,00,000	BRG Energy	28.02.09		4,30,00,000	Zen Securities
1,48,30,000	BRG Energy	04.03.09		1,49,00,000	Zen Securities
20,00,000	BRG Energy	06.03.09		18,17,000	Zen Securities

It is observed from the bank statement that the funds required for purchase of 11,92,000 shares of ICSAI came from Sahasra Investments Pvt. Ltd. (total Rs.3,00,00,000/-) and BRG Energy Ltd. (total Rs.5,99,30,000/-), where G Bala Reddy is the promoter and Director, and both him and his wife hold majority shares. Velangini Mary was MD in BRG and a Director and Promoter of Sahasra.

67. In view of the above bank statements of Mary Ashwini and Sravanthi that show the flow of funds from Sahasra Investments Pvt. Ltd. and BRG Energy Ltd. where G Bala Reddy and his wife G Velangini Mary hold majority shares and they are the promoters and/ or Directors, as well his admission, it is abundantly clear that G Bala Reddy and G Velangini Mary funded Mary Ashwini and Sravanthi for the purchase of shares.
68. I now proceed to the issue of whether Shri G Bala Reddy, his wife G Velangini Mary and other persons related to him, namely, APRG, Sravanthi, Mary Ashwini, BRG, Softpro Systems Ltd, Vikram Reddy Gopu, Prakash Pradeep G, Mohan Prakash Reddy G, V Chinnapa Reddy, Mary Kalpana and G Sleeva Reddy had received funds from the sale proceeds of shares that were traded when in possession of UPSI. As noted earlier, Sravanthi Yakkanti purchased 3,93,683 shares on NSE on February 25, 2009. She received the said shares in her demat account on March 6, 2009 and transferred the entire quantity of shares to APRG on March 9, 2009 through off market transfer. As noted above, APRG is Mary Ashwini's husband.
69. Likewise, Mary Ashwini purchased 11,92,000 shares on February 25, 2009 on NSE. She received 9,00,000 shares in her demat account on March 6, 2009 and 2,92,000 shares on March 7, 2009. Out of 9,00,000 shares received on March 6, 2009, 8,93,728 shares were pledged on the same date and out of 2,92,000 shares received on March 7, 2009, 1,91,000 shares were pledged on March 13, 2009 (total shares pledged are 10,84,728). 106317 shares were transferred in off market to her husband APRG on March 9, 2009.
70. Of the above, Mary Ashwini had pledged 10,84,728 shares in favour of Cholamandalam DBS as confirmed by their DP ZEN Securities. In response to SEBI letter dated December 1, 2009, seeking the pledge details by Mary Ashwini in their favour, Cholamandalam DBS confirmed

vide letter dated December 4, 2009 that G Bala Reddy, promoter of ICSAI had availed corporate finance facility from them on July 9, 2007. Mary Ashwini was a guarantor to the said facility availed by G Bala Reddy. Mary Ashwini had executed a deed of guarantee on March 6, 2009 and pledged 8,93,728 shares (pledge value Rs.509,42,496/-) on March 6, 2009 and 1,91,000 shares (pledge value 97,41,000/-) on March 13, 2009 in their favour. Chola mandalam DBS also confirmed that since the pledge of shares was used as a guarantee for the loan facility availed by Bala Reddy no amount was disbursed to Mary Ashwini. The remaining shares were sold by her in the market through broker Zen Securities Ltd.

71. Furthermore, APRG received a total of 5,00,000 shares in off market from both Mary Ashwini and Sravanthi Yakkanti on March 9, 2009. He pledged these shares with IDBI Bank Ltd on March 9, 2009 and then closed the same on May 11, 2009. Later, he transferred 2,63,490 shares in off market on May 13, 2009 to G Velangini Mary, wife of Bala Reddy. G Velangini Mary was also a promoter of the company. APRG also received 64,449 shares in off market from Mary Ashwini, his wife, on November 14, 2009 which he later sold off in the market. The off-market transaction of Shri APRG with Velangini Mary shows that APRG is connected to Velangini Mary, one of the promoters of ICSA. APRG sold the shares that he received in off market from Sravanthi Yakanthi and Mary Ashwini on BSE and NSE through brokers Zen Securities Ltd and Networth Stock Broking Ltd excluding the part that he transferred in off market to G. Velangini Mary.
72. Thus, as is clear from the above paragraphs, Mary Ashwini and APRG disposed off all the shares on during May -June 2009 arising out of the purchases on February 25, 2009 either through sale on market or by off market transfer made to G. Velangini Mary.
73. Further, analysis of Bank statements shows that Sravanthi received Rs.1,97,00,000/- from APRG on June 4, 2009. The amount was received upon the sale of shares of ICSAI by APRG. Sravanthi later transferred the said amount to BRG Energy Ltd.
74. With respect to APRG, following are the details of the accounts of APRG a/c No. 2064 and 3912 maintained at Corporation Bank, Hyderabad, as well as his ICICI bank account No. 004001558704.

- A/c no. 2064 : The opening balance in the account was Rs.8338/- as April 22, 2009 with no transaction during the quarter ending March 2009 except for interest for the period of Rs.175/-.

The main entries in the account are:

Receipt of funds (in Rs.)	Received from	Date of receipt	Activity performed	Transfer of funds (Rs)	Transferred to	Date of Transfer	Activity performed
2,00,00,000	Zen Securities	25.5.09	Received on sale of ICSAI shares	1,28,12,000	G Sleeva Reddy	25.5.09	Entire 2,00,00,000 so received from sale was transferred to these 3 entities
				55,00,000	V Chinnapa Reddy	25.5.09	
				18,20,000	Mary Kalpana	25.5.09	
2,04,88,000	Zen Securities	26.05.09	Received on sale of ICSAI shares	1,97,00,000	Sravanthi Yakkanti	04.06.09	transfer to BRG Energy
				7,00,000	Self a/c No. 3912	17.07.09	
11,25,000	Zen Securities	05.08.09	Received on sale of ICSAI shares	11,00,000	G Velangini Mary	05.08.09	

From the above, it is evident that the amount received from Zen Securities by APRG from sale of shares of ICSAI was transferred to G Sleeva Reddy, Vatti Chinnapa Reddy, Mary Kalpana, Sravanthi Yakkanti and G Velangini Mary.

- A/c No. 3912: The opening balance in the account was Rs.1,958/- as on May 27, 2009. There appears to be no transaction during the period from January 1, 2009 to March 31, 2009 except for the interest payment of Rs.181/- for the said period. The account was opened on August 6, 2008 and closed on August 11, 2009.

Mary Ashwini and her husband APRG are the joint holders of this account. The payments made by Zen Securities Ltd. in the following account are due to shares sold by Mary Ashwini/ APRG from May 2009 onwards (as can be seen from the summary details of payments made by the broker to this account). The main entries in this account are:

Receipt of funds (Rs)	Received from	Date of receipt	Activity performed	Transfer of funds (Rs)	Transferred to	Date of Transfer
1,69,00,000	Zen Securities	27.05.09	Sale of shares	1,68,30,056	BRG Energy	02.06.09
5,56,00,000	Zen Securities	28.05.09	Sale of shares	4,31,00,056	BRG Energy	03.06.09
2,74,00,000	Zen Securities	01.06.09	Sale of shares	4,31,00,000	BRG Energy	04.06.09

85,65,000	Zen Securities	02.06.09	Sale of shares	65,20,056	BRG Energy	10.6.09
1,00,00,000	Zen Securities	03.06.09	Sale of shares	2,50,00,000	Velangini Mary	11.06.09
4,00,00,000	Zen Securities	10.06.09	Sale of shares	1,21,11,000	Mohan Prakash Reddy who later transferred this amount to Softpro Systems	17.07.09
1,00,00,000	Zen Securities	30.06.09	Sale of shares	75,00,000	Bala Reddy	17.07.09
2,00,00,000	Zen Securities	06.07.09	Sale of shares	1,29,00,056	Prakash Pradeep G	17.07.09
				1,26,00,056	Gopu Reddy Vikram	17.07.09

Thus, it is seen that the amount received from ZEN Securities, the broker of APRG, from sale of shares of ICSAI was transferred to BRG Energy, G Velangini Mary(promoter of ICSAI and wife of the Bala Reddy), Mohan Prakash Reddy who later transferred to Softpro Systems Ltd, Bala Reddy(promoter of ICSA), Prakash Pradeep G and Gopu Reddy Vikram.

- **ICICI bank account No. 004001558704 of APRG:**

From the Account statement for the period from November 1, 2009 to March 31, 2010 and the bank account opening form of APRG, it is noted that the said account is a salary account. Expected account activity per month was pointed as Rs.20,000. However, none of the entries were related to salary paid by ICSAI. As stated earlier, 64,449 shares (arising out of purchase by Mary Ashwini on February 25, 2009) were received by APRG from his wife, Mary Ashwini. APRG sold these 64,449 shares through his broker Networth Stock Broking. On having received the payments from Networth, APRG made several cash withdrawals. I noted that APRG is an employee of ICSAI and KYC details of this account reveals that his salary is roughly around Rs.20,000/-. It is observed that the cash withdrawals during this period was around Rs. 83,80,000/-.

75. Thus, the analysis of the bank statements of APRG indicates that APRG sold the shares received from Sravanthi and Mary Ashwini during May- August 2009 and the sale proceeds were transferred to G Sleeva Reddy, Vatti Chinnapa Reddy, Mary Kalpana, Sravanthi Yakkanti, BRG Energy, G Velangini Mary (promoter of ICSA), Mohan Prakash Reddy who later transferred to Softpro Systems Ltd, Bala Reddy (promoter of ICSA), Prakash Pradeep G and Gopu Reddy Vikram. These entities are related to the promoters and their relationship is described in preceding paragraphs. A considerable amount was also withdrawn by APRG in

the form of cash. The Bank Statements of G Velangini Mary and G Bala Reddy were also analysed. The same are detailed below:

i) Gopu Velangini Mary: SB /01/A/c No. 000390

Receipt of funds (Rs)	Received from	Date of receipt	Activity performed	Transfer of funds (Rs)	Transferred to	Date of Transfer
2,50,00,000	APRG	11.06.09	Receipt was due to sale of shares by Mary Ashwini/ APRG	2,50,00,000	G. Bala Reddy	11.06.09

From the above, I note that the amount of Rs.2,50,00,000/- received by Velangini Mary from shares sold by APRG and was then transferred to G. Bala Reddy.

ii) G. Bala Reddy A/c No. SB/01/000713 :

Receipt of funds (Rs)	Received from	Date of receipt	Activity performed	Transfer of funds (Rs)	Transferred to	Date of Transfer
2,50,00,000	Velangini Mary	11.06.09	Receipt was due to sale of shares by	2,50,00,000	BRG Energy Ltd	11.06.09
75,00,000	APRG	17.07.09	Receipt was due to sale of shares by Mary Ashwini/APRG	90,00,000	Softpro System Ltd. (Preferential Issue)	20.07.09

76. Thus, as noted above, the amount of Rs.2,50,00,000/- transferred to G. Bala Reddy was transferred to BRG Energy. Further, Rs.75,00,000/- received from APRG by Bala Reddy arising out of the sale of shares was transferred to Softpro Systems Ltd.

77. In view of the above, I find that Shri G. Bala Reddy, G Velangini Mary, Mary Ashwini and Sravanthi Yakkanti violated Regulation 3 and 4 of the PIT Regulations, 1992 read with Sections 12A(d) and 12A(e) of the SEBI Act. Further, Sahasra Investments Pvt. Ltd. and BRG Energy Ltd violated Regulation 3, 3A and 4 of the PIT Regulations, 1992 and Sections 12A(d) and Section 12A(e) of the SEBI Act, 1992,

78. From the above, it is also apparent that not only did G Bala Reddy and G Velangini Mary fund the purchase of shares of ICSAI by Mary Ashwini and Sravanthi on February 25, 2009, they also received funds from the sales. Instead there is a tacit admission of the same, as Bala Reddy has stated that the lenders (*Cholamandalam DBS Finance Limited, IDBI Bank Limited*

and IL&FS) who had provided money for the purchase of shares were demanding payment and hence the shares were sold within a short time of 3-4 months.

79. Thus, I find that Shri G Bala Reddy, his wife G Velangini Mary gained out of Insider Trading, and thus have violated Regulations 3(c) and (d) of the PFUTP Regulations. However, with respect to and other persons related to him, namely, Softpro Systems Ltd, Vikram Reddy Gopu, Prakash Pradeep G, Mohan Prakash Reddy G, V Chinnapa Reddy, Mary Kalpana and G Sleeva Reddy I note that there is nothing on record to show that they were a part of the scheme of insider trading/ fraud.
80. I also find that APRG acted as a conduit for routing the funds arising out of the sale of the shares of ICSAI. He transferred the funds to the promoters and promoter related entities. Furthermore, Sravanthi, Mary Ashwini and BRG were recipients of the funds arising out of the sale proceeds of the shares acquired through insider trading, which they either retained with themselves or further transferred to related entities. In view of the above, I am of the opinion that APRG, Sravanthi, Mary Ashwini and BRG violated Regulation 3 (c) and (d) of the PFUTP Regulations read alongside Section 12A(b) and (c) of the SEBI Act.
81. I note that Vikram Reddy Gopu, Prakash Pradeep G, Mohan Prakash Reddy G, V Chinnapa Reddy, Mary Kalpana and G Sleeva Reddy have submitted that they had taken a loan from G Bala Reddy as they required financial assistance. I find that there is no evidence on record to contradict this submission. Accordingly, I find that the charge of violation of Regulations 3(c) and (d) of the PFUTP Regulations read with Section 12A(b) and (c) of the SEBI Act does not stand established against Softpro Systems Ltd, Vikram Reddy Gopu, Prakash Pradeep G, Mohan Prakash Reddy G, V Chinnapa Reddy, Mary Kalpana and G Sleeva Reddy in the absence of any evidence to contradict their submissions.
82. With respect to the next issue, G Bala Reddy has denied that he provided misleading information in respect of his relationship with the above mention entities and submitted that his relationship Sravanthi and Mary was not close and was not covered within the list of relatives set out in Schedule 1A of the Companies Act, 1956 either in respect of him or his wife. It was in this context that he had informed SEBI vide letter dated September 24, 2010

that he was not related to the said two persons, and did not have any reason or intention to mislead SEBI. I note that when the G Bala Reddy was afforded an opportunity to bring out the facts of the relationship with other the entities, he chose to take shelter under the provisions of the Companies Act that they were not related. However, it is intriguing to note that this shelter has been sought by the entity only after confronting him with relations as established based on the funds transfer and the transfer of pecuniary benefits out of these transactions. There are sufficient documents available on record which shows that all the above named entities are related to each other and to G Bala Reddy and his companies. Further, there is more than adequate evidence which shows that the funds received from the sale proceeds were transferred to the bank accounts of different entities. G Bala Reddy is directly or indirectly related to all the entities on the basis of off market transfers and pledging of shares, connections through flow of funds or Bank account details/ KYC with broker/bank KYC etc. The very fact that G Bala Reddy did not disclose this information when so sought for by SEBI, wherein he instead took shelter under the definition of relatives of the Companies Act when matter as demonstrated above showed a series of relationships based on pecuniary benefits. Thus the allegation of giving misleading information to SEBI in respect of relation/connection with all the entities mention in the SCN by G Bala Reddy stands established.

83. Similarly, at the time of investigation, Sravanthi and Mary Ashwini also submitted that they were not related to the company, its promoters or management in any way. From the above I note that this information provided by them is not correct, as established above. Further, they stated that they had themselves funded the purchase of ICSAI. However, they have subsequently submitted that G Bala Reddy had provided funds through Sahasra and BRG for the purchase of shares of ICSAI. Hence I find that Mary Ashwini and Sravanthi also furnished misleading information to SEBI.
84. Now I would consider the next issue, that is, whether G Bala Reddy and G Velangini Mary have violated the provisions of regulation 8A (1) and (2) of the Takeover Regulation, 1997 by giving misleading declarations with regard to shares pledged by them to the company when compared by the depository record and data available on the Exchange website.

85. When the disclosures made on the exchanges are compared with the number of shares pledged by Bala Reddy Gopu and Velangini Mary in the depository records, I observe that misleading declarations were made to the investors at large in terms of number of shares actually pledged/ closed as appearing in the depository records. The details of pledged shares shown on the exchange and the details as per depository record and the number of shares not reported as pledged shares by the two Noticees is given in the table as follows:

By Bala Reddy

Date of reporting	Total No. of shares pledged as shown on the exchange	Total pledged shares as per depository records	Total shares not reported as pledged shares on the exchange
16-02-2009	7,25,000	58,24,133	50,99,133
04-04-2009	7,25,000	39,70,633	32,45,633
18-04-2009	19,57,100	52,02,733	32,45,633
08-02-2010	15,75,367	16,32,367	57,000

By Velangini Mary:

Date of reporting	Total No. of shares pledged as shown on the exchange	Total pledged shares as per depository records	Total shares not reported as pledged shares on the exchange
16-02-2009	75000	11,28,160	10,53,160
04-04-2009	75000	11,28,160	10,53,160
18-04-2009	75000	11,28,160	10,53,160
08-02-2010	75000	75,000	0

86. I note that as per Regulation 8A of the Takeover Regulations all promoters and every person forming part of the promoter group are required to make disclosures of the pledged shares to the company and the company in turn would make such disclosures (received from promoters and persons forming part of the promoter group) to the stock exchanges where the shares of the company are listed. From the above, it is clear that there was a discrepancy between the number of shares pledged by G Bala Reddy and G Velangini Mary as per the data available on the BSE website *vis a vis* the data appearing in the depository records.
87. G Bala Reddy and G Velangini Mary have submitted that, Sravanthi and Mary Ashwini are not and were not part of the promoter group of the company and therefore, the shares pledged

by them as collateral for the loans availed by them could not have been disclosed under Regulation 8A of the Takeover Regulations. On the other hand, they have also submitted that Sravanthi and Mary had traded on the instructions of G Bala Reddy and that G Bala Reddy had funded the said trades through his other companies and the funds received from the sale proceeds were transferred back to him, his companies and other related entities. Further, Bala Reddy submitted that the motive for the purchases was to provide an exit route for Jeff Feinberg without adversely impacting the price of the scrip. Thus, it is evident that Bala Reddy and G Velangini Mary ought to have disclosed the correct figures in respect of the pledge shares to the company in the true spirit of the Regulation. Thus the allegation of giving misleading declaration in respect of the pledged share by Bala Reddy stands established. Hence, I find that G Bala Reddy and G Velangini Mary violated Regulation 8A of the Takeover Regulations.

88. I note that the Noticees have submitted that they had asked for investigation report and the same was not made available to them and therefore they could not give comprehensive reply to the SCN. I note that the Noticees were informed that the relevant portion of the investigation report and relevant documents in respect of the Noticees on the basis on which the charges have been framed was already forwarded to them along with the SCN. At this juncture it becomes necessary to quote the judgment of the Hon'ble Securities Appellate Tribunal (hereinafter referred to as 'SAT'), in the case of Mayrose Capfin Private Limited V/s. Securities and Exchange Board of India (Appeal No. 20 of 2012) dated 30.03.2012, The Hon'ble SAT observed that

"The principles of natural justice require that the inquiry officer should make available such document and material to the delinquent on which reliance is being placed in the inquiry. It is not necessary for the inquiry officer to make available all the material that might have been collected during the course of investigation but has not been relied upon for proving charge against the delinquent. No prejudice can, therefore, be said to have been caused to the appellant on this count".

89. All the relevant documents in respect of the Noticees on the basis on which the charges were framed were forwarded to them along with the SCN and thus the principle of natural justice was met with.

90. In the light of the above facts, I find that

- b. Shri G. Bala Reddy and G Velangini Mary violated Regulation 3 and 4 of the PIT Regulations, 1992 read with Sections 12A(d) and 12A(e) of the SEBI Act, 1992, which attracts penalty under Section 15G of the SEBI Act; Regulation 8A(1) and (2) of the Takeover Regulations, 1997, Regulations, which attracts penalty under Section 15HB of the SEBI Act; and Regulation 3 (c) and (d) of the PFUTP Regulations read alongside Section 12A(b) and (c) of the SEBI Act., which would attract penalty under Section 15HA of the SEBI Act.
- c. Anthony Pratap Reddy Gali violated Regulation 3 (c) and (d) of the PFUTP Regulations read alongside Section 12A(b) and (c) of the SEBI Act., which would attract penalty under Section 15HA of the SEBI Act.
- d. Mary Ashwini and Sravanthi Yakkanti violated Regulation 3 and 4 of the PIT Regulations, 1992 read with Sections 12A(d) and 12A(e) of the SEBI Act, 1992, which attracts penalty under Section 15G of the SEBI Act; Regulation 3 (c) and (d) of the PFUTP Regulations read alongside Section 12A(b) and (c) of the SEBI Act, which would attract penalty under Section 15HA of the SEBI Act.
- e. Sahasra Investments Pvt. Ltd. violated Regulation 3, 3A and 4 of the PIT Regulations, 1992 and Sections 12A(d) and Section 12A(e) of the SEBI Act, 1992, which attracts penalty under Section 15G of the SEBI Act.
- f. BRG Energy Ltd violated Regulation 3, 3A and 4 of the PIT Regulations, 1992 and Sections 12A(d) and Section 12A(e) of the SEBI Act, which attracts penalty under Section 15G of the SEBI Act 1992; Regulation 3 (c) and (d) of the PFUTP Regulations read alongside Section 12A(b) and (c) of the SEBI Act., which attracts penalty under Section 15HA of the SEBI Act.
- g. Further, Bala Reddy, Mary Ashwini and Sravanthi Yakkanti submitted misleading information to SEBI regarding their relationship with certain entities, which attracts monetary penalty Section 15A(a) of the SEBI Act.

91. The next issue for consideration is as to what would be monetary penalty that can be imposed on G Bala Reddy, G Velangini Mary, APRG, Sravanthi, Mary Ashwini, BRG and Sahasra for violation of the PIT Regulations, PFUTP Regulations, Takeover Regulations and for submitting misleading information to SEBI, as applicable and noted in the preceding paragraph.
92. The Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC) held that *"once the violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established, then the penalty is to follow"*.
93. Thus, the aforesaid violations by G Bala Reddy, G Velangini Mary, APRG, Sravanthi, Mary Ashwini, BRG and Sahasra makes them liable for penalty under Sections 15 A (a), 15G, 15 HA and 15HB of the SEBI Act 1992, as applicable, which read as follows:

15A. Penalty for failure to furnish information, return, etc.- *If any person, who is required under this Act or any rules or regulations made thereunder,-*

(a) to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less];

15G. Penalty for insider trading. - *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 of twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher.

15HA. Penalty for fraudulent and unfair trade practices.-

If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher

15HB. Penalty for contravention where no separate penalty has been provided.-

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees.

94. While determining the quantum of penalty under Sections 15 A (a), 15G, 15 HA and 15HB, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

“15J. Factors to be taken into account by the adjudicating officer

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.”*

95. From the material available on record it is observed that Mary Ashwini made a profit of Rs. 11,23,88,739 from the dealing in shares of ICSA. It was observed that APRG made a profit of Rs.2,81,16,267. Sravanthi has not been considered for the purpose of profit calculation since Sravanthi transferred all her shares to APRG. The profit made on account of buying of shares by Sravanthi is included in the profit made by APRG. Furthermore, Velangini Mary received 2,63,490 shares, which she had not sold as at the end of the investigation period. I am of the opinion that such profits are on account of the violations of Insider Trading.
96. Insider trading is one of the most heinous crimes in the securities markets. It has the potential of eroding the faith of the investors in the securities market. It amounts to defrauding an innocent and unsuspecting investor who blindly reposes trust in the securities market mechanism to provide for a level playing field for all market participants. Once this trust is belied, one would run the risk of losing the investor, not only for the loss it would have suffered but also for the loss of confidence. It is of utmost importance that a sense of fair play

be maintained in the market so that innocent investors do not find themselves at the receiving end of irregular conduct by entities in the market. Thus, I have considered it critical that the penalty in the matter should be deterrent in nature.

97. With respect to non disclosure of pledged shares it may be noted that disproportionate gain or unfair advantage made as a result of the default does not arise. Therefore it is not possible to quantify the exact gains made by the entities or the loss caused to the investors as a result of the wrong disclosure by G Bala Reddy and Velangini Mary in this case. However, I note that Regulations have been framed in order to bring about transparency in the market and aim at preventing information asymmetry that may preclude any investor from equal treatment and opportunity with respect to the aforesaid information. Correct and timely disclosures are an essential part of the proper functioning of the securities market and by failure to do so results in preventing investors from taking well-informed decisions. G Bala Reddy being the promoter and CMD of a listed company and Velangini Mary, also a promoter of the company, have a responsibility in ensuring the compliance with the disclosure norms. The timely disclosure was important from the point of view of outside shareholders/other investors as that may have prompted them to buy or sell shares of the target company. G Bala Reddy and Velangini Mary had not made the disclosure to the exchange and hence there was no dissemination of information to the general investor. By virtue of the failure on the part of G Bala Reddy and Velangini Mary to make the necessary disclosure regarding the pledged shares, the fact remains that the shareholders/investors were deprived of the important information at the relevant point of time. Under these circumstances, the compliance with the disclosure requirements under Takeover Regulation assumes significance and the failure to do so needs to be viewed seriously and thus needs to be penalized. While at the same time a considerate view is also being taken with regard to imposition of monetary penalty in the matter on the ground that investigation report has not brought out that this is a repeated behaviour of the entities.

98. Further, I note that Bala Reddy, Mary Ashwini and Sravanthi Yakkanti submitted misleading information to SEBI regarding their relationships with various entities, including the company. I am of the view that it is the duty, responsibility and obligation of every person from whom information is sought to fully co-operate with the investigation process and promptly produce

all documents, records, information, etc., to SEBI. I further note that the information sought by SEBI was within the realm of Bala Reddy, Mary Ashwini and Sravanthi Yakkanti and could have been provided easily. Thus, Bala Reddy, Mary Ashwini and Sravanthi Yakkanti did not provide the correct information, the information, which in my opinion was very crucial to the investigations. This attitude thwarted the attempts of SEBI to effectively gather vital evidence in a timely manner for conclusion of the investigation proceedings.

ORDER

99. After taking into consideration all the facts and circumstances of the case, I impose the following penalty on the following Noticees which will be commensurate with the violations committed by them.

- a.* Shri G. Bala Reddy, G Velangini Mary, Mary Ashwini and Sravanthi Yakkanti violated Regulation 3 and 4 of the PIT Regulations, 1992 read with Sections 12A(d) and 12A(e) of the SEBI Act. Further, Sahasra Investments Pvt. Ltd. and BRG Energy Ltd violated Regulation 3, 3A and 4 of the PIT Regulations, 1992 and Sections 12A(d) and Section 12A(e) of the SEBI Act, 1992. In addition to the same, Shri G Bala Reddy, G Velangini Mary, APRG, Sravanthi, Mary Ashwini and BRG have violated Regulations 3(c) and (d) of the PFUTP Regulations read alongside Section 12A(b) and (c) of the SEBI Act. For the aforesaid violations, I impose a penalty of Rs. 40,00,00,000/- (Rupees Forty Crore Only) under Section 15G and 15HA of the SEBI Act, 1992 on the aforementioned noticees, to be paid jointly and severally by them.
- b.* Further, Bala Reddy, Mary Ashwini and Sravanthi Yakkanti submitted misleading information to SEBI regarding their relationship with certain entities, and for the same I impose a penalty of Rs.20,00,000/- (Rupees Twenty Lakh only) on Bala Reddy, Mary Ashwini and Sravanthi Yakkanti each, under Section 15A(a) of the SEBI Act
- c.* Shri G. Bala Reddy and G Velangini Mary also violated Regulation 8A(1) and (2) of the Takeover Regulations, 1997, Regulations, which attracts penalty under Section 15HB of the SEBI Act. For the same, I impose a penalty of Rs Rs.26,00,000/- (Rupees Twenty Six Lakh only) on Bala Reddy and Rs.12,00,000/- (Rupees Twelve Lakh Only) on G Velangini Mary.

100. The aforementioned Noticees shall pay the said amount of penalty by way of demand draft in favour of “SEBI -Penalties Remittable to Government of India”, payable at Mumbai, within 45 days of receipt of this order. The said demand draft/s should be forwarded to Shri Krishnanand Raghavan, General Manager, Integrated Surveillance Department, SEBI Bhavan, Plot No. C- 4 A, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.
101. Further, I find that the charge of violation of Regulations 3(c) and (d) of the PFUTP Regulations read with Section 12A(b) and (c) of the SEBI Act does not stand established against Softpro Systems Ltd, Vikram Reddy Gopu, Prakash Pradeep G, Mohan Prakash Reddy G, V Chinnapa Reddy, Mary Kalpana and G Sleeva Reddy, and dispose of the proceedings against them accordingly.
102. In terms of rule 6 of the Rules, copies of this order are sent to the Noticees and also to the Securities and Exchange Board of India.

Date: October 15, 2015

Place: Mumbai

BARNALI MUKHERJEE