

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. EAD-5/SVKM/AO/01-06/2017-18]

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 THE MATTER OF AANJANEYA LIFECARE LIMITED (NOW KNOWN AS DR. DATSONS LABS LIMITED)

In respect of

Sr. No.	Name of entity	PAN	Address	Order No.
1	Aanjaneya Lifecare Limited (now known as Dr. Datsons Labs Ltd.)	AAGCA0851L	K-4/1, Additional MIDC, MAHAD Raigarh – 402309, Maharashtra	EAD-5/SVKM/AO/01/2017-18
2	Shri Kannan Vishwanath	ADJPV4912G	Vishwam, 8/B, Postal Colony, Chembur Mumbai – 400071, Maharashtra	EAD-5/SVKM/AO/02/2017-18
3	Shri Shashikant Babanrao Shinde	AAGPS6752D	503, A Wing, Hemal Coop. Housing Society, Off Veera Desai RO Nr. Rukmini Vaihav, Amboli, Andheri (West) Mumbai - 400058 Maharashtra	EAD-5/SVKM/AO/03/2017-18
4	Shri Prabhat Kumar Goyal	ABQPG0031N	KL-6A 1 Flat No 9, Pachvati Residents Association, Sector 7, Kalamboli, Navi Mumbai - 410218 Maharashtra	EAD-5/SVKM/AO/04/2017-18
5	Shri Paul Chakrapah Naythatil	AFGPP5631K	B 205, Cyrus Chs Ltd, Vasant Garden, Opp L B S Marg, Mulund W, Mumbai - 400080, Maharashtra	EAD-5/SVKM/AO/05/2017-18
6	Shri Yogesh Patel	AUNPP3286A	C 209, Panchsheel 3, Raheja Township, Malad (e), Mumbai-400097, Maharashtra	EAD-5/SVKM/AO/06/2017-18

BACKGROUND

1. Securities and Exchange Board of India (*hereinafter referred to as “SEBI”*) conducted Investigation into the trading in the scrip of Aanjaneya Lifecare Limited (now known as

Dr. Datsons Labs Ltd.) (*hereinafter referred to as “The Company/Noticee 1”*). During the Investigation, it was observed that Shri Kannan Vishwanath, Chairman & Managing Director of Aanjaneya Lifecare Limited allegedly traded in the shares of the Company without obtaining pre-clearance from the Company and also entered into opposite transactions within 6 months of prior transactions, in violation of the provisions of Clause 3.3.1 & 4.2 of Model Code of Conduct for prevention of Insider Trading contained in Part A of Schedule I read with Regulation 12(1) & (3) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 (*hereinafter referred to as “SEBI (PIT) Regulations”*). Further, Aanjaneya Lifecare Limited (now known as Dr. Datsons Labs Limited), its Directors namely Shri Kannan Vishwanath, Shri Shashikant Babanrao Shinde, Shri Prabhat Kumar Goyal, Shri Paul Chakkapah Naythatil and its Compliance Officer Shri Yogesh Patel (*hereinafter referred to individually as “Noticee no. 1 to 6 respectively” and collectively as “Noticees”*) allegedly failed to implement the Model Code of Conduct for prevention of insider trading with regard to the aforesaid trades of noticee no. 2, and violated Clause 1.2 of Model Code of Conduct for prevention of insider trading contained in Part A of Schedule I read with Regulation 12 (1) & (3) of SEBI (PIT) Regulations, 1992.

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned was appointed as Adjudicating Officer (AO) vide communication of Proceedings dated August 23, 2016 to inquire into and adjudge under Section 15HB of SEBI Act, 1992, the aforesaid alleged violations by the noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. Show Cause Notice dated September 26, 2016 (*hereinafter referred to as “SCN”*) was issued to the noticees in terms of Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (*hereinafter referred to as the ‘Adjudication Rules’*) read with section 15I of SEBI Act, 1992 to show cause as to why an inquiry should not be initiated and penalty be not imposed under section 15HB of SEBI Act, 1992 for the aforesaid alleged contravention of the provisions of Clause 1.2 of Model

Code of Conduct contained in Part A of Schedule I read with Regulation 12 (1) & (3) of SEBI (PIT) Regulations, 1992, by all the noticees and Clause 3.3.1 & 4.2 of Model Code of Conduct contained in Part A of Schedule I read with Regulation 12 (1) & (3) of SEBI (PIT) Regulations, 1992, by Shri Kannan Vishwanath, the Noticee No. 2 herein.

4. Vide separate letters dated 08.10.2016, 10.10.2016 and 26.10.2016 noticees submitted replies to SCN. The relevant portions of the aforesaid replies to the SCN is reproduced hereunder:-

- *Noticee no. 1 vide its reply dated 10.10.2016 submitted that Pursuant to the order dated January 12, 2016, passed by the Hon'ble High Court of Bombay, the affairs of the Company have been wound up and an official liquidator has been appointed to forthwith take charge and possession of the Company's assets, properties, stock in trade, and books of accounts, bank account, and all other assets of the Company.*
- *The new management of the Company was informed at the time of taking charge of the Company that all past records of the Company were destroyed in a flood.*
- *Company's email dated March 26, 2015, which has been relied upon in the SCN, was an email response which was perhaps misconstrued as it was not sufficiently elucidative in nature for the sake of brevity. The Company has not received any past records of the Company from the old management due to the floods, which may have also included the purported pre-trade clearances detailed in the SCN.*
- *The Company is already in the process of being wound up and any penalty levied against the Company will add to the woes of the shareholders.*
- *Noticee no. 2 vide his reply dated 10.10.2016 submitted that "vide my letter dated February 22, 2016 (a copy of which has been enclosed at Annexure A to this letter), I have already stated that I had in fact obtained the necessary pre clearances from the Company before conducting the purported trades set out in your letter. I reiterate*

that unfortunately, I do not have the copy of the acknowledgement from the Company. I maintained the files pertaining to the Company at the registered office of the Company which suffered heavy flooding during the years 2013.”

- *While, I note that the Company has vide its letter dated March 26, 2015 has stated that it has not received any pre-clearances of trades from the erstwhile designated employees from April 2012 to June 2013. However, I assume that they meant that they have not received any records of such pre clearances from the erstwhile management of the Company which amongst other directors included myself. We say that in view of the floods which caused damage to the records maintained by the Company, we were unable to handover any records to the new management as the same were destroyed without any chance of recovery. I resigned from the my position of a Director of the Company on February 14, 2015 and I am not associated with the Company in any manner except my shareholding in the Company*
- *Vide separate letters noticee no. 3 to 6 have filed similar replies, stating that they have already resigned from the Company in May 2015 (Noticee no. 3, 4 & 6) and May 2013 (Noticee no. 5). They requested to call upon the Company and Mr. Kannan Vishwanath, being Notice No. 2 to provide the necessary information.*

5. An opportunity of personal hearing was afforded to the noticees on January 19, 2017. Ms. Purti Minawala, Advocate, (M/s Crawford Bayley & Co., Advocates and Solicitors) appeared as Authorized Representative (**AR**) on behalf of the noticees, submitted as under:-

- i) *That noticee no. 2 who was erstwhile Managing Director of the Company did at all times obtained pre-clearance for the trades as listed in the Show cause notice dated 26th September, 2016. It is denied that he has entered into reverse trades in the last six months as alleged.*
- ii) *It was further submitted that due to the floods in 2013 some records of the Company were lost and therefore they are unable to submit necessary proof.*

- iii) *The company is under liquidation and Official Liquidator is appointed.*
- iv) *The learned Counsel also relied upon the decision of the Whole Time Member dated 12th may, 2016 in the same matter for consideration in the adjudication proceedings.*

ISSUES FOR CONSIDERATION & FINDINGS

6. I have carefully perused the replies and submissions of the noticees and the documents available on record. The issues that arise for consideration in the present case are:
- 1) Whether noticee no. 2 violated provisions of Clause 3.3.1 and 4.2 of Model Code of Conduct contained in Part A of Schedule I read with Regulation 12 (1) & (3) of SEBI (PIT) Regulations, 1992 for trading in the shares of the Company without obtaining pre-clearance and also entered into opposite transactions within 6 months of prior transactions?
 - 2) Whether the noticee no. 1 to 6 have violated Clause 1.2 of Model Code of Conduct contained in Part A of Schedule I read with Regulation 12 (1) & (3) of SEBI (PIT) Regulations, 1992 for failure in supervision with regard to implementation of Code of Conduct for prevention of insider trading in respect of the alleged trading of the noticee no. 2 as aforesaid?
 - 3) Whether the noticees are liable for monetary penalty under Section 15HB of the SEBI Act, 1992?
 - 4) If yes, then what should be the quantum of monetary penalty?
7. Before moving forward, it is pertinent to refer to the relevant provisions of SEBI (PIT) Regulations, 1992, which reads as under:-

Regulation 12 of SEBI (PIT) Regulations, 1992

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

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

(a)

to

(e).....

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

(2).....

(3) All entities mentioned in sub-regulation (1), shall adopt appropriate mechanisms and procedures to enforce the codes specified under sub regulations (1) and (2).

Model Code of Conduct prescribed in SCHEDULE I under Regulation 12 (1) of SEBI (PIT) Regulations, 1992.

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

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

Clause 4.2 All directors/ officers/ designated employees who buy or sell any number of shares of the company shall not enter into an opposite transaction i.e. sell or buy any number of shares during the next six months following the prior transaction. All directors/

officers/ designated employees shall also not take positions in derivative transactions in the shares of the company at any time. In the case of subscription in the primary market (initial public offers), the above mentioned entities shall hold their investments for a minimum period of 30 days. The holding period would commence when the securities are actually allotted.

8. On perusal of the material available on record and having regard to the submissions made by the noticees, I record my findings hereunder.

ISSUE 1: Whether noticee no. 2 violated provisions of Clause 3.3.1 and 4.2 of Model Code of Conduct contained in Part A of Schedule I read with Regulation 12 (1) & (3) of SEBI (PIT) Regulations, 1992 for trading in the shares of the Company without obtaining pre-clearance and also entered into opposite transactions within 6 months of prior transactions?

9. It is alleged that Shri Kannan Vishwanath, Vice Chairman & Managing Director of the Company (noticee no. 2) has bought and sold shares of the Company and also entered into opposite transactions by trading in the shares of the Company in violation of Clause 3.3.1 and 4.2 of Model Code of Conduct contained in Part A of Schedule I read with Regulation 12 (1) & (3) of SEBI (PIT) Regulations, 1992. Details of the trades carried by Shri Kannan Vishwanath are as follows:

Date	Buy	Sell
08/05/2012	0	49409
07/06/2012	0	76707
10/07/2012	20000	0
25/07/2012	62300	0
26/07/2012	13000	0
27/07/2012	14250	0
30/07/2012	2500	0
31/07/2012	9000	0
02/08/2012	3000	0
03/08/2012	1500	0
16/08/2012	2500	0
24/08/2012	15000	0
29/08/2012	7500	0

Date	Buy	Sell
31/08/2012	10000	0
03/09/2012	11100	0
04/09/2012	39500	0
26/09/2012	6500	0
27/09/2012	750	0
28/09/2012	1850	0
11/12/2012	12000	0
13/12/2012	27150	0
14/12/2012	7700	0
17/12/2012	21150	0
18/12/2012	3500	0
31/12/2012	12500	0
21/01/2013	14000	0
Grand Total	318250	126116

10. Vide reply dated October 10, 2016, noticee no. 2 has submitted that the necessary pre-clearances were obtained from the Company before conducting the trades as set out in the SCN. It was further submitted that he was maintaining the files at registered office of the Company and due to the floods in 2013 his files amongst the other official records of the Company were lost and therefore, he is unable to submit necessary proof. Vide reply dated October 10, 2016 the Company has also submitted that it has not received any past records from old management due to the floods.
11. During the personal hearing held on January 19, 2017 the authorized representative of the noticees submitted that the noticee no. 2 who was erstwhile Managing Director of the Company did at all times obtained pre-clearance for the trades as listed in the Show cause notice dated 26th September, 2016 and denied that he has entered into reverse trades in the last six months as alleged.
12. As per Regulation 12 (1) SEBI (PIT) Regulations, 1992, all listed companies are required to frame a Code of Conduct as near to the Model Code of Conduct prescribed under Schedule I of the PIT Regulations and as per Regulation 12(3) of SEBI (PIT) Regulations, 1992, all entities mentioned in sub-regulation (1), shall adopt appropriate mechanisms and procedures to enforce the codes specified under sub-regulations (1) and (2). It is observed

that, the Company had framed a Code of Conduct, including the requirement that designated employees and their dependents shall require prior clearance from the Compliance Officer in respect of purchase/ sale of securities of the Company where the quantity exceeds 10000 (ten thousand shares) in a month either in one transaction or in a series of transactions. The designated employees and their dependents who buy or sell any number of shares of the Company shall not enter into opposite transaction during next six months following prior transaction in the equity shares of the company at any time.

13. There are two allegations levelled in the SCN against the noticee no. 2, first is non obtaining of pre-clearance from the Company for the trades as stated above and the second is entering into opposite transactions within 6 months of prior transactions. It is observed from the trading details of the noticee no. 2 as stated in the table above that he has sold 1,26,116 shares of Aanjaneya Lifecare Limited in the month of May & June 2012 and bought 3,18,250 shares from July to September 2012, December 2012 and January 2013 where the quantity of shares in each month was in excess of 10000. Noticee 2 also entered into opposite transactions within six months of prior transactions. The trades in the question as set out in the SCN and listed in para 9 above are not disputed by the noticees.
14. I note that Neither the Company (Notice no. 1) nor Shri Kannan Vishwanath, (noticee no. 2) has submitted any documentary evidence in support of his contention that he has obtained the necessary pre-clearance from the Company as required under the Code of Conduct for prevention of insider trading. As per letter dated March 26, 2015 of the Company it is clear that the Company did not receive any application for pre-clearance from noticee 2 for his trades during the period from April 2012 to June 2013. Reply of the Company dated March 26, 2015 in response to SEBI mail dated March 26, 2015 is reproduced hereunder:-

“Point No 1:- Copies of pre-clearance of trades obtained by the designated employees/their dependents during the period April 2012 to June 2013.

Reply: - The Company did not receive any pre-clearance of trades during the period from April 2012 to June 2013 from the designated employees and their dependents because they have not entered to any such trades over a period of time.”

15. As per code of conduct adopted by the Company for prevention of insider trading designated employees includes “all Directors whether executive, no-executive or independent”
16. In view of above, I note that the contention of the noticee no. 2 that he has obtained pre-clearance from the Company is not supported by any evidence. Hence, it is established that noticee no. 2, Shri Kannan Vishwanath, Vice Chairman & Managing Director of the Company has traded in the shares of the Company as detailed in the table at para 9 above without obtaining pre-clearance from the Company in violation of Clause 3.3.1 of Model Code of Conduct for prevention of Insider Trading.
17. With regard to the second charge against the noticee no. 2 that he had executed opposite transactions within 6 months of the earlier transactions it, is, observed from the trading details as stated in the table at para 9 above that he sold 1,26,116 shares of the Company during May & June 2012 and bought 3,18,250 shares of the Company during July 2012 to January 2013. All the purchase transactions of noticee 2 upto 06.12.2012 as detailed in the table at para 9 above are within 6 months of the earlier sale transactions in May & June 2012 and are therefore hit by the prohibition in terms of Regulations 4.2 of Model Code of Conduct for prevention of Insider Trading that there shall be no opposite transactions within 6 months of the earlier transactions. Hence, it is established that the noticee no. 2 has also entered into opposite transactions within six months prior to earlier transactions in violation of Clause 4.2 of the said Model Code of Conduct for prevention of Insider Trading.
18. The Authorized representative of the noticees made reference to the SEBI WTM order dated 12th May, 2016. I note that the said SEBI WTM order dated 12.05.2016 under Section 11B of the SEBI Act, 1992, has no relevance to the facts of the present case. That

was a case where the noticee no. 2 along with other two entities were charged for alleged failure to make an open offer in accordance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and the present case stands on a different factual matrix relating to violation of the Code of Conduct under SEBI (PIT) Regulations, 1992.

ISSUE 2: Whether the noticee no. 1 to 6 have violated Clause 1.2 of Model Code of Conduct contained in Part A of Schedule I read with Regulation 12 (1) & (3) of SEBI (PIT) Regulations, 1992 for failure in supervision with regard to implementation of Code of Conduct for prevention of insider trading in respect of the alleged trading of the noticee no. 2 as aforesaid?

19. Pursuant to order dated January 12, 2016 passed by the Hon'ble High Court of Bombay in Company Petition no. 330 of 2013 states that a group of eight petitions were admitted on 18.02.2015, the liquidator was appointed and the liquidator has taken possession of all the assets of the Company. Before proceeding in the matter, it would be appropriate to first decide the preliminary issue as to whether the Adjudication Proceedings initiated by SEBI against Aanjaneya Lifecare Limited (now known as Dr. Datsons Labs Limited) the Noticee no. 1 can continue.
20. In order to examine the maintainability of the present adjudication proceedings against the noticee no. 1 i.e. Aanjaneya Lifecare Limited (now known as Dr. Datsons Labs Limited), it will be appropriate to refer to Section 446 of the Companies Act, 1956, [corresponding to Section 279 of Companies Act, 2013] which reads as under:-

“Section 446 of Companies Act, 1956

- 1) *When a winding up order has been made or the Official Liquidator has been appointed as provisional liquidator, no suit or other legal proceeding shall be commenced, or if pending at the date of the winding up order, shall be proceeded with, against the company, except by leave of the Tribunal and subject to such terms as the Tribunal may impose.”*

21. According to Black's Law Dictionary, Sixth Edition, the term 'Legal Proceedings' includes "all proceedings authorized or sanctioned by law, and brought or instituted in a court or legal tribunal, for the acquiring of a right or the enforcement of remedy." Further, the term 'Proceedings' means, "any action, hearing, investigation, inquest or inquiry (whether conducted by a court, administrative agency, hearing officer, arbitrator, legislative body, or any other person authorized by law) in which, pursuant to law, testimony can be compelled to be given." (ibid).
22. In the "Guide to the Companies Act" by A Ramaiya, (17th Edition Reprint 2010, page 4929 & 4930), it is stated that the object of winding up of a company by the court is to facilitate the protection and realization of its assets with a view to ensure an equitable distribution thereof among those entitled and to prevent the administration from being embarrassed by a general scramble among creditors and others. Consequently, once the court has taken the assets of a company under its control or has passed an order for its being wound up, it will not be proper to allow proceedings to be started or continued against the company. "Section 446 is wide in its terms and is not restricted to any category of suits or any class of plaintiffs. It is wide enough to cover all suits and other legal proceedings who-ever may be plaintiff." {*Murgan Oil Industries (P.) Ltd. Re*, (1970) 40 Com. Cases 77, 82 (Mad) following *Ghouse Khan v. Bala Subba Rowther*, AIR 1927 (Mad) 925}.
23. While examining the issue of maintainability of the legal proceedings initiated after the date of order of winding up/ appointment of official liquidator, the Hon'ble High Court of Bombay, in the case of *Deutsche Bank v. S.P. Kala* {(1990) 67 Com. Cases} held as under:- "Section 446 of the Companies Act provides that, when a winding up order is made or the official liquidator is appointed as provisional liquidator, no suit or legal proceedings should be commenced or if pending on the date of the winding-up order, shall be proceeded with, against the company, except with the leave of the court and subject to such terms as may be imposed. Sub-section (2) further lays down that the court which is winding-up the company shall, notwithstanding anything contained in any other law in force, have jurisdiction to entertain or dispose of, inter alia, any suit or proceeding by or against the company, whether such suit or proceeding has been instituted or is instituted. A careful

examination of these provisions of law makes it clear that once a winding-up order is made or the official liquidator is appointed as provisional liquidator, no proceedings can continue or be instituted against the company without the permission of the court. It is further clear that jurisdiction to entertain or dispose of any suit or proceeding by or against the company is vested in the company court without any kind of restriction..... The expression "any suit or proceeding by or against the company" is wide enough to bring within its sweep any kind of suits."

24. In the light of the above, I am of the considered view that the present adjudication proceedings against Noticee no. 1, Aanjaneya Lifecare Limited (now known as Dr. Datsons Labs Limited) which is under liquidation cannot be continued without the leave of the Court as it falls under the term "other legal proceedings" used in Section 446 of Companies Act, 1956.
25. However, the case of the other noticees i.e. noticees 2 to 6 stands on a different footing. It is alleged that they failed to implement the Model Code of Conduct for prevention of insider trading and ensuring the required compliances for trades of noticee no. 2 as aforesaid, in violation of Clause 1.2 of Model Code of Conduct for prevention of insider trading.
26. As per clause 1.2 of Model Code of Conduct for prevention of Insider Trading the compliance officer shall be responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of "Price Sensitive Information", pre-clearing: of designated employees' and their dependents' trades (directly or through respective department heads as decided by the company), monitoring of trades and the implementation of the code of conduct under the overall supervision of the Board of the listed company.
27. In the instant case it is established that Shri Kannan Vishwanathan, Vice Chairman & Managing Director of the Company had traded in the scrip of Aanjaneya Lifecare Limited without obtaining pre-clearance for such trades from the Company and also entered into

opposite transactions within 6 months of the prior transactions. It was the responsibility of the Compliance Officer, noticee no. 6 to monitor adherence to the rules including those for pre-clearance of trades and also to monitor the trades carried out by Shri Kannan Vishwanathan, Vice Chairman & Managing Director of the Company but he failed to discharge his duties as envisaged under the SEBI PIT Regulations and failed to ensure compliance of Code of Conduct adopted by the Company for prevention of Insider Trading with regard to the trades of the noticee no. 2. Further, noticee no. 2 to 5 being part of the Board of Directors of the Company failed to supervise the same and therefore violated Clause 1.2 of Model Code of Conduct for prevention of insider trading contained in Part A of Schedule I read with Regulation 12 (1) & (3) of SEBI (PIT) Regulations, 1992.

ISSUE 3: Whether the noticees are liable for monetary penalty under Section 15HB of the SEBI Act, 1992?

28. The provisions of Section 15HB of the SEBI Act, 1992, read as under:

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.

29. Hon'ble Supreme Court of India in the matter of *Chairman, SEBI vs. Shriram Mutual Fund* {[2006] 5 SCC 361} held that "*In our view, the penalty is attracted as soon as contravention of the statutory obligations as contemplated by the Act is established and, therefore, the intention of the parties committing such violation becomes immaterial. Hence, we are of the view that once the contravention is established, then the penalty has to follow and only the quantum of penalty is discretionary.*"
30. Vide order dated April 26, 2013 the Hon'ble Supreme Court of India in the matter of *N Narayanan vs. SEBI* (Appeal Nos. 4112-4113 of 2013) observed as under :-

“SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country’s economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India’s securities market. Message should go that our country will not tolerate market abuse and that we are governed by the Rule of Law. Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and market security is our motto. People with power and money and in management of the companies, unfortunately often command more respect in our society than the subscribers and investors in their companies. Companies are thriving with investors contributions but they are a divided lot. SEBI has, therefore, a duty to protect investors, individual and collective, against opportunistic behavior of Directors and Insiders of the listed companies so as to safeguard markets integrity.”

31. As already observed, the noticee no. 2 Shri Kannan Vishwanath, Vice Chairman & Managing Director of the Company has traded in the shares of the Company without obtaining pre-clearance from the Company and also entered into opposite transactions in the shares of the Company within 6 months of prior transaction, in violation of Clause 3.3.1 and 4.2 of Model Code of Conduct for prevention of Insider Trading. Further, noticee no. 2 to 6 failed in their duties to ensure compliance of code of conduct adopted by the Company have violated the provisions of Clause 1.2 of Model Code of Conduct for prevention of Insider Trading. Therefore, I find that the noticee 2 to 6 are liable for monetary penalty under Section 15HB of the SEBI Act, 1992.
32. Noticee no. 2 being the Vice Chairman & Managing Director of the Company has himself traded in the scrip without obtaining pre-clearance as required and also executed opposite transactions within 6 months of the earlier transactions in violation of Clauses 3.3.1 and 4.2 of Model Code of Conduct for prevention of Insider Trading. Noticee no. 6 being the Compliance Officer has failed to implement the Code of Conduct for prevention of Insider

Trading and monitor the trades executed by the Shri Kannan Vishwanath, Vice Chairman & Managing Director of the Company. Noticee no. 2 to 5 being part of the Board of Directors have failed to supervise the implementation of the Code of Conduct. For orderly conduct of securities market, it is of utmost importance that the Key Managerial Personnel including the Board of Directors and Compliance Officer shall adhere to the statutory Code on Insider Trading. This is necessary to ensure a sense of fair play amongst all the market participants and that there is no asymmetry of information.

ORDER

33. After taking into consideration the facts and circumstances of the case, the submissions made by the noticees, the nature and gravity of the charges established I, in exercise of the powers conferred under Section 15 I (2) of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, hereby impose the following penalties:-

- i) ₹ 5,00,000 (Rupees Five Lakhs Only) under Section 15HB of the SEBI Act, 1992, for the violation of Clause 3.3.1 and 4.2 of Model Code of Conduct for prevention of Insider Trading contained in Part A of Schedule I read with Regulation 12(1) & 12 (3) of SEBI (PIT) Regulations, 1992 on the noticee no. 2, Shri Kannan Vishwanath, Vice Chairman & Managing Director for trading in the shares of the Company without obtaining pre-clearance of such trades as per the Code and also for executing opposite transactions in the shares of the Company within 6 months of prior transactions in violation of the Regulations as aforesaid.
- ii) ₹ 3,00,000 (Rupees Three Lakhs Only) under Section 15HB of the SEBI Act, 1992, for the violation of Clause 1.2 of Model Code of Conduct for prevention of Insider Trading contained in Part A of Schedule I read with Regulation 12(1) & 12 (3) of SEBI (PIT) Regulations, 1992, payable jointly and severally by the noticee no. 2 to 6 namely Shri Kannan Vishwanath, Shri Shashikant Babanrao Shinde, Shri Prabhat Kumar Goyal, Shri Paul Chakkapah Naythatil (Board of Directors) and Shri Yogesh

Patel, Compliance Officer for failure to implement the Code of Conduct and monitor the trades for prevention of Insider Trading.

- iii) No penalty is levied on noticee no. 1 for the reasons stated in para 24.
34. The amount of penalty shall be paid either by way of demand draft in favor of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, or by e-payment in the account of “SEBI - Penalties Remittable to Government of India”, A/c No. 31465271959, State Bank of India, Bandra Kurla Complex Branch, RTGS Code SBIN0004380 within 45 days of receipt of this order. The said demand draft or forwarding details and confirmations of e-payments made (in the format as given in table below) should be forwarded to “The Division Chief (Enforcement Department - DRA-I), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C – 4 A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.”

1. Case Name :	
2. Name of Payee :	
3. Date of Payment:	
4. Amount Paid :	
5. Transaction No. :	
6. Bank Details in which payments is made :	
7. Payment is made for : (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

35. In terms of Rule 6 of the SEBI Adjudication Rules, 1995, copy of this order is sent to the noticees and also to the Securities and Exchange Board of India.

Date : April 18, 2017
Place : Mumbai

S. V. Krishnamohan
Chief General Manager &
Adjudicating Officer