

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**[ADJUDICATION ORDER NO: EAD-12/AO/SM/164-167/2017-18]**

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

**In respect of**

<b>Mr. V R Venkatchalam</b> <b>(PAN No. AADPV3203H)</b>	<b>Mr. V Rajasekharan</b> <b>(PAN No. AERPR0716F)</b>
<b>Ms. Rajasekharan Devaki</b> <b>(PAN No. ABPR9662G)</b>	<b>Mr. Srivatsan P</b> <b>(PAN No. AMZPS7213C)</b>

**In the matter of M/s TCP Limited.**

**Facts of The Case:**

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted investigation in the scrip of M/s. TCP Ltd (hereinafter referred to as "TCP/company") for the period between March 25, 2013 to August 31, 2014 (hereinafter referred to as "Investigation Period/IP") to ascertain there was any possible violation of the SEBI Act, 1992 and various Rules and Regulations made thereunder. TCP was incorporated as Joint Sector Unit with Tamil Nadu Industrial Development Corporation Ltd and has its Plant for manufacturing of 4600 MTs of Sodium Hydrosulphite in technical collaboration with Mitsubishi Corporation, Japan. The company was listed in Madras Stock Exchange (hereinafter referred to as "MSE"). The scrip was not traded in MSE. The company was not listed in National Stock Exchange but was permitted to trade on NSE platform. Subsequently the scrip of the company got permanently suspended from trading with effect from January 30, 2015 in NSE pursuant to the discontinuance of the MSE-NSE mechanism as per SEBI letter. The price of the scrip fell from April 04, 2013 to September 20, 2013 and the price of the scrip rose thereafter as on August 31, 2014.
2. Upon investigation it was observed and hence alleged:
  - 2.1. Mr V R Venkatchalam (hereinafter referred to as "Noticee No. 1), Mr. V Rajasekharan (hereinafter referred to as "Noticee No. 2) have violated the Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a),(b), (c), (d) read with Regulations 4(1) 4(2) (a) (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations) and Schedule I, Part A of the SEBI (Prohibition of Insider Trading Regulations, 1992) (hereinafter referred to as " PIT Regulations, 1992") to be read with Regulation 12 of PIT Regulations, 2015) and;
  - 2.2. Ms Rajasekharan Devaki (hereinafter referred to as "Noticee No. 3) and Mr Srivatsan P (hereinafter referred to as "Noticee No. 4) have violated Section 12A(a), (b), (c) of SEBI Act,

1992 read with Regulations 3(a),(b), (c), (d) read with Regulations 4(1) 4(2) (a) and (e) of PFUTP Regulations. The above Noticee shall be collectively referred to as "Noticees"

### **Appointment of Adjudicating officer**

3. SEBI vide communiqué order dated September 22, 2017 appointed the undersigned as Adjudication Officer under Section 15-I of SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "Adjudication Rules") to inquire and adjudge under Section 15HA and 15HB of SEBI Act, 1992 on Noticee (s) No. 1 and 2 and under Section 15HA of SEBI, 1992 on Noticee(s) No. 3 and 4.

### **Show Cause Notice, Reply and Personal Hearing:**

4. Common Show Cause Notice (hereinafter referred to as 'SCN') dated October 09, 2017, was issued to Noticee(s) No. 1 to 4 under the provisions of Rule 4 (1) of the Adjudication Rules to show cause as to why an inquiry should not be initiated against the Noticees and penalty be not imposed under the provisions of under Section 15HA and 15HB of SEBI Act, 1992 on Noticee (s) No. 1 and 2 and under Section 15HA of SEBI, 1992 on Noticee(s) No. 3 and 4. The said SCN was served by Speed Post Acknowledgment Delivery, which was duly received by the Noticees.
5. The allegations levelled against the Noticee(s) are mentioned below.

- 5.1. *During the IP (Patch 1, **April 04, 2013 to September 20, 2013**), the scrip of TCP was traded only for 22 days. On the basis of the price volume chart, it was observed that during the period from April 04, 2013 to September 20, 2013, there was a fall in the price of the scrip from Rs. 454.65 to Rs. 159. In Patch 2 (**September 21, 2013 to August 31, 2014**), the price of the scrip rose thereafter to Rs. 441 (as on August 31, 2014).*

### **5.2. The price movement was in the following two patches:**

<b>Patch</b>	<b>No. of trading days</b>	<b>Dates</b>	<b>Price /Volume.</b>	<b>Opening Price/volume, on first day of the period</b>	<b>Closing price(Rs.)/volume, on last day of the period</b>	<b>Low volume/price, during the period</b>	<b>High (volume /price, during the period (Rs.)</b>	<b>Avg. no. of (shares) traded daily during the period</b>
<b>Patch-I (Price Fall)</b>	22	April 04, 2013 to September 20, 2013	Price	454.65	159	454.65	159	67076
			Vol.	1	26000	1	324504	
<b>Patch-II (Price Rise)</b>	42	September 21, 2013 to August 31, 2014	Price	160	441	160	539.45	31192
			Vol.	1	150	1	508600	

**5.3. The relationship of the Noticees is placed below:**

<b>Noticee No.</b>	<b>Basis of Connection</b>
1	Noticee No. 1, Promoter cum Managing Director of the Company and also Director of M/s Thiruvalluvar Textiles Pvt Ltd
2	Noticee No. 2 is the Executive Director of the Company since March 01, 1992.
3	Noticee No. 3 is the spouse Noticee No. 2.
4	Noticee 4 has accepted that he know few friends of Noticee 1.

**5.4. CLIENT CONCENTRATION (NSE) during PATCH 1 - April 04, 2013 to September 20, 2013**

The buy and sell of the Noticees who had traded in the scrip of M/s TCP Ltd on NSE during this patch are tabulated below:

<b>Noticee No.</b>	<b>Gross Buy</b>	<b>Gross Sell</b>	<b>Net Qty.</b>	<b>% of Gross Buy to Mkt. Vol</b>	<b>% of Gross Sell to Mkt. Vol</b>	<b>% of Net Qty. to Mkt. Vol</b>	<b>Gross Traded Qty.</b>
<b>Noticee No. 1</b>	1024503	0	1024503	69.426	0	69.426	1024503
<b>Noticee No. 3</b>	5	4	1	0	0	0	9
<b>Noticee No. 2</b>	3	3	0	0	0	0	6
<b>Notice No 4</b>	6	6	0	0	0	0	12
<b>Group total</b>	1024517	13	1024504	69.426	0	69.426	1024530
<b>Market total</b>	<b>1475678</b>	<b>1475678</b>	<b>0</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>2951356</b>

From the table above, it was observed that the Noticees had purchased 1024517 shares (69.426% of the total traded quantity) and sold 13 shares (0% of the total traded quantity) during this patch.

**ORDER BOOK ANALYSIS- PRICE FALL PATCH**

The following was alleged:

5.5. Noticee No. 2 and Noticee No. 3 had contributed 37.92% to New Low Price (hereinafter referred to as "NLP") and 37.66% to negative Last Traded Price (hereinafter referred to as "LTP") during this patch. Noticee No. 3 is the spouse of Noticee No. 2, who is the Executive Director of TCP Ltd. During the course of statement recording by SEBI-Investigation Department (hereinafter referred to as "IVD") on October 1, 2015, Noticee No. 3, had mentioned that she had authorised her husband i.e Noticee No. 2 to trade in securities on her behalf. In view of the same, the trades executed by Noticee No. 2 and Noticee No. 3 were analyzed together.

5.6. Noticee No. 4 was the counterparty to majority of the trades of Noticee No. 2 and Noticee No. 3.

5.7. Order log analysis of Noticee No. 2, Noticee No. 3 and Noticee No. 4 who had majorly contributed to the NLP and negative LTP were carried out. The order placement of Noticee No. 2, Noticee No. 3 and Noticee No. 4 is as follows:

Trade Date	Buy/ Sell	Buyer / Seller Name	Trade d Qty	Traded Price	Buy/ Sell Order Price	Buy /Sell Order Qty	LTP at Order Entry	Order Time
08/08/2013	Buy	Srivatsan P	1	431.95	431.95	1	454.65	11:11:14
	Sell	Rajasekharan Devaki			431.95	1	454.65	11:11:34
12/08/2013	Buy	Srivatsan P	1	410.4	410.4	1	431.95	09:30:00
	Sell	Kausha H Mehta			410.4	4	431.95	09:37:54
13/08/2013	Sell	Rajasekharan Devaki	1	389.9	389.9	1	410.4	11:30:22
	Buy	Srivatsan P			389.9	1	410.4	11:32:30
14/08/2013	Sell	Srivatsan P	1	370.45	370.45	1	389.9	10:35:44
	Buy	Rajasekharan V			370.45	1	389.9	10:36:10
16/08/2013	Buy	Rajasekharan V	1	351.95	351.95	1	370.45	09:48:15
	Sell	Srivatsan P			351.95	1	370.45	10:11:45
19/08/2013	Sell	Kausha H Mehta	1	335.35	335.35	15	353	09:30:01
	Buy	Rajasekharan V			335.35	1	353	09:30:01
19/08/2013	Sell	Srivatsan P	1	335.35	335.35	1	335.35	11:32:04
	Buy	Kausha H Mehta			335.35	18	335.35	14:31:05
20/08/2013	Buy	Srivatsan P	1	318.6	318.6	1	335.35	11:08:16
	Sell	Rajasekharan V			318.6	1	335.35	11:09:36
21/08/2013	Sell	Ritesh Bodiwala	1	302.7	302.7	5	318.6	09:30:01
	Buy	Rajasekharan Devaki			302.7	1	318.6	09:30:40
21/08/2013	Sell	Srivatsan P	1	302.7	302.7	1	302.7	11:30:06
	Buy	VR Venkatachalam			302.7	100000	302.7	12:12:41
22/08/2013	Sell	Rajasekharan V	1	287.6	287.6	1	302.7	09:31:52
	Buy	Srivatsan P			287.6	1	302.7	09:32:11
23/08/2013	Sell	Ritesh Bodiwala	1	273.25	273.25	4	287.6	09:30:01
	Buy	Rajasekharan Devaki			273.25	1	287.6	09:44:19
26/08/2013	Sell	Rajasekharan Devaki	1	259.6	259.6	1	273.25	10:32:54
	Buy	Srivatsan P			259.6	1	273.25	10:35:50
27/08/2013	Buy	Rajasekharan Devaki	1	246.65	246.65	1	259.6	11:38:51
	Sell	Srivatsan P			246.65	1	259.6	12:07:48
28/08/2013	Sell	Rajasekharan Devaki	1	234.35	234.35	1	246.65	09:55:36
	Buy	Srinivasan V			234.35	1	246.65	09:58:53
29/08/2013	Buy	Rajasekharan Devaki	1	222.65	222.65	1	234.35	09:35:28
	Sell	Srivatsan P			222.65	1	234.35	09:44:24
30/08/2013	Sell	Rajasekharan V	1	211.55	211.55	1	222.65	10:32:24
	Buy	Srinivasan V			211.55	1	222.65	10:33:12
02/09/2013	Sell	Srinivasan V	1	201	201	1	211.55	09:51:02
	Buy	Rajasekharan Devaki			201	1	211.55	09:54:22

- 5.8. In view of the above, It was alleged that Noticee No. 2, Noticee No. 3 and Noticee No. 4 were placing orders for one share at lower circuit on 18 instances.
- 5.9. During this patch, Noticee No. 3 had purchased 5 shares and sold 4 shares, Noticee No. 2 had purchased and sold 3 shares and Noticee No. 4 purchased and sold 6 shares.
- 5.10. Out of the 15 trades of Noticee No. 2 and Noticee No. 3, the counterparty to 9 trades was Noticee No. 4 (highlighted in bold in the table above).
- 5.11. During the course of statement recording to SEBI-Investigation Department (hereinafter referred to as "IVD"), Noticee No. 2 had mentioned that he had traded out of curiosity to know the market behavior and not for the purpose of making money. During the course of statement recording to IVD, Noticee No. 4 had mentioned that he was trying to find a pattern in the stocks which fall continuously and was trying to pick a bottom. Further he had mentioned that in this case he had exited the stock when he was losing money and 10% is his stop loss for the trades undertaken and the transactions in the scrip were in the normal course of business/trading/investment.
- 5.12. In view of the above, it was alleged that the trading pattern of Noticee No. 2, Noticee No. 3 and Noticee No. 4 of placing buy and sell orders for one share each in several instances at lower price circuit does not indicate a natural trading pattern. The successive placement of buy and sell orders by these three Noticees depressed the price of TCP from Rs 431.95 in August 8, 2013 to Rs. 201 in September 2, 2013 (within 16 trading days).

**Observations regarding Fund Flow during August 2013-September 2013 in regard to Noticee No.1 and Mr Shanmugam E, (Promoter of the Company).**

- 5.13. It was alleged that in August 2013, there was fund flow from the account of Mr. Shanmugam E, Promoter of the Company to the account of Noticee No. 1.
- 5.14. The relevant extracts of the bank statement of Noticee No. 1 Mr V R Venkatachalam with HDFC Bank( Account No: 50200001844222) is shown below:

<b>Date of Transaction</b>	<b>Credited from the account of</b>	<b>Debit</b>	<b>Credit</b>
29/08/2013	Ft - Cr - 50100018252174 - E Shanmugam		9,50,00,000
29/08/2013	Ft-00600340011630-Nirmal Bang Securities	9,50,00,000	
29/08/2013	Ft - Cr - 50100018252174 - E Shanmugam		10,00,00,000
29/08/2013	Ft-00600340011630-Nirmal Bang Securities	10,00,00,000	
29/08/2013	Ft - Cr - 50100018252174 - E Shanmugam		9,95,00,000
29/08/2013	Ft-00600340011630-Nirmal Bang Securities	9,95,00,000	
30/08/2013	Ft-00600340011630-Nirmal Bang Securities	10,05,00,000	
30/08/2013	Ft - Cr - 50100018252174 - E Shanmugam		3,50,00,000
30/08/2013	RTGS Cr-Lavb0000434-E Vasantha-V R Venkatachalam-Lavbh13242000749		3,00,00,000
30/08/2013	Ft-00600340011630-Nirmal Bang Securities	11,50,00,000	

- 5.15. In August 2013, there was an inter-se transfer of shares between promoters, Noticee No. 1 and Mr Shanmugam E.It was alleged that prior to the inter-se transfer of shares, Noticee

No. 2 and Noticee No. 3 and 4 had depressed the price of the TCP Shares. It was alleged that the same was done to facilitate Noticee No. 1 to execute transactions at a lower price.

- 5.16. Also, it was observed that the tranche of funds of approximately Rs. 10 crore was circulated thrice between the accounts of Noticee No.1 and Mr Shanmugam E to give an impression of transaction value of Rs. 30 crore. Subsequently in January 2014, Noticee No. 1 had sold the shares of TCP to his group company, M/s Thiruvalluvar Textiles P Ltd, wherein Noticee No. 1 is the Director, at Rs 490 for approximately Rs 60 crore. It was alleged that the funds for purchase of the said shares by M/s Thiruvalluvar Textiles P Ltd was provided by Mr Noticee No. 1 by way of circulating a tranche of funds of Rs. 6 crore to give an impression of transaction value of Rs. 60 crore.
- 5.17. In view of the above, it was alleged that Noticee No. 2, Noticee No. 3, Noticee No. 4 and Noticee No. 1 had devised a scheme and acted in concert so that Noticee No. 1 can execute the inter-se transactions at a lower price by manipulating the price of the scrip of TCP and by providing a misleading appearance of trading.

**Allegation on Noticee No. 1 and Noticee No. 2 had traded in TCP and entered into opposite transactions within a period of 6 months.**

**Trade Details of Noticee No. 1:**

- 5.18. The trade details of Noticee No. 1 during the period of investigation are as follows:

<b>MR V R VENKATCHALAM</b>				
<b>Sl No</b>	<b>Trade Date</b>	<b>Buy Qty</b>	<b>Sell Qty</b>	<b>Observations</b>
1	16/08/2013	200000	0	
2	19/08/2013	200000	0	
3	20/08/2013	300000	0	
4	21/08/2013	324503	0	
5	17/01/2014	0	500000	Opposite transactions to trades at Sl no 1 to 4
6	21/01/2014	0	508600	
7	22/01/2014	0	300000	
8	23/01/2014	0	200	
9	16/07/2014	200	0	Opposite transactions to trades at Sl no 5 - 8
10	07/08/2014	0	214	Opposite transactions to trades at Sl no 9

- 5.19. It was alleged that that the trades executed by Noticee No. 1 were opposite transactions and executed within a period of 6 months. Noticee No. 1 had sought wavier and the Company vide letter dated September 26, 2015 had forwarded copies of pre-clearances of Noticee No. 1 for his transactions in August 2013 and January 2014. Noticee No. 1 vide letter dated January 16, 2014 had sought waiver for his transactions of 13,08,300 shares with M/s Thiruvalluvar Textiles P Ltd within 6 months of purchase as he required funds for business purposes. The same was approved by the Company Secretary and Compliance Officer of TCP Mr Ravi Selvarajan (Company Secretary and Compliance Officer of TCP) vide letter dated January 16, 2014 had granted approval for the same. In the said letter it was mentioned that the request was placed before Noticee No. 2, Executive Director (Whole Time Director) to whom the compliance officer reports on such requests for approval. Noticee No. 1 had sold 13, 08,800 shares of TCP in January 2014. The approval for opposite transactions were taken for only 13, 08,300 shares. Hence, it was alleged that the

transactions of Noticee No. 1 in January 2014(for 500 shares), July 2014 (for 200 shares) and August 2014 (for 214 shares) were opposite in nature and executed within 6 months and approvals for the same was not sought by Noticee No. 1 from the Company.

**Trade Details of Noticee No. 2:**

5.20. The trade details of Noticee No. 2 during the period of investigation are as follows:

Trade Date	Buy Qty	Sell Qty
14/08/2013	1	0
16/08/2013	1	0
19/08/2013	1	0
20/08/2013	0	1
22/08/2013	0	1
30/08/2013	0	1

5.21. It was alleged that Noticee 2 being the director of the company had entered into opposite transaction within 6 months of purchase without any approval.

5.22. As a Promoter and Director of the company, it was alleged that Noticee No. 1 and 2 has entered into opposite transactions within a period of 6 months.

5.23. In view of the above, it was alleged that Noticee No. 1 and Noticee No. 2 have violated the Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a),(b), (c), (d) read with Regulations 4(1) 4(2) (a) (e) of PFUTP Regulations and Schedule I, Part A of the PIT Regulations, 1992 to be read with Regulation 12 of PIT Regulations, 2015 and Noticee No. 3 and Noticee No. 4 have violated Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a),(b), (c), (d) read with Regulations 4(1) 4(2) (a)and (e) of PFUTP Regulations.

**Reply pursuant to SCN:**

**6. Reply of Noticee No. 1:**

Noticee No. 1 has authorized Mr. C. Subramanian, Chartered Accountant (hereinafter referred to as "Authorized Representative/AR") to represent on his behalf in the Adjudication Proceedings. AR inter alia made following submissions vide letter dated November 09, 2017:

6.1. Noticee No.1 purchased 10, 24,503 shares from Shri.E.Shanmugam between 16.08.2013 to 21.08.2013. Shri.E.Shanmugam was a co- promoter of TCP Ltd and is also brother-in-law of Noticee No.1. These 10,24,503 shares constituted the entire shareholding that Shri.E.Shanmugam held in TCP Ltd, and, subsequent to this transfer, Shri.Shanmugam exited the Board of TCP Ltd and ceased to be a Director on 28.09.2013. This share transfer transaction was in pursuance of a family arrangement involving mutual transfer of assets among the Promoters. The transactions were carried out at prices ranging from Rs.352.50 to Rs.302.70, and the low price of Rs.201/- mentioned in the notice under reference was reached only on 2<sup>nd</sup> Sept 2013, i.e. two weeks after the above transactions were carried out. It is humbly submitted that, if the Noticee was acting in concert with other Noticees 2 and 3, and was intending to manipulate the prices to execute the transactions at a very low price, he could just as well have waited for another two weeks until the prices fell to the low level of

*Rs.201/- Further Noticees 2<sup>nd</sup> and 3 are seen to have traded in 1 or 2 shares at a time. It is beyond comprehension how the trade in such a microscopic quantity of shares (1 out of a total of 50, 31,909 shares issued by the Company) can have any impact on the price of the scrip. Hence, it is irrefutably clear that the allegation of acting in concert and devising a scheme to manipulate the prices is baseless and erroneous and cannot be held against the Noticee.*

*6.2. That the Noticee obtained pre-Clearance for the opposite transactions for only 13, 08,300 shares and did not obtain such pre-clearance for Opposite transactions in January 2014 (500 shares) July 2014 (200 shares) and August 2014 (214 shares), and has thus violated the Model Code of Conduct for Prevention of Insider Trading for Listed Companies. Against the above, it is humbly submitted that Noticee No.1 has, vide his letter dated 7<sup>th</sup> October 2015, explained at length the circumstances under which the impugned transactions were undertaken. Further, the Model Code of Conduct for Prevention of Insider Trading in the Equity Shares of the Company, as adopted by the Company, stipulates that such pre-clearance would be required only in cases of transactions in excess of Rs. 10.00 lakhs in market value. In the instant cases mentioned in the Notice under reference, the market value of the transactions is substantially lower than Rs.10 lakhs and hence the need for pre-clearance would not arise.*

## **7. Reply of Noticee(s) No. 2 and 3:**

Noticee(s) No. 2 and 3 had authorized Mr. C. Subramanian, Chartered Accountant (hereinafter referred to as "Authorized Representative /AR") to represent on his behalf in the Adjudication Proceedings. AR inter alia made following submissions vide letter dated November 13, 2017:

- 7.1. "Noticee No.2 is the Executive Director of M/s.TCP Ltd. Noticee No.2 and Noticee No 3 are related to each other as husband wife and all transactions in the name of Noticee No.3 had admittedly been done on her behalf by her husband.*
- 7.2. It may be seen that during the above period, a total of 8 shares have been bought and 7 shares have been sold by both the Noticees put together. It is humbly submitted that it would be highly irrational and futile to discern a pattern when the quantity traded is such an insignificant and miniscule percentage of the Share Capital of the Company. It would be equally erroneous to conclude that trading in such miniscule percentage has been responsible for the price movement in the scrip. Moreover when an almost equal quantity has been bought and sold, how could there be a steady downward slide in the price of the scrip during the period, if these impugned transactions are cited as the cause for the price failing.*
- 7.3. The Noticee(s) 2 and 3 colluded and acted in concert with Noticee No. 1 to depress the price of the scrip and facilitate Noticee No.1 to Purchase the shares at the lower price is vehemently denied as being contrary to facts. There is no relationship between Noticee(s) 2 and 3 on one hand and Noticee No.1 on the other except that Noticee 2 is the Executive Director of the Company of which Noticee No.1 is the Promoter. None of impugned trades undertaken by Noticees 2 and 3 are with Noticee 1, but are entered into with other persons. It can also be seen from the Table on Page 5 of the Show Cause Notice that Noticee No.1 has bought 1,00,000 shares in the Company on August 21, 2013 at a price of Rs.302.70. If it was a case of acting in concert to depress the price of the scrip, why would Noticee No. 1 buy the scrip at Rs.302.70 when the scrip was sliding further downward towards Rs.201/- ; furthermore, the majority of the impugned trades of Noticees 2 and 3 have been undertaken subsequent to the above purchase by Noticee No.1. The allegation of acting in concert with Noticee No.1 is clearly devoid of any substance or merit.*



7.4. *The other allegation against Noticee No.2 is regarding violation of the Model Code of Conduct regarding entering into opposite transactions. It is humbly submitted that the Model Code of Conduct for Prevention of Insider Trading, as adopted by the Company comes into play in relation to Opposite Transactions only when the value of a single transaction or a series of transactions exceeds Rs. 10.00 lakhs. In the case of the impugned transactions of Noticee No.2 the total value of both buy and sell would be of the order of only Rs.2000/- Hence, Noticee No,2 may be absolved of the charge of having violated the SEBI (PIT) Regulations.*

#### **8. Noticee No. 4:**

Noticee vide e-mail dated October 27, 2017, sought for extension to submit his reply.

8.1. Noticee No. 4 has authorized Mr. S. Karthigegyan, Chartered Accountant (hereinafter referred to as "Authorized Representative /AR") to represent on his behalf in the Adjudication Proceedings. AR inter alia made following submission vide letter dated December 05, 2017 the following:

8.2. *"Noticee No. 4 neither knows Noticee No. 2 and Noticee No. 3 nor related/connected/associated with them directly or indirectly.*

8.3. *The trade transaction undertaken by Noticee No. 4 is so insignificant. It cannot in any way be said to impact the price of the scrip. Hence, the allegations against Noticee No. 4 that the trades were undertaken in collusion with Noticee(s) No. 2 and 3, with an intension to depress the price of the scrip of TCP Ltd is unfounded.*

8.4. *Therefore, the allegation against Noticee No. 4 had acted in collusion with Noticee(s) No. 2 and 3 may please be withdrawn and the proposed penalties indicated in the SCN may please be dropped."*

#### **9. Personal Hearing:**

In the interest of natural justice and in order to conduct an inquiry in terms of Rule 4(3) of the Rules, the Noticee (s) No. 1 to 4 were granted an opportunity of personal hearing before the undersigned on December 08, 2017. The respective AR appeared on behalf of the Noticees and reiterated to the submission made pursuant to the SCN.

#### **Consideration of Issues and Findings:**

10. I have carefully perused the charges levelled against the Noticees as per the SCN, and the materials/documents available on record. The issues that arise for consideration in the present case are:

**Issue I: Whether Noticee(s) No. 1, 2,3 and 4 have violated the Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a),(b), (c), (d) read with Regulations 4(1) 4(2) (a) (e) of SEBI PFUTP Regulations and Schedule I, Part A of the PIT Regulations, 1992 to be read with Regulation 12 of PIT Regulations, 2015 by Noticee (s) No. 1 and 2?;**

**Issue II: Does the violations, if any, attract monetary penalty under section 15HA of SEBI Act, 1992 by Noticees (s) No. 1,2,3 and 4 and under Section 15 HB of SEBI Act, 1992 by Noticee (s) No. 1 and 2?;**

**Issue III: If so, what should be the quantum of monetary penalty?**

Before proceeding further, I would like to refer to the relevant provisions of SEBI Act, 1992 and PFUTP Regulations and PIT Regulations.

**Relevant provisions of SEBI Act, 1992**

**Section 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 recognized 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;*

**Relevant provisions of PFUTP Regulation:**

**Regulation 3.** *Prohibition of certain dealings in securities No person shall directly or indirectly—*

*(a) buy, sell or otherwise deal in securities in a fraudulent manner;*

*(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*

*(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 there under.*

**Regulation 4. Prohibition of manipulative, fraudulent and unfair trade practices**

*(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*

*(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*

*(a) indulging in an act which creates false or misleading appearance of trading in the securities market;*

*(e) any act or omission amounting to manipulation of the price of a security;*

## Findings:

### Issue 1 : (a) Whether Noticee(s) No. 1, 2,3 and 4 have violated the Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a),(b), (c), (d) read with Regulations 4(1) 4(2) (a) (e) of SEBI PFUTP Regulations?

11. From the material available on record, at the outset, I note that Noticee No. 1 being the Managing Director/Promoter of the company, Noticee No. 2 being the Executive Director of the company whereas Noticee 3 is the spouse of Noticee 2, hence it is a matter of fact that these three are directly connected with each other. Noticee No. 2 in his statement has accepted the fact that he used to place the orders on his behalf and on his wife's behalf i.e. Noticee No. 3. I also note that Noticee No. 4 during statement recording before SEBI IVD had admitted that he knows couple of friends of Noticee No. 1. In his reply Noticee 4 has denied having any relationship with Noticee(s) No. 2 & 3, however he has not commented upon anything on his relationship with Noticee 1. The trading pattern of noticee 4 in the scrip demonstrate that he had dealt in the scrip(along with Noticee 2 & 3 ) in such a manner to pull down that price of the scrip for the benefit of Noticee 1.

11.1. I would like to focus on the trading pattern of these Noticees in the scrip TCP

#### Trading details of Mr.V. R. Venkatachalam:

TRADE DATE	BUYER NAME	SELLER NAME	BUY ORDER TIME	SELL ORDER TIME	TRADE TIME	Trade Price	TRADED QUANTITY
16/08/2013	VR Venkatachalam	E. Shanmugam	11:08:32	11:08:55	11:14:26	351.95	100000
16/08/2013	VR Venkatachalam	E Shanmugam	12:10:45	12:10:49	12:14:30	351.95	100000
19/08/2013	VR Venkatachalam	Srivatsan P	12:06:32	11:32:04	12:14:41	335.35	1
19/08/2013	VR Venkatachalam	Darshan Shah	12:06:32	11:34:26	12:14:41	335.35	136
19/08/2013	VR Venkatachalam	Kausha H Mehta	14:31:47	14:31:05	15:14:54	335.35	18
19/08/2013	VR Venkatachalam	E Shanmugam	12:06:32	12:06:48	12:14:41	335.35	99863
19/08/2013	VR Venkatachalam	E Shanmugam	14:31:47	14:31:55	15:14:54	335.35	99982
20/08/2013	VR Venkatachalam	E Shanmugam	12:06:47	12:06:48	12:14:25	318.6	100000
20/08/2013	VR Venkatachalam	E Shanmugam	12:07:02	12:07:04	12:14:25	318.6	100000
20/08/2013	VR Venkatachalam	E Shanmugam	15:08:40	15:08:40	15:14:38	318.6	100000
21/08/2013	VR Venkatachalam	Srivatsan P	12:12:40	11:30:05	12:14:10	302.7	1
21/08/2013	VR Venkatachalam	Kausha H Mehta	12:12:40	11:59:51	12:14:10	302.7	2

TRADE DATE	BUYER NAME	SELLER NAME	BUY ORDER TIME	SELL ORDER TIME	TRADE TIME	Trade Price	TRADED QUANTITY
21/08/2013	VR Venkatachalam	E Shanmugam	12:12:40	12:12:40	12:14:10	302.7	99997
21/08/2013	VR Venkatachalam	E Shanmugam	12:13:42	12:12:40	12:14:10	302.7	3
21/08/2013	VR Venkatachalam	E Shanmugam	12:13:42	12:13:43	12:14:10	302.7	99997
21/08/2013	VR Venkatachalam	E Shanmugam	13:07:55	13:07:56	13:14:13	302.7	124503

11.2. Noticee 1 has bought 10, 24,503 shares of TCP during August 16 to August 21, 2013 at the average price of Rs 323.34. It is interesting to note that there was no trading in this scrip prior to August 08, 2013. The last trade in the scrip was on April 04, 2013. Trading in this scrip was observed only on the days when at least one of the Noticee have traded in the scrip during August 08, 2013 till August 21, 2013 (date on which Noticee 1 has completed his purchase of shares of TCP from another promoter Shri E Shanmugam)

### 11.3. The Trading details by Noticee(s) No. 2, 3 and 4:

Trade Date	Buy/Sell	Buyer/Seller	Traded Qty	Traded Price	Buy/ Sell Order Price	Buy /Sell Order Qty	LTP at Order Entry	Order Time
08/08/2013	Buy	Srivatsan P	1	431.95	431.95	1	454.65	11:11:14
	Sell	Rajasekharan Devaki			431.95	1	454.65	11:11:34
12/08/2013	Buy	Srivatsan P	1	410.4	410.4	1	431.95	09:30:00
	Sell	Kausha H Mehta			410.4	4	431.95	09:37:54
13/08/2013	Sell	Rajasekharan Devaki	1	389.9	389.9	1	410.4	11:30:22
	Buy	Srivatsan P			389.9	1	410.4	11:32:30
14/08/2013	Sell	Srivatsan P	1	370.45	370.45	1	389.9	10:35:44
	Buy	Rajasekharan V			370.45	1	389.9	10:36:10
16/08/2013	Buy	Rajasekharan V	1	351.95	351.95	1	370.45	09:48:15
	Sell	Srivatsan P			351.95	1	370.45	10:11:45
19/08/2013	Sell	Kausha H Mehta	1	335.35	335.35	15	353	09:30:01
	Buy	Rajasekharan V			335.35	1	353	09:30:01
19/08/2013	Sell	Srivatsan P	1	335.35	335.35	1	335.35	11:32:04
	Buy	Kausha H Mehta			335.35	18	335.35	14:31:05
20/08/2013	Buy	Srivatsan P	1	318.6	318.6	1	335.35	11:08:16
	Sell	Rajasekharan V			318.6	1	335.35	11:09:36

Trade Date	Buy/ Sell	Buyer/Seller	Traded Qty	Traded Price	Buy/ Sell Order Price	Buy /Sell Order Qty	LTP at Order Entry	Order Time
21/08/2013	Sell	Ritesh Bodiwala	1	302.7	302.7	5	318.6	09:30:01
	Buy	Rajasekharan Devaki			302.7	1	318.6	09:30:40
21/08/2013	Sell	Srivatsan P	1	302.7	302.7	1	302.7	11:30:06
	Buy	VR Venkatachalam			302.7	100000	302.7	12:12:41
<b>22/08/2013</b>	<b>Sell</b>	<b>Rajasekharan V</b>	<b>1</b>	<b>287.6</b>	<b>287.6</b>	<b>1</b>	<b>302.7</b>	<b>09:31:52</b>
	<b>Buy</b>	<b>Srivatsan P</b>			<b>287.6</b>	<b>1</b>	<b>302.7</b>	<b>09:32:11</b>
23/08/2013	Sell	Ritesh Bodiwala	1	273.25	273.25	4	287.6	09:30:01
	Buy	Rajasekharan Devaki			273.25	1	287.6	09:44:19
<b>26/08/2013</b>	<b>Sell</b>	<b>Rajasekharan Devaki</b>	<b>1</b>	<b>259.6</b>	<b>259.6</b>	<b>1</b>	<b>273.25</b>	<b>10:32:54</b>
	<b>Buy</b>	<b>Srivatsan P</b>			<b>259.6</b>	<b>1</b>	<b>273.25</b>	<b>10:35:50</b>
<b>27/08/2013</b>	<b>Buy</b>	<b>Rajasekharan Devaki</b>	<b>1</b>	<b>246.65</b>	<b>246.65</b>	<b>1</b>	<b>259.6</b>	<b>11:38:51</b>
	<b>Sell</b>	<b>Srivatsan P</b>			<b>246.65</b>	<b>1</b>	<b>259.6</b>	<b>12:07:48</b>
28/08/2013	Sell	Rajasekharan Devaki	1	234.35	234.35	1	246.65	09:55:36
	Buy	Srinivasan V			234.35	1	246.65	09:58:53
<b>29/08/2013</b>	<b>Buy</b>	<b>Rajasekharan Devaki</b>	<b>1</b>	<b>222.65</b>	<b>222.65</b>	<b>1</b>	<b>234.35</b>	<b>09:35:28</b>
	<b>Sell</b>	<b>Srivatsan P</b>			222.65	1	234.35	09:44:24
30/08/2013	Sell	Rajasekharan V	1	211.55	211.55	1	222.65	10:32:24
	Buy	Srinivasan V			211.55	1	222.65	10:33:12
02/09/2013	Sell	Srinivasan V	1	201	201	1	211.55	<b>09:51:02</b>
	Buy	Rajasekharan Devaki			201	1	211.55	09:54:22

#### 11.4. The trading pattern of Noticee(s) No. 1,2,3 and 4:

TRADE DATE	BUYER NAME	SELLER NAME	BUY ORDER TIME	SELL ORDER TIME	TRADE TIME	Trade Price	TRADED QUANTITY	BUY ORDER ORIG VOL.	SELL ORDER ORIG VOL.
08/08/2013	Srivatsan P	Rajasekharan Devaki	11:11:14	11:11:34	11:14:37	431.95	1	1	1
12/08/2013	Srivatsan P	Kausha Himanshu Mehta	9:30:00	9:37:54	10:14:29	410.4	1	1	4

TRADE DATE	BUYER NAME	SELLER NAME	BUY ORDER TIME	SELL ORDER TIME	TRADE TIME	Trade Price	TRADED QUANTITY	BUY ORDER ORIG VOL.	SELL ORDER ORIG VOL.
13/08/2013	Srivatsan P	Rajasekaran Devaki	11:32:30	11:30:22	12:14:21	389.9	1	1	1
14/08/2013	Rajasekaran V	Srivatsan P	10:36:09	10:35:43	11:14:58	370.45	1	1	1
16/08/2013	Rajasekaran V	Srivatsan P	9:48:15	10:11:44	10:14:21	351.95	1	1	1
16/08/2013	VR Venkatachalam	E Shanmugam	11:08:32	11:08:55	11:14:26	351.95	100000	100000	100000
16/08/2013	VR Venkatachalam	E Shanmugam	12:10:45	12:10:49	12:14:30	351.95	100000	100000	100000
19/08/2013	Rajasekaran V	Kausha Himanshu Mehta	9:30:00	9:30:00	10:14:34	335.35	1	1	15
19/08/2013	V R Venkatachalam	Srivatsan P	12:06:32	11:32:04	12:14:41	335.35	1	100000	1
19/08/2013	V R Venkatachalam	Darshan Rajnikant Shah	12:06:32	11:34:26	12:14:41	335.35	136	100000	136
19/08/2013	V R Venkatachalam	E Shanmugam	12:06:32	12:06:48	12:14:41	335.35	99863	100000	100000
19/08/2013	V R Venkatachalam	Kausha Himanshu Mehta	14:31:47	14:31:05	15:14:54	335.35	18	100000	18
19/08/2013	V R Venkatachalam	E Shanmugam	14:31:47	14:31:55	15:14:54	335.35	99982	100000	100000
20/08/2013	Srivatsan P	Rajasekaran V	11:07:15	11:09:35	11:14:21	318.6	1	1	1
20/08/2013	V R Venkatachalam	E Shanmugam	12:06:47	12:06:48	12:14:25	318.6	100000	100000	100000
20/08/2013	V R Venkatachalam	E Shanmugam	12:07:02	12:07:04	12:14:25	318.6	100000	100000	100000
20/08/2013	V R Venkatachalam	E Shanmugam	15:08:40	15:08:40	15:14:38	318.6	100000	100000	100000
21/08/2013	Rajasekaran Devaki	Riteshkumar Harishbhai Bodiwala	9:30:40	9:30:00	10:14:57	302.7	1	1	5

TRADE DATE	BUYER NAME	SELLER NAME	BUY ORDER TIME	SELL ORDER TIME	TRADE TIME	Trade Price	TRADED QUANTITY	BUY ORDER ORIG VOL.	SELL ORDER ORIG VOL.
21/08/2013	V R Venkatachalam	Srivatsan P	12:12:40	11:30:05	12:14:10	302.7	1	100000	1
21/08/2013	V R Venkatachalam	Kausha Himanshu Mehta	12:12:40	11:59:51	12:14:10	302.7	2	100000	2
21/08/2013	V R Venkatachalam	E Shanmugam	12:12:40	12:12:40	12:14:10	302.7	99997	100000	100000
21/08/2013	V R Venkatachalam	E Shanmugam	12:13:42	12:12:40	12:14:10	302.7	3	100000	100000
21/08/2013	V R Venkatachalam	E Shanmugam	12:13:42	12:13:43	12:14:10	302.7	99997	100000	100000
21/08/2013	V R Venkatachalam	E Shanmugam	13:07:55	13:07:56	13:14:13	302.7	124503	124503	124503

I note the following from the trading pattern of these Noticees:

11.5. On August 08, 2013, Noticee No. 4, placed the buy order at 431.95 at 11:11:14 am and immediately after 20 seconds Noticee No. 3 placed a sell order for one share at an order price Rs. 431.95/- when the LTP at Order entry was Rs. 454.65/- (i.e. LTP price difference of Rs. 22.70, lower circuit of 5%). At that time there were no orders were pending in the system. The sell order of Noticee No. 3 got matched with the buy order of Noticee No. 4 and the trades got executed resulting in NLP of Rs. 431.95/-. There were no other trades on that day. It appears hard to believe that a scrip which was not traded and all of sudden two unconnected (proclaimed to be) persons enter opposite transactions at the same price and same quantity and within a gap of 20 seconds specially when both of these noticees were trading through different brokers.

11.6. On August 12, 2013, Noticee No. 4, again placed a buy order for one share at an order price Rs. 410.40 at 9.30 a.m when the LTP at order entry was Rs. 431.95/- (i.e LTP price difference of Rs. 21.55/-). There was only one seller Mr; Kausha H Mehta, who had placed sell order at Rs. 410.40 at 9:37:54 for 4 shares. The buy order of one share matched with the sell order of Mr. Kausha H Mehta and the trade got executed resulting again NLP of Rs. 410.40. There was no other order on that day.

11.7. On August 13, 2013, Noticee No. 3 placed a sell order for one share at an order price Rs. 389.90 at 11:30:22 a.m when the LTP at order entry was Rs. 410.40/- i.e LTP price difference of Rs. 20.50/-). There was only one buyer Noticee 4 who had placed buy order at Rs. 389.90 at 11:32:30 a.m for one share. The sell order of one share of Noticee No. 3, matched with the buy order of Noticee No. 4 and the trade got executed resulting again NLP

of Rs. 389.90/-. There was no other order on that day. The time difference between buy and sale order was around 2 minutes.

- 11.8. On August 14, 2013, Noticee No. 4, placed a sell order for one share at an order price Rs. 370.45 at 10:35:44 a.m when the LTP at order entry was Rs. 389.90/- i.e LTP price difference of Rs. 19.45/-). At that time there was only one buyer Noticee No. 2 who had placed buy order at Rs. 370.45 at 10:36:10 a.m for one share. The sell order of one share of Noticee No. 4, matched with the buy order of Noticee No. 2 and the trade got executed resulting again NLP of Rs. 370.45/-. There was no other order on that day. Time difference between buy and sale order was less than a minute.
- 11.9. On August 16, 2013, Noticee No. 2, placed a buy order for one share at an order price Rs. 351.95 at 9:48:15 a.m when the LTP was Rs. 370.45/- ( i.e LTP price difference of Rs. 18.50/). At that time there was only one seller Noticee No. 4, who had placed a sell order at 351.95 at 10:11:45 for one share. The buy order of one share matched with the sell order of Noticee No. 4 and the trade got executed resulting again NLP of Rs. 351.95/-. Time difference between buy and sale order was around 23 minutes. On the same day, Noticee No. 1, placed buy order for total two lakh shares at an order price Rs. 351.95 at 11:08:32 am and at 11:08; 55 am only seller Mr. E. Shanmugam, placed the sell order at Rs. 351.95, both orders were matched with each other. Similarly Noticee 1 had again placed the order at 12:10:45 and just 4 seconds later sell order was placed by Mr E. Shanmugam at 12:10:49 at the price 351.95. None other than Noticee 1,2 & 4 and Mr E Shanmugam traded on this scrip on this day.
- 11.10. On August 19, 2013, Noticee No. 2 placed a buy order for one share at an order price Rs. 335.35 at 9:30:01 a.m when the LTP at order entry was Rs. 353/- (i.e LTP price difference of Rs. 17.65/-). The same got matched with other seller (Mr. Kausha H Mehta). Noticee No. 4, placed a sell order for 1 share at Rs. 335.35 at 11:32:04 and Noticee No. 1 placed a buy order of 1 lakh shares at Rs. 335.35 at 12:06:32 as there was only two sellers i.e Noticee No. 4 for 1 share and other seller for 136 shares, the trade got executed with these sellers. At 12:06:48, Mr. E Shanmugam placed a sell order of 1 lakh shares at Rs. 335.35 which got executed with Noticee No. 1 for 99,863 shares. Again Noticee No. 1, placed a buy order for 1 lakh shares at 14:31:47 at Rs. 335.35 and the trade got executed with Mr. E. Shanmugam ( order time 14:31:55) and with other seller(order time 14:31:05) for 9982 shares and 18 shares respectively.
- 11.11. On August 20, 2013, Noticee No. 4 placed a buy order for one share at an order price Rs. 318.60 at 11:07:15 when the LTP at order entry was Rs. 335.35/- ( i.e LTP price difference of Rs. 16.75/-). At that time there was only one seller i.e Noticee No. 2 and the trade got executed with Noticee No. 2. Noticee No.1 placed a buy order of 1 lakh shares at 12:06:47 the same got matched with other seller. Noticee No. 1 placed a buy order for 1 lakh shares at Rs. 318.60 at 12:06:47 and Mr. E. Shanmugam placed a sell order for 1 lakh shares at 12:06:48 and the trade got executed. Thereafter, I find that Noticee No. 1 placed a buy order on 3 occasions for 1 lakh shares each and the same got executed with Mr. E.



Shanmugam, as there were no other seller at that time. Time difference between buy and sell order in the range of 0 second to 3 seconds.

11.12. I note that on August 21, 2013, Mr. Ritesh Bodiwala placed a sell order for 5 shares at an order price Rs. 302.70 at 9:30:01 and Noticee No. 3 placed a buy order for 1 share at 09:30:40 at Rs. 302.70. Subsequently, during the day, Noticee No. 1 placed a buy order of 1 lakh shares on two occasions and 124503 shares respectively, the trade got executed with Noticee No. 4 for 1 share, with other seller (Mr. Kausha Himanshi Mehta) for 2 shares and with Mr. E. Shanmugam for 324500 shares.

12. The trading pattern of Notice 2,3 and 4 is completely orchestrated where all three had acted in tandem for the benefit of Noticee 1 and this fact is corroborated with the following:

- i. Time difference between buy and sale order was very close which is quite unnatural in case of a scrip which has not been traded since last four months.
- ii. On all the trading days (i.e August 08, 2013 to August 21, 2013) other three Noticees were largely active in the scrip on each day as and when scrip had traded. I also note that Noticee 2 & 3 have not traded in any other scrip during this period and in this pattern, they were completely focused on the scrip of TCP.
- iii. All the buy orders and sale orders were entered at the same price and same quantity when trades were executed between Noticee(s) No. 2, 3 and 4. There was definitely meeting of minds elsewhere which was reflected in the trading pattern of Noticees. During Hearing also none of the ARs representative could give valid reasoning of trading by the Noticees in this fashion.
- iv. All sale order were placed at the lower circuit as compare to the LTP on the all occasions by Noticee(s) No. 2, 3 and 4. It is to be noted that a normal investor would like to sell his holding at the higher price whereas in this arrangement sellers were deliberately putting sale order at the lower circuit so that price can be brought down.

13. I do not find any merit in the argument of Noticee No. 1 that his transactions were carried out at prices ranging from Rs.352.50 to Rs.302.70, and the low price of Rs.201/-, had he acting in concert with other Noticees 2 and 3, and was intending to manipulate the prices to execute the transactions at a very low price, he could have waited for another two weeks until the prices fell to the low level of Rs.201/-. I note in the current scenario also Noticee No. 1 has benefited to the extent over Rs 13 crores by able to buy shares of TCP at the reduced price owing to the trading of Noticee(s) No. 2, 3 and 4. It appears the trading by other Noticees in the scrip after purchase of shares by Noticee 1 was an eyewash and an attempt to buy the argument that their trading was not specifically meant to benefit Noticee 1. I have studied the trading pattern of Noticees and observed that Noticee(s) No. 2 & 3 have not dealt in any scrip the way they had dealt in TCP. Trading of Noticee(s) No. 2 & 3 suggest that they both are long term investor. Trading by Noticee(s) No. 2 & 3 in the scrip TCP was completely unnatural as it was not in conformity with their trading pattern.

14. It was imperative to understand the role of Noticee No. 4 in this entire scheme as per records available before me, he was not directly connected to other three Noticees except for the fact that he admitted that he know few friends of Noticee No. 1. Hence I had studied the trading pattern of Noticee No. 4 and observed that he was actively dealing in securities market during

IP. He seems to be a day trader where he appears to be doing jobbing (taking a position in the morning and by end of the day reversing that position). During April 01, 2013- March 31, 2014, I have observed that similar to his pattern of putting order of 1-1 share in the scrip of TCP, similar trading was done on other scrips as well as. In his trading in other scrips, Noticee No. 4 had squared off his entire position and only 3 trades lead to delivery. However it is interesting to note that he didn't attempted to reverse his open position on any occasion during his trading in TCP, which is quite unlikely for a day trader and against the normal trading pattern of Noticee 4. The time gap between orders (noticee 2, 3 and 4) was very less, largely in the range of 20 seconds to 2 minutes which quite unlikely in case of scrip not trading from last four months. The buy and sale order quantity and price was always the same for all the trades of noticee 2, 3 and 4. The trading pattern of noticee 2, 3 and 4 shows meeting of minds elsewhere and these three have acted in tandem to manipulate the price of the scrip. I am inclined to believe that the trades of these three noticees were not genuine and they all acted as per the scheme.

15. Noticee 1 has argued that it is beyond comprehension how the trade by other Noticees in such a microscopic quantity of shares can have any impact on the price of the scrip. I don't agree as the details mentioned above clearly demonstrate how trading of Noticee(s) No. 2, 3 and 4 had brought the price of the scrip down by Rs. 131.2 /- (explanation on para 31) by trading in the small quantity.
16. Noticee 2 & 3 has argued that how miniscule percentage has been responsible for the price movement in the scrip and specially when an almost equal quantity has been bought and sold, how could there be a steady downward slide in the price of the scrip during the period In this regard I note that Noticee(s) No. 2 & 3 were putting both buy and sell order at the lower circuit and since there were no traders involved, hence price had witnessed steady downward slide.
17. Noticee(s) No. 2 & 3 had denied any relationship of them with Noticee 1 except that Noticee 2 is the executive director the company of which Noticee 1 is the Promoter. I do not agree with this as Annual report of TCP mention the names of Noticee 1 and Noticee 2 as part of management of TCP and I also note that Noticee No. 2 reports to Noticee No. 1 who happens to be Chairman cum Managing Director of the company. Also as Noticee No. 2 has admitted that trades done in the name of Noticee No. 3 were done by him only, therefore there was a clear relationship between Noticee 2 & 3 with Noticee 1. Also I note that all actions of Noticee 2 & 3 in this matter has directly benefitted Noticee No. 1 only, hence this relationship is substantiated.
18. It is interesting to note here that Noticee No. 2 in his statement before SEBI IVD had stated that he was aware of the fact that there is going to be inter-se transfer of shares between promoters (Noticee No. and Mr. E Shanmugam). Noticee No. 2 acted upon this inside information and despite this did not make any money by trading (on his and his wife's behalf) in the shares of TCP and on the contrary they both suffered loss. Trades of these Noticees were contradictory, either they were buying shares on one day and on another day they were selling the share. No person of normal prudence would sell his shares at the lowest possible price continuously unless he has manipulative intent.

19. Here I rely on the Supreme court Judgment in the **SEBI v/s Kishore Ajmera** matter wherein Hon'ble Court has held that

*“While the screen based trading system keeps the identity of the parties anonymous it will be too naive to rest the final conclusions on said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned”.*

20. I do not find merit in the submissions made by the Noticee(s) No. 1, 2, 3 and 4 in view of the fact that the Noticees accounted for 69.43% of the buy volume in NSE during the Patch I which is a substantial quantity and the same got created due to the buy and sale orders of the Noticees at lowest possible price than the LTP thus contributing to the unusual low price in the scrip. I note the trades done by Noticee(s) No. 2, 3 and 4 were not genuine trades and those were executed with the sole intent of pulling down the price of the scrip so that Noticee No. 1 can buy shares from Mr E Shanmugam at the reduced price.

21. It may be relevant to refer to the observations of the **Hon'ble Securities Appellate Tribunal (SAT) in its order dated July 14, 2006 in Ketan Parekh Vs. SEBI**, wherein it was held that :

*“Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal.*

22. Therefore I conclude there was meeting of minds among Noticees 1, 2, 3 and 4 and they had devised a scheme to misuse the stock exchange trading platform to manipulate the price of the TCP Shares.

23. In view of above facts and circumstances of the case, it is established that the Noticee(s) No. 2, 3 and 4 have depressed the price of the scrip by placing of the orders in a manipulative manner to facilitate Noticee No. 1 to purchase the shares of TCP at discount. Therefore, I conclude that the trades done by the Noticee(s) No. 1, 2, 3 and 4 are in violation of Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d) read with Regulations 4(1) 4(2) (a) (e) of PFUTP Regulations, thus, liable for monetary penalty.

**Issue I (b): Whether Noticee(s) No. 1 and 2 have violated Schedule I, Part A of the PIT Regulations, 1992 to be read with Regulation 12 of PIT Regulations, 2015?**

**Relevant provisions of PIT Regulation:**

**SCHEDULE I [Under regulation 12(1)] Code of internal procedures and conduct for listed companies and other entities.**

**12. (1) all listed companies and organizations associated with securities markets**

**PART A MODEL CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING FOR LISTED COMPANIES**

**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 t h e s e c u r i t i e s are a c t u a l l y allotted.]*

#### **Relevant Provisions of PIT Regulations, 2015**

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

*(2) Notwithstanding such repeal,—*

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

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

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

#### **Noticee(s) No. 1 & 2:**

24. I note that Noticee No. 1 had sold 13,08,800 shares in January 2014 within a period of six months for which he had sought waiver for his transactions of 13,08,300 shares to M/s Thiruvalluvar Textiles Pvt. Ltd from TCP, the same was granted by the company. There was an allegation that Noticee No. 1 had not taken pre-clearance for opposite transactions executed within 6 months for 500 shares in January 2014, 200 shares in July 2014 and 214 shares in August 2014. Noticee No. 2 has sold 3 shares within 6 months of its purchase and had not taken any approval in this regard from the company.

25. I don't find any merit in the contention of the Noticee 1 & 2 that the Model Conduct of Conduct for Prevention of Insider Trading" adopted by TCP has mandated that pre clearance is require only for the transaction where value involve is 10 lakhs or more or series of transactions over a quarter, aggregating to Rs. 10 lakhs". It is clearly mentioned in the model code of conduct that promoters and directors of the company cannot enter into opposite transactions within 6 months without approval. It is irrelevant to quote the pre clearance limit in the matter. Pre clearance Limit is applicable for the routine buy/sale ,however opposite transaction within 6 months by promoter/director require prior approval as it was taken by Noticee 1 while disposing of 13,08,300 shares. I found him guilty of entering into opposite transactions as stated above.

26. I note that Noticee(s) No. 1 and 2 being the "Managing Director and Executive Director respectively of TCP have violated Schedule I, Part A of the PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015 and thus liable for monetary penalty.

27. Here, it is important to refer to the observation of the Hon'ble Supreme Court of India in the matter of **SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC)** wherein it was held that:

*"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant..."*

**Issue II: Does the violations, if any, attract monetary penalty under section 15HA of SEBI Act, 1992 by Noticees (s) No. 1,2,3 and 4 and under Section 15 HB of SEBI Act, 1992 by Noticee (s) No. 1 and 2?**

28. I note the provisions of Section 15HA and Section 15HB of SEBI Act (as existed during the period of violation) as applicable to the facts and circumstances of the case read as under:

***Penalty for fraudulent and unfair trade practices***

**15HA.** *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.*

***Penalty for contravention where no separate penalty has been provided.***

**15HB.** *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees."*

29. Since, the violations against the Noticees has been established, therefore, I am of the view that monetary penalty should be levied under Section 15 HA of the SEBI Act on Noticee(s) No. 1, 2 3 and 4 and under Section 15HB of SEBI Act on Noticee(s) No. 1 and 2.

**Issue III: If so, what should be the quantum of monetary penalty?**

30. While determining the quantum of penalty under Sections 15HA and Section 15HB of SEBI Act, 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.*

31. It is clear that the activities undertaken by these Noticees were done to provide direct benefit to Noticee 1 in acquiring shares from another promoter at the reduced price. I am inclined to consider the benefit derived to Noticee No. 1 by this scheme of arrangement, Had Noticee No. 2 , 3 and 4 not have traded in the scrip of TCP before and along with Noticee 1, price of the TCP would have been 454.65 as this was the last traded price and on the days when

trading happened in the scrip of TCP, one of the Noticee was involved either buyer or seller and most of the time trades were executed between any two of the Noticees (during August 08, 2013- August 21, 2013). I note that Noticee No.1 had acquired 10, 24,503 shares during August 16, 2013- August 21, 2013 at the average price of Rs 323.451 which means the benefit to Noticee 1 was :

**(Number of shares purchased \*Last traded price) – (Number of shares purchased \*Average purchase price)**

**(10, 24,503\*454.65)- (10, 24,503\*323.45)**  
**= Rs 13, 44, 14,793.**

32. SEBI has been entrusted with the important mandate of protecting the investors and safeguarding the integrity of the securities market. In this regard, necessary powers have been conferred upon it under the securities laws. It is therefore, necessary that SEBI exercises these powers firmly and effectively to insulate the market and its investors from the fraudulent actions of any of the participants in the securities markets. A basic premise that underlines the integrity of securities market is that persons connected with securities market conform to standards of transparency, good governance and ethical behavior prescribed in securities laws and do not resort to fraudulent activities

### **ORDER**

33. In view of the above, after considering all the facts and circumstances of the case, the material available on record, the submission made by the Noticees, in exercise of the powers conferred upon me under 15-I of the SEBI Act read with Rule 5 of Rules, I hereby impose a monetary penalty as under :

<b>Sl. No.</b>	<b>Name of the Noticee</b>	<b>Penal Provision under SEBI Act, 1992</b>	<b>Amount of Penalty (Rs.)</b>
1	Mr. V R Venkatchalam	Section 15 HA of SEBI Act, 1992	Rs. 15,00,000,00/- (Rupees Fifteen Crores only)
		Section 15HB of SEBI Act, 1992	Rs. 3,00,000/- (Rupees Three Lakhs only)
2	Mr. V Rajasekharan	Section 15 HA of SEBI Act, 1992	Rs. 1,00,000,00/- (Rupees One Crore only)
		Section 15HB of SEBI Act, 1992	Rs. 3,00,000/- (Rupees Three Lakhs only)
3	Ms. Rajasekharan Devaki	Section 15 HA of SEBI Act, 1992	Rs. 1,00,000,00 (Rupees One Crore only)
4	Mr Srivatsan P		Rs. 1,00,000,00/- (Rupees One Crore only)

34. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through e-payment facility into Bank Account the details of which are given below:

**Account No. for remittance of penalties levied by Adjudication Officer**

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

35. The Noticees shall forward said Demand Draft or the details/confirmation of penalty so paid through e-payment to the Deputy General Manager (Enforcement Department - DRA- II) of SEBI. The format for forwarding details/confirmations of e-payments shall be made in the following tabulated form as provided in SEBI Circular No. SEBI/HO/GSD/T&A/CIR/P/2017/42 dated May 16, 2017 and details of such payment shall be intimated at e-mail ID- [tad@sebi.gov.in](mailto:tad@sebi.gov.in):

Date	
Department of SEBI	
Name of Intermediary/other Entity	
Type of Intermediary	
SEBI Registration Number (if any)	
PAN	
Amount (in Rs.)	
Purpose of payment (including the period for which payment was made e.g Quarterly, annually)	
Bank Name and Account Number from which payment is remitted	
UTR No	

36. 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: January 31, 2018**  
**Place: Mumbai**

**SAHIL MALIK**  
**ADJUDICATING OFFICER**