

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/KS/VC/2020-21/8464)

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

In respect of:

Mr. Sidharth Iyer

(Earlier known as Sidharth CA)

(PAN: CRAPS1970C)

In the matter of:

Kavveri Telecom Products Limited

FACTS OF THE CASE

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

2. Based on the findings of the investigation, SEBI initiated adjudication proceedings against Kavveri Telecom Products Ltd., Mr. C S Reddy, Ms. R H Kasturi, Mr. L Nicholas, Ms. Uma Reddy and Mr. Sidharth Iyer (hereinafter referred to as '**Noticee**') for the violations, as applicable, of the provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as '**PIT Regulations, 1992**') and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. In this regard, it is alleged that the Noticee had failed to close the trading window during the existence of Unpublished Price Sensitive Information (**UPSI**). Further, the Noticee had allegedly granted pre-clearance for trades done during the period of existence of UPSI against the provisions of Model Code of Conduct, as mentioned under Part A of Schedule I of PIT Regulations, 1992. Thus, the Noticee, under the overall supervision of the Board of Directors of KTPL, had failed to ensure compliance with Code of Conduct. Therefore, it is alleged that the Noticee has violated the provisions of Regulation 13(6) and Clause 1.2 of Part A of Schedule I read with Regulation 12(1) of PIT Regulations, 1992.

APPOINTMENT OF ADJUDICATING OFFICER

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

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

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING:

4. A Common Show Cause Notice ref. SEBI/HO/EAD-8/JS/DJ/OW/P/22414/2017 dated September 15, 2017 (hereinafter referred to as '**SCN**') was issued to the Noticee 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 Noticee and penalty, if any, be not imposed on it under the provisions of Section 15HB of the SEBI Act for the alleged violations of PIT Regulations, 1992, committed by the Noticee.

5. It was alleged in the SCN that:

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

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

(ii) *The relevant corporate announcements made by KTPL during the investigation period are as follows:*

S. No.	Date & Time	Announcement	Price Impact/Shares Traded	Remarks

1	27-Aug-2012 19:32 hrs (Monday)	<p>Kavveri Telecom Products Ltd. Informed BSE that a meeting of the Board of Directors of the Company will be held on September 05, 2012, inter alia, for considering the following items:</p> <p>1. The Notice of the AGM proposed to be held on September 29, 2012.</p> <p>2. Directors Report for the year ended March 31, 2012 and other related reports forming part of Annual Report for the year ended March 31, 2012.</p> <p>3. To consider the closure of the Register of Members and the Share Transfer Books and;</p> <p>4. To consider and approve the proposal for merger of Kavveri Telecom Infrastructure Limited with Kavveri Telecom Products Limited</p>	<p>27-Aug-2012 (Monday)</p> <table border="1"> <tr> <th>Exch.</th><th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>NSE</td><td>227.9</td><td>238.7</td><td>225.25</td><td>236.3</td></tr> <tr> <td>BSE</td><td>229</td><td>239.1</td><td>225</td><td>236.45</td></tr> </table> <p>No. of shares traded: 25173 (NSE) 33572 (BSE)</p> <p>28-Aug-2012 (Tuesday)</p> <table border="1"> <tr> <th>Exch.</th><th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>NSE</td><td>255</td><td>255</td><td>226.3</td><td>229</td></tr> <tr> <td>BSE</td><td>239.25</td><td>239.25</td><td>226.15</td><td>229.25</td></tr> </table> <p>No. of shares traded: 153944 (NSE) 186381 (BSE)</p>	Exch.	O	H	L	C	NSE	227.9	238.7	225.25	236.3	BSE	229	239.1	225	236.45	Exch.	O	H	L	C	NSE	255	255	226.3	229	BSE	239.25	239.25	226.15	229.25	<p>On 28.08.12, at NSE, the scrip opened at 7.33% higher than the previous day closing price and closed at 3.09% lower than the previous day closing price.</p> <p>At BSE, the scrip opened at 1.18% higher than previous day closing price and closed at 3.05% lower than the previous day closing price.</p>
Exch.	O	H	L	C																														
NSE	227.9	238.7	225.25	236.3																														
BSE	229	239.1	225	236.45																														
Exch.	O	H	L	C																														
NSE	255	255	226.3	229																														
BSE	239.25	239.25	226.15	229.25																														
2	05-Sep-2012 15:01 hrs (Wednesday)	<p>The BOD of KTPL in their meeting held on September 05, 2012 have considered and approved the scheme of</p>	<p>04-Sep-2012 (Tuesday)</p> <table border="1"> <tr> <th>Exch.</th><th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>NSE</td><td>223</td><td>224.45</td><td>220</td><td>220</td></tr> <tr> <td>BSE</td><td>223</td><td>223</td><td>219</td><td>221.8</td></tr> </table> <p>No. of shares traded : 18962 (NSE) 25551 (BSE)</p>	Exch.	O	H	L	C	NSE	223	224.45	220	220	BSE	223	223	219	221.8	<p>On 05.09.12, at NSE, the scrip opened at 1.54% higher than the previous day closing price and closed at 2.05% lower than the previous day closing price.</p>															
Exch.	O	H	L	C																														
NSE	223	224.45	220	220																														
BSE	223	223	219	221.8																														

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

				4.98% lower than the previous day closing price.
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(iii) From the above table, it is seen that while the announcement made on August 27, 2012 had a positive impact on the price of the scrip, the announcements made on September 05, 2012 and November 05, 2012 had a negative impact on the price of the scrip.

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

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

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

Price Sensitive Information (PSI):

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

PSI -1 Proposal of merger of KTI with KTPL

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

Date	Event
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14.08.2012	<i>In the Board meeting of KTI, an idea to merge KTI with KTPL was floated and discussed. Shri C. S.Reddy, Ms. Kasturi and Shri L. R. Venugopal, Directors of KTI attended the said meeting. Incidentally, the above three individuals were also on the Board of KTPL.</i>
26.08.2012	<i>Company Secretary in consultation with Shri C. S. Reddy initiated preparation of the agenda for the KTPL Board meeting scheduled on September 05, 2012, which included the proposal for merger of KTI with KTPL.</i>
27.08.2012	<i>Agenda for the KTPL Board meeting finalised. KTPL intimated BSE at 19:32 hrs on the same day, i.e. August 27, 2012 that "a meeting of BoDs of KTPL will be held on September 05, 2012 to consider and approve the proposal for merger of KTI with KTPL". The trading window was closed from August 28, 2012 to September 06, 2012.</i>
04.09.2012	<i>Agenda circulated to the Board Members.</i>
05.09.2012	<i>KTPL convened Board Meeting at 11.00 am and disclosed to the Exchange at 15:01 hrs on the same day that the BoD of KTPL have considered and approved the scheme of amalgamation for merger of KTI with KTPL.</i>
28.08.2012 to 10.09.2012	<i>The price of KTPL moved from a close of Rs.229.25 on August 28, 2012 to a low of Rs.150 on September 10, 2012 i.e., registered a fall by 34.56% in 11 trading days on BSE. Similar movement in the price of the scrip was observed on NSE.</i>

- (vii) *From the chronology of events tabulated above, the PSI came into existence on August 26, 2012 when the Company Secretary in consultation with Shri C. S. Reddy, initiated preparation of the agenda for the KTPL Board meeting scheduled on September 05, 2012, which included the proposal for the merger of KTI with KTPL.*
- (viii) *KTPL informed BSE on September 05, 2012 at 15:01 hrs that its Board of Directors in the meeting held on September 05, 2012 had considered and approved the scheme of amalgamation for the merger of KTI with KTPL. Therefore, the PS I regarding the said merger became public on September 05, 2012 at 15:01 hrs.*

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

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

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

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

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

(xi) From the chronology of events tabulated above, it is seen that the advice from the legal advisor Mr B. S. Sivaji was received on October 22, 2012. On November 02, 2012 Mr C.S. Reddy, Promoter / Managing Director of KTPL decided to convene Board Meeting on November 05, 2012. Subsequently, as submitted by KTPL, the agenda for the November 05, 2012 Board Meeting was finalized on November 04, 2012, which included the proposal for cancellation of merger, and circulated on November 05, 2012.

- (xii) *Considering the fact that the decision to convene the Board Meeting was taken on November 02, 2012, the PSI for the cancellation of merger came into existence on November 02, 2012.*
- (xiii) *KTPL made an announcement at 11:10 hrs of November 05, 2012 on BSE with respect to the cancellation of merger proposal of KTI with KTPL (Annexure I). Therefore, the PSI for cancellation of merger became public on November 05, 2012 at 11:10 hrs.*
- (xiv) *The period during which the information remained unpublished PSI was November 02, 2012 to November 05, 2012 at 11:10 hrs.*
- (xv) *KTPL informed that the trading window was not closed for the above PSI.*
- (xvi) *The agenda for the Board Meeting of September 05, 2012 was circulated on September 04, 2012 to all the Board Members while for the BoD meeting dated November 05, 2012 agenda papers were circulated during the meeting. Further, the agenda papers were prepared by the Company Secretary, Mr Sidharth C.A., in consultation with Mr C.S.Reddy. Hence all the Directors of the Company and Company Secretary Mr Sidharth C.A, were in possession of the UPSI regarding merger proposal which was discussed in the Board Meeting held on September 05, 2012, while Mr C. S. Reddy and Mr Sidharth C.A were in possession of the UPSI for cancellation of merger proposal which was discussed in the Board Meeting held on November 05, 2012.*

Trading Pattern Analysis:

- (xvii) *It is observed that during the period of investigation, only Mr C. S. Reddy and Ms. R. H. Kasturi had traded in the scrip of KTPL. Mr C. S. Reddy had sold shares of the scrip during the investigation period. Further, both Mr C. S. Reddy and Ms R.*

H. Kasturi did not trade in the scrip during the period August 01, 2012- September 04, 2012 in the scrip of KTPL.

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

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

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

- a. On September 05, 2012, i.e., during the period of UPSI - I, Mr C. S. Reddy transferred 50000 shares of KTPL to Ms R. H. Kasturi through off market transaction. Ms R. H. Kasturi further sold these shares on market on the same day.*
- b. As mentioned earlier, the UPS I -1 was in existence from August 26, 2012 till September 05, 2012. Since the trades of Mr C.S. Reddy & Ms R. H. Kasturi took place on September 05, 2012.*
 - As submitted by the Depository Participant - Way2Wealth Broker Pvt. Ltd., it is seen that Mr C. S. Reddy transferred 50000 shares through off market to Ms R H Kasturi by submitting transfer request at 11:30 am on September*

05, 2012 i.e., prior to dissemination of information on merger of KTI with KTPL at 3.00 pm. This transfer was executed at 5:00 pm. on the same day.

- Ms R. H. Kasturi placed sell orders on September 05, 2012 for 20,000 shares from 9:36:28 hrs on BSE till 14:52 hrs and for 30,000 shares from 9:15 hrs on NSE till 14:53 hrs through BGSE Financials Ltd.
- The Board meeting on September 05, 2012 commenced at 11:00 hrs and the announcement regarding the merger of KTI with KTPL was made at 15:01 hrs on September 05, 2012.
- Thus, it is clear that both Mr C. S. Reddy and Ms R. H. Kasturi have traded in the shares of KTPL while in possession of the Price Sensitive Information before it was disseminated to the public.

(xx) Both these entities had obtained pre-clearance for their trades from the Company except in the following instances-

- a. On September 05, 2012, there is an off market transfer of 50000 shares by Mr C. S. Reddy to Ms R. H. Kasturi.
- b. On the same day, Ms R. H. Kasturi sold 50000 shares on market.
- c. On September 06, 2012, Mr C. S. Reddy sold a total of 59213 shares of KTPL on BSE & NSE.
- d. These transactions were carried out during the window closure period for the first UPSI i.e. August 28, 2012 to September 06, 2012.

(xxi) As per Clause 3.2-2 of the Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of SEBI (PIT) Regulations, 1992, (here after Model Code of Conduct), "when the trading window is closed, the employees/ directors shall not trade in the Company's securities in such period".

(xxii) Further, Clause 3.2-5 of the Model Code of Conduct states that "All directors/ officers/ designated employees of the Company shall conduct all their dealings in

the securities of the Company only in a valid trading window and shall not deal in any transaction involving the purchase or sale of the company's securities during the periods when trading window is closed, as referred to in para 3.2.3 or during any other period as may be specified by the Company from time to time".

- (xxiii) *Since the above mentioned transactions were carried out during the trading window period by Mr C. S. Reddy and Ms R. H. Kasturi, both of these entities have alleged to have violated Clauses 3.2-2 and 3.2-5 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of SEBI (PIT) Regulations, 1992.*
- (xxiv) *Further, it is observed from the submissions made by the Company that no pre-clearance was sought for the off market transfer of 50000 shares by Mr C. S. Reddy to Ms R. H. Kasturi on September 05, 2012. Thus, it is also alleged that both Mr C. S. Reddy and Ms R. H. Kasturi have violated Clause 3.3-1 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of SEBI (PIT) Regulations, 1992.*
- (xxv) *Again on September 25, 2012, there was an off market transfer of 84800 shares by Mr C. S. Reddy to Ms R. H. Kasturi. It is observed that pre-clearance for off market transfer of 84800 shares was not sought since it was not applicable as the transaction was a gift from husband to wife.*
- (xxvi) *As per Clause 3.3-1 of the Model Code of Conduct, "All directors/ officers/ designated employees of the company (and their dependents as defined by the company) who intend to deal in the securities of the company (above a minimum threshold limit to be decided by the company) should pre-clear the transaction as per the pre-dealing procedure as described hereunder".*

- (xxvii) *As per the Code of Conduct adopted by KTPL, for pre-clearance of deals in securities, "In case of Directors, pre-dealing approval would be necessary in respect of every deal."*
- (xxviii) *Since the above mentioned off market transfer of 84800 shares was carried out without obtaining pre-clearance from KTPL, both Mr C. S. Reddy and Ms R. H. Kasturi being directors of KTPL, have violated Clause 3.3-1 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of SEBI (PIT) Regulations, 1992.*
- (xxix) *Further, as per Clause 4.2 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of SEBI (PIT) Regulations, 1992, "All directors/ officers/ designated employees who buy or sell any number of shares of the company shall not enter into an opposite transaction, i.e. sell or buy any number of shares during the next six months following the prior transaction".*
- (xxx) *From the trades of Ms R. H. Kasturi, it is observed that she received 50000 shares in an off market transaction from Mr C. S. Reddy on September 05, 2012 which were sold by her on market on the same day. Again, on September 25, 2012, she received 84800 shares from Mr C. S. Reddy through off market. All these three transactions, which were opposite in nature, were carried out within a duration of six months. Thus, Ms R. H. Kasturi, by entering into opposite transactions within a duration of six months, has violated Clause 4.2 of Model Code of Conduct contained in Schedule I, Part A, r/w Regulation 12(1) of SEBI (PIT) Regulations, 1992.*
- (xxxi) *Further, it was also the responsibility of the Compliance Officer to monitor adherence to the rules including those for pre-clearance of trades and also to monitor the trades carried out by the Directors during the window closure period*

from August 28, 2012 to September 06, 2012 for PSI -1 and subsequent off market transfer of 84800 shares between the Directors.

(xxxii) Also, KTPL did not close the trading window during the PSI - II. It was the Compliance Officer's responsibility to ensure closure of the trading window in terms of the Code of Conduct for Prevention of Insider Trading adopted by the Company.

(xxxiii) Thus, the Compliance Officer of KTPL, Mr Sidharth C.A. under the overall supervision of the Board has failed to ensure compliance of code of conduct adopted by KTPL on January 23, 2009 in violation of Clause 1.2 of Part A of Schedule I, r/w Regulation 12(1) of SEBI (PIT) Regulation, 1992.

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

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

Particular	Quarter ended March 2012		Quarter ended June 2012		Quarter ended Sept. 2012		Quarter ended Dec. 2012	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Shivakumar Reddy	23,56,704	11.71	23,56,704	11.71	19,28,677	9.58	17,98,399	8.93
Kasturi	23,63,769	11.74	26,63,769	11.74	18,48,569	9.19	18,55,777	9.22
Uma Reddy	17,50,100	8.7	17,50,100	8.7	17,50,100	8.7	17,50,100	8.7
Total Promoter Holding	64,70,573	32.15	64,70,573	32.15	55,27,346	27.47	54,04,276	26.85
Total Share Capital	201,24,260	100.00	201,24,260	100.00	201,24,260	100.00	201,24,260	100.00

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

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

(xxxvi) From the above table, it is observed that there is a reduction of 5,58,305 shares in the shareholding of Mr C. S. Reddy (i.e.,2.77%) from quarter ending June 2012 to December 2012. It is also observed that for the same period, there is also a reduction of 5,07,992 shares in the shareholding of Ms. R. H. Kasturi (i.e. 2.53%). Shareholding of Ms.Uma Reddy C remained constant during this period.

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

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

Sr. No	Date of transaction	No. of shares	Type of Transaction	Total share holding	% of shares held	Disci		Type of Disci
						Company	SE	
1	14-Jul-12	3,50,000	Pledge in favour of Karjat Trade Place Pvt. Ltd	NA	NA	not disci	not disci	*
2	19-Jul-12	20,505	Pledge in favour of Axis Bank	NA	NA	not disci	not disci	*
3	05-Sep-12	50000	Off market transfer to R. H. Kasturi	2306704	11.46	not disci	not disci	#
4	06-Sep-12	59213	Sell	2247491	11.17	Disci	not disci	#
5	07-Sep-12	134014	Sell	2113477	10.5	Disci	not disci	#
6	21-Sep-12	100000	Invocation of pledge - ACG Associated Capsules Pvt Ltd	2013477	10.01	not disci	not disci	*
7	25-Sep-12	84800	Off market transfer to R. H. Kasturi	1928677	9.58	not disci	not disci	

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

(xxxix) Mr C. S. Reddy, who was promoter as well as Managing Director of KTPL, did not file all the disclosures with the Company. Mr C. S. Reddy has submitted that these disclosures were filed only with the Company and not filed with the Exchanges. Further, KTPL has vide letter dated December 20, 2013 submitted that it did not file any disclosures under the respective Regulations of SEBI (SAST) Regulations, and SEBI (PIT) Regulations, 1992 during the period June 01, 2012 to December 31, as indicated in the above table.

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

Sr. No.	Date of transaction	No. of shares	Type of Transaction	Total share holding	% of shares held	Disci		Type of Disci
						Company	SE	
1	14-Jul-12	2,50,000	Pledge in Favour of Karjat Trade Place Pvt. Ltd	NA	NA	not disci	not disci	*
2	05-Sep-12	50000	Off-market transfer from C. S. Reddy	2413769	12	not disci	not disci	#
3	05-Sep-12	50000	Sell	2363769	11.75	disci	not disci	#
4	21-Sep-12	600000	Invocation of pledge - ACG Associated Capsules Pvt Ltd	1763769	8.76	not disci	not disci	
5	25-Sep-12	84800	Off-market transfer from C. S. Reddy	1848569	9.19	not disci	not disci	#
6	26-Sep-12	84800	Pledge in favour of Axis bank	NA	NA	not disci	not disci	*

7	15-Nov-12	361658	Offmarket transfer from ACG Capsules Pvt Ltd	2210227	10.98	disci	not disci	
8	16-Nov-12	19200	Sell	2191027	10.89	disci	not disci	#
9	19-Nov-12	15500	Sell	2175527	10.81	disci	not disci	#
10	20-Nov-12	30000	Sell	2145527	10.66	disci	not disci	•
11	21-Nov-12	10000	Sell	2135527	10.61	disci	not disci	#
12	23-Nov-12	100000	Off-market transfer to C. S. Reddy	2035527	10.11	disci	not disci	#
13	26-Nov-12	2150	Sell	2033377	10.1	disci	not disci	#
14	27-Nov-12	54400	Offmarket transfer to Thyagaraja Babu	1978977	9.83	not disci	not disci	#
15	27-Nov-12	54400	Offmarket transfer to Patil Kumar	1924577	9.56	not disci	not disci	#
16	27-Nov-12	14400	Offmarket transfer to Ramakrishna	1910177	9.49	not disci	not disci	#
17	29-Nov-12	95878	Off-market transfer from C. S. Reddy	2006055	9.97	not disci	not disci	#
18	29-Nov-12	41478	Offmarket transfer to Ramakrishna	1964577	9.76	not disci	not disci	#
19	29-Nov-12	54400	Offmarket transfer to Muniraju	1910177	9.49	not disci	not disci	#
20	29-Nov-12	54400	Offmarket transfer to Naveen	1855777	9.22	not disci	not disci	#
* 31 (1), (2) & (3) of SEBI @ 29(2) & (3) of SEBI(SAS'			(SAST) Reg., 2011 0 Reg., 2011	# 13 (3), 13(4), 13(4A) r/w 13(5) ol (PIT) Regulation, 1992.				SEBI

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

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

(xliii) Further, KTPL was required to disclose to the Stock Exchanges, within two working days, wherever the information was received from its Directors/

Promoters. However, the Company has also not filed any disclosure as per Regulation 13(6) of SEBI (PIT) Regulations, 1992.

6. The Noticee, vide letter dated December 04, 2017, made a brief submission wherein the Noticee submitted as follows:

(i) During my tenure as a Company Secretary, I had worked on behest of its Promoters and the Management.

(ii) Based on the information received from the Company, I understand that the Company and its promoters have approached SEBI for a settlement order.

I request you to let me know if I need to make any additional submissions/representations.

7. I note that subsequent to the issuance of the SCN, the entities other than the Noticee filed a common application for settlement of adjudication proceedings against them. The said settlement application was rejected by SEBI on September 16, 2019.

8. Thereafter, vide letter dated January 04, 2018, the Noticee was advised to submit his reply to the SCN. Further, in terms of principles of natural justice, the Noticee was also provided with an opportunity of personal hearing on January 22, 2018. The Noticee, vide Email dated January 19, 2018, submitted his reply to the SCN wherein he raised the following contentions:

(i) I wish to state here that the above-mentioned promoters neither approached me for any pre-clearance as per the format provided in the Code of Conduct of Kaweri Telecom Products Limited nor have I provided any letter of intimation of pre-clearance in form III.

- (ii) *In the absence of the written disclosure (as per prescribed format), to be made by the specified persons, there is no possibility of issuance of pre-clearance and the subsequent disclosure of pre-approved transactions in Form V by the specified persons the Compliance Officer.*
- (iii) *Sub-regulation 4A of Regulation 13 r/ w Sub-regulation 5 of Regulation 13 casts a responsibility on the promoter/promoter group to make a disclosure in Form D to the Company and the Stock Exchange with regard to the change in shareholding from the last disclosure. In this regard, there was no such intimation from the promoters Mr. C.S. Reddy and Ms. R.H. Kasturi about the change in their shareholding.*
- (iv) *Hence, the duty cast on the Company to inform the stock exchange in compliance of Regulation 13(6) could not be fulfilled due to lack of information from the promoter and promoter group and I was under the presumption of adherence to the closure of trading window by promoters, directors and officers of the Company.*
- (v) *I refer to para 37 on Page 11 read with paras 16 to 18 on Page 7 of the SCN No SEBI/HO/EAD-8/JS/DJ/OW/P/22419/1/2017 dated September 15, 2017, with regard to PSI -II wherein the details of the Board Meeting for cancellation of merger is provided.*
- (vi) *I was informed by the consultant of the Company (appointed for the purpose of the amalgamation) after office hours on Saturday, the 3rd November 2012 at 7:14 pm on my personal e-mail directing me to inform the BSE about cancellation of the merger proposal.*
- (vii) *Hence, there was no prior intimation to the BSE about a board meeting dated November 05, 2012 and the Trading window closure could not be intimated to the members.*

(viii) *Here, I would like to submit that there were no active trading sessions between Saturday, November 03, 2012 and Monday, November 05, 2012 for a trading window closure to be operative.*

In addition to the information provided above, I wish to place the following facts before you:

- (ix) *Considering my career growth and also the operational challenges, I was facing with the management, I decided to quit from the role of a Company Secretary and Compliance Officer and subsequently, submitted my resignation letter to the Company on December 11, 2012 giving a notice of 30 days as per the offer letter.*
- (x) *I served the Company for the said notice period (Completing a total tenure of around 10 months on the rolls of the Company) but the then Form 32 for my resignation was not filed by the Company post-completion of the notice period, for reasons known to the management. My name continued to appear on the records though I quit the Company thereafter.*
- (xi) *During the end of my official tenure (i.e. my notice period ending on January, 2013), Ms. Anupama K was appointed as the Company Secretary and Compliance Officer of the Company (towards the end of January 2013). However, a statutory filing with the Ministry of Corporate Affairs (MCA) vide the then Form 32 (which intimates the MCA about any change, whether appointment or resignation or re designation) was not filed. This eventually resulted in my name being retained in the records of the Company, To this effect, I had written a letter addressing to all the Stock Exchanges on which the Company was listed, the Registrar of Companies(ROC), Karnataka and the Institute of Company Secretaries of India (ICSI), Bangalore Chapter intimating my resignation from the Company.*

- (xii) *From the end of January 2013, as Form 32 was not filed by the Company, neither was I in a position to apply for a job nor was I able to start my practice as a Company Secretary. On repeated follow-up with the Company, for filing of Form 32 to thereby relieve me and give effect to my resignation, I was called by the Management to furnish a fresh letter of resignation on May 24, 2013 which was submitted by me. A reference to my initial resignation letter was given in the said letter of resignation. Subsequently, the form 32 was filed on June 29, 2013.*
- (xiii) *The last drawn salary was for the month of January 2013 which was paid by the Company on February 02, 2013. To this effect, I can furnish my bank statement, if required.*
- (xiv) *The Company had deducted tax at source (TDS) from my salary every month but the same was not deposited with the government (26AS discloses only part payment of TDS) as a result, I received a Demand notice from the Income Tax department for payment of balance amount subsequent to filing my IT returns. I am in communication with the Income Tax Department, but the matter is yet to be resolved. The related documents shall be submitted to your good office, if required.*
- (xv) *On receipt of SEBI notice dated October 30, 2017, I approached the management to get clarity on the facts as it pertains to the financial year 2012- 13 and also to receive the copies of related documents, I was informed by the management about their plans to proceed for settlement. The parties except me, to the adjudicating proceedings approached for a settlement, as was informed to me over an email from Mr. C.S. Reddy dated November 21, 2017 (a copy of the email communication is enclosed for your reference - Annexure IV). Subsequently, I had filed my statement with SEBI vide letter dated December 04, 2017.*

(xvi) *On receipt of SEBI notice dated January 04, 2018, based on which I spoke to Mr. C.S. Reddy and also sent an email requesting for access to information and documents pertaining to my tenure as Company Secretary and Compliance Officer of the Company, I haven't received any information or documents till date.*

9. Subsequently, the Noticee appeared in person for the purpose of personal hearing on January 22, 2018. The Noticee reiterated the submissions made by him vide letter dated January 19, 2018. Further, the Noticee submitted certain documents viz. salary slips, Income Tax assessment order dated January 10, 2015 in support of his submissions. During the course of personal hearing, the Noticee submitted that he had resigned from the company and had requested for copies of certain documents from KTPL to effectively present his case. However, he didn't receive any cooperation from them in this regard. Accordingly, the then AO advised the Noticee to again seek the documents from the Company under intimation to the AO.
10. In this regard, I note that the Noticee, vide Email dated January 24, 2018, submitted a list of documents to KTPL requesting them to provide the said documents to him by January 30, 2018. Subsequently, vide letter dated February 03, 2018, the Noticee informed the then AO that he had not received any document from the Company. Thereafter, the then AO, vide letter dated February 07, 2018 advised the company to submit the following documents to him in terms of Rule 4(6) of Adjudication Rules on or before February 20, 2018.
- The details of the closure of the trading window, including mails sent thereto.
 - Copy of attendance sheet (day by day) of the Noticee for the months September 2012, October 2012 and November 2012.

- Signed copy of the Notice, Agenda and Minutes of the Board Meeting dated September 05, 2012 and November 05, 2012.
- Documents relating to pre-clearance (ref: the forms and papers and detailed in page 77 through 82 of the Code of Conduct sent by SEBI as a part of their SCN dated October 30, 2017).
- Copy of disclosures provided to the Company and the Stock Exchanges as provided under Regulations 13(3) and 13(4A) r/w Regulation 13(5) of PIT Regulations, 1992.

I note that KTPL, vide letter dated February 20, 2018 submitted the following documents:

- A table mentioning dates of meetings of Board of Directors and corresponding to that the period of closure of trading window.
- Copies of the Notice, agenda and minutes of the meeting of Board of Directors dated September 05, 2012 and November 05, 2012.

11. Upon transfer of the case to the undersigned, vide letter dated February 13, 2020, the Noticee was provided with a copy of the said documents. Further, the Noticee was provided with another opportunity of personal hearing on February 24, 2020. I note that the Noticee appeared in person on the said date for personal hearing and reiterated the submissions made by him vide letter dated January 19, 2018. The Noticee also submitted that he had requested for a copies of certain documents to present his case effectively which were not provided by KTPL.

12. Accordingly, a copy of letter dated February 20, 2018 was again served upon KTPL advising it to submit the said documents mentioned therein. I note that KTPL, vide letter dated March 12, 2020 and Email dated May 15, 2020, further submitted the following documents:

- Copy of attendance sheet (day by day) of the Noticee for the months September 2012, October 2012 and November 2012.

CONSIDERATION OF ISSUES AND FINDINGS:

13. I have taken into consideration the facts and circumstances of the case, the material available on record and the submissions made by the Noticee. The issues that arise for consideration in the present case are:

- (a) Whether the Noticee has violated the provisions of Regulation 13(6) of PIT Regulations, 1992?
- (b) Whether the Noticee, by his failure to ensure compliance of code of Conduct adopted by KTPL under the overall supervision of the Board of Directors, has violated the provision of Clause 1.2 of Part A of Schedule I read with Regulation 12(1) of PIT Regulations, 1992?
- (c) Does the violation, if any, attract monetary penalty under Section 15A(b) and Section 15HB of the SEBI Act?
- (d) If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

14. Before moving forward, it is pertinent to refer to the relevant provisions of the PIT Regulations, 1992 which read as under:

PIT Regulations, 1992:

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

12. (1) *All listed companies and organisations associated with securities markets including:*

- (a) the intermediaries as mentioned in section 12 of the Act, asset management company and trustees of mutual funds;*
 - (b) the self-regulatory organisations recognised or authorised by the Board;*
 - (c) the recognised stock exchanges and clearing house or corporations;*
 - (d) the public financial institutions as defined in section 4A of the Companies Act, 1956; and*
 - (e) the professional firms such as auditors, accountancy firms, law firms, analysts, consultants, etc., assisting or advising listed companies,*
- 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.*

Disclosure by company to stock exchanges.

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

SCHEDULE I

PART A

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

1.0 Compliance Officer

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

Explanation: For the purpose of this Schedule, the term ‘designated employee’ shall include:—

- (i) officers comprising the top three tiers of the company management;*
- (ii) the employees designated by the company to whom these trading restrictions shall be applicable, keeping in mind the objectives of this code of conduct.*

a. Whether the Noticee has violated the provisions of Regulation 13(6) of PIT Regulations, 1992?

15. It is alleged that the Noticee, by not making the disclosure to BSE regarding the disclosures made by C S Reddy (hereinafter referred to as ‘**CSR**’/‘**MD**’) and his wife Mrs. R H Kasturi (hereinafter referred to as ‘**Kasturi**’) under Regulations 13(3), 13(4) and 13(4A) of PIT Regulations, 1992 has violated the provisions of Regulation 13(6) of PIT Regulations, 1992.

16. In terms of Regulation 13(6) of PIT Regulations, 1992, every listed company, within two working days of receipt, shall disclose to all stock exchanges on which the company is listed, the information received under sub-regulations (1), (2), (2A), (3), (4) and (4A) in the respective formats specified in Schedule III.

17. Therefore, without going into the merit of allegation, I note that the obligation to make disclosure under this regulation is squarely placed on the listed company. No separate/direct/personal/independent/parallel obligation has been imposed on the compliance officer of the Company and, therefore, the allegation is misconceived.

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

b. Whether the Noticee, by his failure to ensure compliance of code of Conduct adopted by KTPL under the overall supervision of the Board of Directors, has violated the provision of Clause 1.2 of Part A of Schedule I read with Regulation 12(1) of PIT Regulations, 1992?

18. It is observed that there were two periods of Unpublished Price Sensitive Information ('UPSI'). The first period of UPSI ('UPSI-1') was from August 26, 2012 to September 05, 2012 at 15:01 hrs, in respect of the approval of the proposal of merger of Kavveri Telecom Infrastructure Ltd. (hereinafter referred to as 'KTI') with KTPL. The period of trading window closure was from August 28, 2012 to September 06, 2012 for UPSI -1. It was also observed that the directors of KTPL were in possession of UPSI-1 along with the Noticee.

19. The second period of UPSI (**UPSI-2**) was from November 02, 2012 to November 05, 2012 till 11:10 hrs, in respect of the cancellation of the proposal of merger of KTI with KTPL. There was no trading window closure for UPSI-2. It was observed that the Managing Director of KTPL, MD, along with the Noticee was in possession of UPSI-2.

20. I observe that during the period of investigation MD and his wife Ms. Kasturi, who herself also a director in the company, had traded in the scrip of KTPL as below:

Table 1: Trade details of CSR and Kasturi

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

21. As noted earlier, the period of UPSI-1 was from August 26, 2012 till September 05, 2012 at 15:01 hrs and the trading window was closed from August 28, 2012 to September 06, 2012. Further, along with others, both MD and Kasturi were

also in possession of UPSI at the said time. However, I note that both CSR and Kasturi had traded in the scrip of KTPL during this period of closure of trading window. Further, KTPL had submitted that both of them had obtained pre-clearance for their respective trades of September 06, 2012 and September 05, 2012. In this regard, it is alleged that the Noticee, despite the fact that there was a closure of trading window, had granted them pre-clearance to trade during the closure of trading window.

22. In this regard, I note that Clause 3.2-2 of the Model Code of Conduct contained in Part A of Schedule I read with Regulation 12(1) of PIT Regulations, 1992, has mandated that - *"when the trading window is closed, the employees/ directors shall not trade in the Company's securities in such period"*. Further, Clause 3.2-5 of the Model Code of Conduct states that *"All directors/ officers/ designated employees of the Company shall conduct all their dealings in the securities of the Company only in a valid trading window and shall not deal in any transaction involving the purchase or sale of the company's securities during the periods when trading window is closed, as referred to in para 3.2.3 or during any other period as may be specified by the Company from time to time."*
23. Further, in terms of Clause 3.3.1 of the Mod Model Code of Conduct contained in Part A of Schedule I read with Regulation 12(1) of PIT Regulations, 1992, it is mandated that *"All directors/officers/designated employees of the company and their dependents as defined by the company] who intend to deal in the securities of the company (above a minimum threshold limit to be decided by the company) should pre-clear the transaction as per the pre-dealing procedure*

as described hereunder.” Further, in terms of Clause 3.3.2 of Model Code of Conduct, the said request for pre-clearance of trades is required to be submitted to the compliance officer. Along with the said request, an undertaking is required to be executed in favour of the company by such designated employee/ director/ officer incorporating, *inter alia*, the following clauses, as may be applicable :

- (a) That the employee/director/officer does not have any access or has not received “Price Sensitive Information” upto the time of signing the undertaking.
- (b) That in case the employee/director/officer has access to or receives “Price Sensitive Information” after the signing of the undertaking but before the execution of the transaction he/she shall inform the Compliance Officer of the change in his position and that he/she would completely refrain from dealing in the securities of the company till the time such information becomes public.

24. In this regard, it is alleged that the Noticee, despite being aware of the fact that the trading window was closed during the period of August 27, 2012 to September 06, 2012, had cleared the requests of CSR and Kasturi for pre-clearance on August 27, 2012. Therefore, it is alleged that the Noticee had failed to ensure compliance of code of conduct of KTPL.

25. In this regard, the Noticee has contended that the MD and Kasturi never approached him for pre-clearance and he had never given them pre-clearance for any trade done by them. I note from the Code of Conduct, as adopted by KTPL, that a designated employee has to submit an application in the format

provided along with the undertaking given therein. Vide the said undertaking, a designated employee is required to declare that he is not in possession of any UPSI. Thereafter, the compliance officer, in terms of Form-III prescribed in the Code of Conduct, would decide to authorize or refuse the said designated employee to undertake the said transactions.

26. In this regard, I note that, vide letter dated February 07, 2018, the then AO advised KTPL to submit documents relating to granting/obtaining of pre-clearance for the abovementioned trades. However, I note that KTPL did not submit the said documents in its reply to the said letter. The only document available on record is a table submitted by KTPL with its letter dated December 20, 2013 showing if pre-clearance was sought for the respective trades and, if obtained, the date of such pre-clearance. The said table is signed by C S Reddy in his capacity as the MD of the Company. Therefore, I note that, other than the submission of KTPL that CSR and Kasturi had obtained pre-clearance for trades, as given in table-1 above and a table given with its reply dated December 20, 2013, signed by CSR, who was one of the persons who traded in the market and the other person is his wife, I find no evidence of any pre-clearance sought for the trades done by MD and Kasturi, leaving aside any pre-clearance granted by the Noticee. Therefore, on the basis of evidences available on record, I am unable to get convinced that the Noticee had granted pre-clearance for the trades, as claimed by CSR and Kasturi.

27. Another allegation against the Noticee is that he had failed to close the trading window during the period when the UPSI-II was in existence. In this regard, I

note that the legal advisor of KTPL, B S Sivaji, vide his letter dated October 22, 2012, had *inter alia* advised KTPL to draw up a new scheme of amalgamation in respect of merger of KTI with KTPL. Thereafter, on November 02, 2012, the MD had decided to convene the meeting of Board of Directors for the approvals in accordance with the above legal advice. Therefore, as per the IR, it is alleged that the UPSI had come into existence on November 02, 2012. Thereafter, KTPL made an announcement at 11.10 hrs. on November 05, 2012 on the stock exchanges with respect to the cancellation of merger proposal of KTI with KTPL. Therefore, UPSI-II period was from November 02, 2012 to November 05, 2012 at 11.10 hrs.

28. In this respect, vide letter dated February 20, 2018, KTPL submitted the details of opening and closing of trading window for the period June 01, 2012 to December 31, 2012. Upon perusal of the said details, I note that, admittedly, KTPL had not closed the trading window at the time when UPSI-II was in existence.
29. I note from the reply dated January 19, 2018 of the Noticee that he had admittedly not closed the trading window during the existence of UPSI-II. However, the Noticee has contended that he was informed about the said UPSI at 07.14 PM on November 03, 2012 by way of an Email from P Murali & Co., Chartered Accountants who had prepared the valuation report of the abovementioned merger of KTI with KTPL, wherein the Noticee was directed to inform BSE about the cancellation of merger proposal.

30. Before further moving further, I would like to discuss the difference between the PIT Regulations, 1992 and SEBI (Prohibition of Insider Trading) Regulations, 2015 in respect of the obligations for closure of trading window. I note that under PIT Regulations, 1992, the decision of closure of trading window is a Board driven process, i.e., in case of any non-routine event, the trigger date to close the trading window has to come from Board of Directors of a Company for the Compliance Officer to close the trading window. However, under SEBI (Prohibition of Insider Trading) Regulations, 2015, the obligation for closure of trading window has now been placed solely on the Compliance Officer wherein the decision to close the trading window has to be taken by the Compliance Officer. Therefore, a duty has been cast upon compliance officer to decide if any designated person is in possession of UPSI and therefore, to close the trading window under SEBI (Prohibition of Insider Trading) Regulations, 2015. However, I note that the present matter is being decided on the basis of legal position as per PIT Regulations, 1992 as the alleged violation had taken place in November 2012.

31. In this regard, I also note the following observations of Hon'ble SAT in its order dated May 15, 2019 in the matter of Piramal Enterprises Ltd. vs. SEBI:

“16. The argument that only the Compliance Officer is responsible for the closure of the trading window since the Board of Directors has an overall responsibility only cannot be accepted. Sale of a division of a company is not a routine matter like adoption of annual accounts or quarterly accounts or other standard disclosures. Sale of a division of PEL is a decision the

PEL has to take as per Clause 3.2.3A of the Model Code and the PEL has to decide the trigger point in such matters. Once, the PEL decides the trigger date then the onus can be passed on to the Compliance Officer. Here there is nothing on record to show that the PEL / Board had taken a decision relating to the trigger and informed the Compliance Officer prior to the Board's decision on May 21, 2010. Thus, there was a failure to abide by the Clause 3.2.1 and 3.2.3(f) of the Model Code of Conduct."

I am of the view that the said observations squarely apply in the present situation. The merger of KTI with KTPL is not a routine event. Therefore, the trigger to close the trading window had to be decided by the Board of Directors of KTPL. In this regard, there is nothing on record to suggest if any intimation was received by the Noticee from Company/Board of Directors mentioning any trigger date for him to close the trading window. Even the communication from P Murali & Co., Chartered Accountants, though not a communication from the Board of Directors, is silent in communicating any trigger date to the Noticee. Therefore, in light of this read with abovementioned observation of Hon'ble SAT, I hold that the primary responsibility in the present matter to decide the trigger date was not fulfilled by the Board of Directors of KTPL.

32. I also note from the IR that there is no allegation of any wrongdoing during the period when trading window was not closed at the time of UPSI-II. I further note that the Noticee was informed about UPSI-II on November 03, 2012 which was a Saturday and therefore, the market was closed on November 03 and 04, 2012. Thereafter, the said UPSI was disclosed on Exchange Platforms at 11.10 AM

on November 05, 2012. Further, I also note that KTPL, in its reply dated February 20, 2018 to the common SCN, has submitted a table showing the instances wherein the trading window was closed during the period of June 01, 2012 to December 31, 2012 as below:

Date of Board meeting/AGM	Closing of Trading Window	Opening of Trading Window	Reason of closure
14.08.2012	06.08.2012	15.08.2012	Financial Results
05.09.2012	28.08.2012	06.09.2012	Merger of KTI and KTPL
29.09.2012	21.09.2012	30.09.2012	Annual General Meeting
15.10.2012	07.10.2012	16.10.2012	Issue of warrants to Directors
14.11.2012	06.11.2012	15.11.2012	Financial Results
26.11.2012	18.11.2012	27.11.2012	Merger of KTI and KTPL

Further, I note from the pay-slips submitted by the Noticee that he had joined KTPL on February 09, 2012. Thereafter, the Noticee had resigned from the Company on December 11, 2012 and left the company in the Month of January 2013. Thus I note that the Noticee was in employment with KTPL roughly for a period of less than one year. Keeping this in view along with the track record of the Noticee regarding closing of trading window for financial as well as non-financial UPSI, I note that the Noticee has demonstrated exercise of due diligence and relevant compliance in regard to closure of trading window. Further, as mentioned elsewhere in this order, I note that KTPL has failed to

fulfill its primary duty to inform the Noticee regarding the trigger date to close the trading window. Therefore, the onus and responsibility on the Noticee would have commenced only after the intimation of such trigger date by KTPL. However, I note from record that no such trigger date was intimated to the Noticee by KTPL enabling the Noticee to perform his duties. Therefore, in light of the observations of Hon'ble SAT in Piramal matter and based on documents and records made available to me, I cannot hold with certainty that the Noticee had not complied with applicable laws.

ORDER

33. After taking into consideration the facts and circumstances of the case, material/facts on record and also the factors mentioned in the preceding paragraphs, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, dispose of the SCN against the Noticee without imposition of any penalty.
34. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee viz. Mr. Sidharth Iyer and also to the Securities and Exchange Board of India.

Place: Mumbai

Date: July 31, 2020

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