

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA**

[ADJUDICATION ORDER NO. EAD-2/DSR/RG/PU/249/2014]

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

In respect of

**Shri Amit Raghuvanshi
[PAN: AGMPR3105K]**

In the matter of

Bajaj Finance Limited

1. The Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had examined the alleged irregularity in the scrip of Bajaj Finance Limited (herein after referred to as 'BFL'), a company listed on the Bombay Stock Exchange Ltd (BSE), the National Stock Exchange (NSE) and Multi Commodity Exchange of India Limited (MCX) and into possible violation of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') and various rules and regulations made there under.
2. Upon examination it was, inter alia, observed that one Shri Amit Raghuvanshi (herein after referred to as 'the Noticee'), who was one of the designated employees of BFL, had sold 1000 shares of BFL on December 31, 2013 for a value of ₹ 15,63,263/- which were acquired by him on December 28, 2013 by way of exercising stock options of the company. As a result of the said sale, the Noticee was required to make the necessary disclosures to the company and the stock

exchanges where the shares of BFL were listed within the prescribed timeline as prescribed under Regulation 13(4) read with Regulation 13(5) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 (herein after referred to as the 'PIT Regulations'). However, it was observed that the Noticee had allegedly made the disclosures with a delay.

Appointment of Adjudicating Officer

3. SEBI has, therefore, initiated Adjudication proceedings against the Noticee and I have been appointed as the Adjudicating Officer (AO), vide order dated June 16, 2014 under Section 15 I of the Act read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as “Adjudication Rules”) to inquire into and adjudge under Section 15A(b) of the Act, the alleged violation of the provisions of law by the Noticee.

Show Cause Notice, Reply and Personal Hearing

4. A show cause notice dated July 23, 2014 (hereinafter referred to as 'SCN') was issued to the Noticee under Rule 4 (1) of the Adjudication Rules to show cause as to why an inquiry should not be held and penalty should not be imposed on the Noticee under Section 15A(b) of the Act, for the alleged violation of the provisions of law. The Noticee submitted his reply vide letter dated July 31, 2014
5. Thereafter, in the interest of natural justice and in order to conduct an inquiry as per Rule 4(3) of the said Rules, an opportunity of personal hearing was granted to the Noticee on September 16, 2014. The Noticee attended the personal hearing on the scheduled date and reiterated the written submissions made in his reply.

Consideration of Issues, Evidence and Findings

6. I have carefully perused the charges levelled against the Noticee in the SCN, written/oral submissions and all the documents available on record. In the instant matter, the following issues arise for consideration and determination:

- a) **Whether the Noticee has violated the provisions of Regulation 13 (4) read with Regulation 13 (5) of the PIT Regulations?**
- b) **Do the violations, if any, on the part of the Noticee attract any monetary penalty under Section 15 A(b) of the Act?**
- c) **If so, what should be the quantum of monetary penalty?**

7. Before moving forward, I would like to refer to the relevant provisions of the PIT Regulations, which read as under:

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

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"(4) Any person who is a director or officer of a listed company, shall disclose to the company and the stock exchange where the securities are listed in Form D, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings of such person and his dependents (as defined by the company) from the last disclosure made under sub-regulation (2) or under this sub-regulation, and the change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.

(5) The disclosure mentioned in sub-regulations (3), (4) and (4A) shall be made within two working days of:

- (a) the receipts of intimation of allotment of shares, or*
- (b) the acquisition or sale of shares or voting rights, as the case may be."*

8. I find from the SCN that BFL is listed on the BSE, the NSE and MCX. I further find that the Noticee, being a designated employee of the company, had acquired 1000 shares of BFL on December 28, 2013 and sold 1000 shares worth ₹ 15,63,263/- on December 31, 2013. As the value of the said transaction was more than ₹ 5,00,000, the Noticee, being an 'officer' of the company, was under an obligation to disclose the change in shareholding that exceeded the value of ₹ 5,00,000/- to the company and the stock exchanges within the prescribed timeline, as required under Regulation 13 (4) read with 13 (5) of the PIT Regulations. Since, the Noticee made the said necessary disclosures belatedly, it was alleged that he had violated the said provisions of PIT Regulations.
9. The Noticee vide his reply dated July 31, 2014, submitted that he is working as the Business Head- Sales Finance of BFL since October 01, 2008. The company had categorized him as 'designated employee' pursuant to its Code of Conduct for Prevention of Insider Trading as approved by the Board of Directors of BFL. He further submitted that pursuant to the sale of 1000 shares on December 31, 2013, the office of the company was closed on January 01, 2014 and as the Noticee had to travel out of station on official duty on January 02, 2014, he had duly submitted the disclosures in the prescribed Form D to the NSE on January 03, 2014 at 2.41 a.m. and to BSE on January 03, 2014 at 2.44 a.m. with copy to the company. The Noticee stated that he neither had any intention to violate the PIT Regulations nor made any unfair gain/ advantage. He submitted that pursuant to approval of the said code of conduct in Prevention of Insider Trading, BFL had levied a penalty of ₹ 1,78,800/-, being 25% of the gain realised by him upon the sale of the 1000 shares, to be donated to a trust/ NGO approved under Section 80G of the Income Tax Act, 1961 which has been paid by the said Noticee to NGO - Teach to Lead. The Noticee further submitted that the said sale of shares was done to meet certain personal house expenditure and therefore, the same has not caused any loss to the investors at large.

10. I note from the submissions made by the Noticee and the documents available on record that the Noticee had acquired 1000 shares of BFL on December 28, 2013 from the exercise of stock options of BFL, which he sold on December 31, 2013 for a value of ₹ 15,63,263/- As the said sale of shares exceeded ₹ 5,00,000/- in value, the Noticee being the designated employee of BFL was required to make disclosures to the company and the stock exchanges within the specified two days as required under Regulation 13 (4) read with 13(5) of the PIT Regulations. Upon perusal of company's letters dated December 31, 2013 to BSE and NSE, I find that the Noticee had made the requisite disclosures to the company on December 31, 2013 itself, while, admittedly, the disclosures to the stock exchanges were made by him belatedly (to NSE on January 03, 2014 at 2.41 a.m. and to BSE on January 03, 2014 at 2.44 a.m).

11. Therefore, in view of the above I conclude that the Noticee has violated the provisions of Regulation 13 (4) read with 13 (5) of the PIT Regulations and thus, is liable for monetary penalty under Section 15 A (b) of the SEBI Act, which reads as under:

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,-

.....

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less;

12. In Appeal No. 66 of 2003 - *Milan Mahendra Securities Pvt. Ltd. Vs SEBI*, the Hon'ble SAT has observed that, "*the purpose of these disclosures is to bring about*

transparency in the transactions and assist the Regulator to effectively monitor the transactions in the market."

13. At this instant, it is important to quote the observations of the Hon'ble Supreme Court of India in the matter of SEBI v. Shri Ram Mutual Fund [2006] 68 SCL 216(SC) wherein, the Hon'ble Court, *inter alia*, held: "*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.*"

14. While imposing monetary penalty, 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."*

15. I observe from the material available on record that there is only a delay of few hours in making the requisite disclosures to the stock exchanges and therefore, it is difficult to quantify any gain or unfair advantage accrued to the Noticee or the extent of loss suffered by the investors as a result of the defaults. Further, the violation is not repetitive in nature.

ORDER

- 16.** In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under section 15-I (2) of the Act read with the Adjudication Rules, I hereby impose a penalty of ₹ 50,000/- (Rupees Fifty thousand Only) on the Noticee viz., Mr. Amit Raghuvanshi, under Section 15 A(b) of the SEBI Act. In my view, the penalty is commensurate with the default committed by the Noticee.
- 17.** The above penalty amount shall be paid by the Noticee through a duly crossed demand draft drawn in favour of "SEBI – Penalties Remittable to Government of India" and payable at Mumbai within 45 days of receipt of this order. The said demand draft shall be forwarded to The Division Chief, Integrated Surveillance Department - ISD, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.
- 18.** In terms of the Rule 6 of the Adjudication Rules, copy of this order is sent to the Noticee and also to Securities and Exchange Board of India.

Date: October 10, 2014

Place: Mumbai

**D. SURA REDDY
ADJUDICATING OFFICER**