

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER No. Order/AN/RG/2024-25/30414**

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

In respect of:
Mr. Rajat Mishra
PAN: GUUPM8688E

**In the matter of insider trading by certain entities in the scrip of Hindustan
Aeronautics Limited**

A. BRIEF BACKGROUND

1. Securities and Exchange Board of India (hereinafter also referred to as '**SEBI**') has initiated Adjudication Proceedings under Section 15-I of the SEBI Act, 1992 in respect of Mr. Rajat Mishra (hereinafter also referred to as "Noticee"/ "You"/ "Entity"), for the alleged violation of Section 11C (2), 11C (3) and 11C (5) of SEBI Act, 1992.

B. APPOINTMENT OF ADJUDICATING OFFICER

2. Whereas, the Competent Authority was prima facie of the view that there were sufficient grounds to adjudicate upon the alleged violation by the Noticee, as stated and therefore, in exercise of the powers conferred under Section 19 of SEBI Act, 1992 read with Section 15-I (1) of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter also referred to as '**SEBI Rules**'), the Competent Authority

appointed the undersigned as Adjudicating Officer ("AO") vide order dated April 30, 2024 to inquire into and adjudicate under Section 15A(a) and 15HB of the SEBI Act, 1992, for the aforesaid alleged violations of the Noticee. The said proceedings of appointment were communicated to the undersigned vide Communique dated April 30, 2024.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

3. A Show Cause Notice no. SEBI/EAD-5/AN/RG/16239/1/2024 dated May 08, 2024 along with annexures ("SCN"), was served upon the Noticee under Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 to show cause as to why an inquiry should not be held and penalty not be imposed upon the Noticee under Section 15A(a) and 15HB of the SEBI Act, 1992, for the violations alleged to have been committed by the Noticee.
4. The following was inter alia observed and /or alleged in the SCN in respect of the Noticee:

" ...

*4. Findings and Observations by SEBI and alleged violations thereto in respect of the Noticee:
Pursuant to the investigation by SEBI, the following was inter-alia observed and alleged in respect of the Noticee:*

- a) The entity failed to furnish information on his trading sought vide email dated January 25, 2024 (Annexure 6), reminder email dated March 01, 2024 (Annexure 8) and summons dated March 13, 2024 (Annexure 11).*
 - b) The entity also failed to appear in person before the Investigating Authority despite receipt of summons dated March 07, 2024 (Annexure 9) and March 13, 2024.*
 - c) The entity failed to appear before IA through video call from Common Investor Service Centre, Lucknow despite given opportunity on March 22, 2024 and March 26, 2024 (Annexure 13 and 14 respectively).*
- Failure to furnish information and failure to appear in person before the Investigating Authority by the entity has hampered the investigation process.*

4.1. On June 08, 2023 (Thursday at 17:06:14 hours), HAL intimated the stock exchanges (BSE & NSE) with regard to the Board Meeting to be held on June 27, 2023 to consider stock split. Pursuant to the aforesaid announcement, the price of the scrip in NSE opened at Rs. 3,609 and closed at Rs. 3732.9 on June 09, 2023 as compared to previous day closed price of Rs. 3,527.40 (price increased by Rs. 205.50 closed to closed).

4.2. As per the chronology of events provided by HAL, the UPSI relating to the Board Meeting to be held on June 27, 2023 to consider stock split started on May 01, 2023. On May 01, 2023, HAL, in its internal discussion had decided to approach MoD and DIPAM with respect to stock split in compliance with DIPAM Guidelines on Capital Restructuring of CPSEs. On May 02, 2023, HAL made a request to MoD with a copy to DIPAM for allowing splitting of one equity share of Rs.10/- each of the company into ten equity of Rs.1/- each. Accordingly, the UPSI period has been taken from May 01, 2023 to June 08, 2023.

4.3. Investigation period had been taken from March 01, 2023 to August 10, 2023 which includes UPSI Period from May 01, 2023 (when HAL first discussed stock split) to June 08, 2023 (date when UPSI was made public on the exchanges' websites). In other words, Pre-UPSI Period from March 01, 2023 to April 30, 2023, UPSI Period from May 01, 2023 to June 08, 2023 and Post UPSI Period from June 09, 2023 to August 10, 2023 is being collectively referred to as the Investigation Period (hereinafter also referred to as "IP").

4.4. Based on trading by the entities during UPSI period, NSE had identified Mr. Rajat Mishra as one of the two suspected entities.

4.5. From the trade logs provided by the exchanges, it was observed that the suspected entity viz. Mr. Rajat Mishra purchased 7,250 shares on June 06, 2023 in the cash segment of NSE during the UPSI period at Rs. 2,46,99,621.45. He sold 100 shares on June 07, 2023 at Rs. 3,49,230 during the UPSI period itself. Further, the entity sold 7,150 shares from June 09, 2023 to June 20, 2023 at total price of Rs. 2,72,81,284/- during the post UPSI period and earned a profit of Rs. 28.90 lakhs.

4.6. Information was also sought from the Company and the suspected entities regarding their connections. Mr. Rajat Mishra has not submitted information sought from him nor appear before Investigating Authority (IA) despite receipt of the summons.

4.7. Mr. Rajat Mishra has failed to furnish basic information about his trading sought vide email dated January 25, 2024, remainder email dated March 01, 2024 and summons dated March 13, 2024. The entity has also failed to appear in person before the IA despite receipt of summons dated March 07, 2024 and March 13, 2024. Instead of furnishing the requisite information, the entity vide email dated March 14, 2024, shared YouTube video link which is irrelevant in the instant investigation. As Mr. Rajat Mishra stated that he will be available for video call anytime, the entity was advised to appear before IA through video call from Common Investor Service Centre (ISC), Lucknow. However, the entity failed to appear before IA through video call from ISC, Lucknow despite given opportunity on March 22, 2024 and March 26, 2024. In response to intimation given to appear before IA through video call from ISC, Lucknow on March 26, 2024, Mr. Rajat vide email dated March 23, 2024 replied that

“Ek bxxp ki axxxd ho to axxxx kxxo”. Reply of the entity shows his callous attitude and complete disregard to the Regulator. Vide email dated March 26, 2024, ISC, Lucknow informed that Mr. Rajat Mishra did not come to their office on March 26, 2024 (Annexure 16).

4.8. Mr. Rajat Mishra did not trade in the scrip of HAL during the period January 01, 2022 to May 31, 2023 in Equity and Derivatives segment. The trading pattern of the entity in the scrip of HAL i.e. purchase of 7,250 shares on June 06, 2023 during UPSI period and sale during post UPSI period is suggestive of insider trading. Further, the entity has not co-operated during the investigation process as brought out above. Though there is no communication of information about UPSI based on material available on record, there is a possibility that the UPSI could have been communicated to Mr. Rajat Mishra and the same could have been unearthed had the entity co-operated and appeared in person before the IA. Since the entity has not submitted any documents/ information sought from him and also failed to appear in person before the IA, no finality could be given to him having UPSI while trading in the scrip of HAL. Therefore, Mr. Rajat Mishra by failing to furnish information, documents and records and by failing to appear before the IA, has hampered the investigation process and has violated section 11C (2), 11C (3) and 11C (5) of SEBI Act, 1992.

...”

5. The SCN was sent through digitally signed email dated 08 May, 2024 and also through Speed Post Acknowledgment Due (SPAD) on address of the Noticee as available on record viz., H. No. 51/46, Mahesh Bhawan, Udayganj Road, Lucknow, Uttar Pradesh – 226001. The SCN sent through SPAD returned undelivered with remark “left”.
6. In this regard, no reply to the SCN was received from the Noticee by the due date viz., May 22, 2024.
7. Having regards to the principles of natural justice, vide Hearing Notice dated May 28, 2024, the Noticee was provided an opportunity of personal hearing on June 05, 2024 and was also advised to submit the reply to the SCN.
8. Subsequently, vide email dated May 31, 2024, the Noticee replied stating that, *“Notice de rxxe ho ya bxxk mxxxg rxxe ho.”* On the scheduled date of hearing, the Noticee failed to appear for the hearing.

9. Having regard to the opportunities provided to the Noticee to submit reply to the SCN and appear for hearing and that the Noticee neither appeared for hearing nor any response on merit was received as reply to the SCN from the Noticee, I am constrained to proceed to deal with the matter on the basis of facts /material available on record.

D. CONSIDERATION OF ISSUES AND FINDINGS

10. The issues that arise for consideration in the instant matter are:

Issue No. I: Whether the Noticee has violated the provisions of Section 11C (2), 11C (3) and 11C (5) of SEBI Act, 1992?

Issue No. II: If yes, whether the Noticee is liable for imposition of monetary penalty under Section 15A(a) and 15HB of the SEBI Act, 1992?

Issue No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticee?

Issue No. I: Whether the Noticee has violated the provision of Section 11C (2), 11C (3) and 11C (5) of SEBI Act, 1992?

11. Before I proceed further with the matter, it would be pertinent to mention the relevant provisions which are alleged to have been violated by the Noticee. The same are provided as under:

SEBI Act, 1992

“ ...

11C. Investigation.

...

(2) Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

(3) The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.

...

(5) Any person, directed to make an investigation under sub-section (1), may examine on oath, any manager, managing director, officer and other employee of any intermediary or any person associated with securities market in any manner, in relation to the affairs of his business and may administer an oath accordingly and for that purpose may require any of those persons to appear before it personally.

...”

12. In this regard, I note from the material available on record that it was inter alia observed and/ or alleged:

- a) The entity failed to furnish information on his trading sought vide email dated January 25, 2024, reminder email dated March 01, 2024 and summons dated March 13, 2024.
- b) The entity also failed to appear in person before the Investigating Authority despite receipt of summons dated March 07, 2024 and March 13, 2024.
- c) The entity failed to appear before IA through video call from Common Investor Service Centre, Lucknow despite given opportunity on March 22, 2024 and March 26, 2024.

Failure to furnish information and failure to appear in person before the Investigating Authority by the entity had hampered the investigation process.

13. In this regard, I note from the material available on record that vide email dated January 25, 2024, the Investigating Authority had inter alia sought from the Noticee information on his trading, which the Noticee was advised to provide by January 31, 2024. Vide email dated February 07, 2024, the Noticee replied to Investigating Authority's email dated January 25, 2024 and stated, *"I was watching YouTube videos about tard, Reply me."* Subsequently, vide reminder email dated March 01, 2024, the Noticee was advised to provide the aforesaid information by March 14, 2024.

Further, vide summons SEBI/HO/IVD/ID8/P/OW/2024/9945 dated March 07, 2024, the Noticee was directed to appear in person before the Investigating Authority on March 13, 2024 at 11:00 AM. In response to the summons, the Noticee confirmed his presence before Investigating Authority vide email dated March 12, 2024, wherein the Noticee stated, *"Thanks, I will be there"*. However, vide another email dated March 12, 2024, the Noticee intimated his inability to appear in person before the IA wherein the Noticee stated, *"I won't be there tomorrow although I'm available for video call anytime."*

Subsequently, vide 2nd summons SEBI/HO/IVD/ID8/P/OW/2024/10363/1 dated March 13, 2024, the Noticee was summoned to produce the documents/ information sought vide email dated January 25, 2024 and reminder vide email dated March 01, 2024, latest by March 14, 2024 and to appear before the Investigating Authority on March 15, 2024 at 11:00 AM. Instead of furnishing the requisite information, the entity vide email dated March 14, 2024, shared YouTube video link which as per material available on record / SEBI was irrelevant in the instant investigation by SEBI.

As the Noticee had stated vide email dated March 12, 2024 that he will be available for video call anytime in response to the summons dated March 07, 2024, the Noticee was advised to appear before Investigating Authority through video call from Common Investor Service Centre (ISC), Lucknow on March 22, 2024 at 4:00 pm vide email dated March 22, 2024. However, the Noticee failed to appear before Investigating Authority. Subsequently, vide email dated March 22, 2024, the Noticee was given another opportunity to appear before Investigating Authority through video call from ISC, Lucknow on March 26, 2024 at 11:30 am. In response to intimation given to appear before IA through video call from ISC, Lucknow on March 26, 2024, the Noticee vide email dated March 23, 2024 replied that *"Ek bxxp ki axxxd ho to axxt kxxo"*. Subsequently, vide email dated March 26, 2024, ISC, Lucknow informed that Mr. Rajat Mishra did not come to their office on March 26, 2024.

14. In this regard, I note from the material available on record that in response to Hearing Notice dated May 28, 2024 sent through digitally signed email dated May 28, 2024, the Noticee vide his email dated May 31, 2024 replied that, *"Notice de rxxe ho ya bxxk mxxg rxxe ho."* Further in this regard, I note that no reply to the SCN on merit has been received from the Noticee and the Noticee has also failed to appear for hearing.
15. In this regard, I note from the material available on record that the investigation report in the matter records that failure to furnish information and failure to appear in person before the Investigating Authority by the entity has hampered the investigation process and reply of Noticee to SEBI shows his callous attitude and complete disregard to the Regulator.
16. In view thereof, I note that the allegation that the Noticee failed to furnish information on his trading sought vide email dated January 25, 2024, reminder email dated March 01, 2024 and summons dated March 13,

2024, the Noticee failed to appear in person before the Investigating Authority despite receipt of summons dated March 07, 2024 and March 13, 2024, the Noticee failed to appear before IA through video call from Common Investor Service Centre, Lucknow despite given opportunity on March 22, 2024 and March 26, 2024 and the failure to appear in person before the Investigating Authority by the entity has hampered the investigation process stands established.

Therefore, I hold that the Noticee has violated Section 11C (2), 11C (3) and 11C (5) of SEBI Act, 1992.

Issue No. II: If yes, whether the Noticee is liable for imposition of monetary penalty under Section 15A(a) and 15HB of the SEBI Act, 1992?

17. It has been established in the foregoing paragraphs that Noticee had violated provisions of Section 11C (2), 11C (3) and 11C (5) of SEBI Act, 1992.

18. In this regard, it is noted that the Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) inter alia 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 "

19. Therefore, for the established violation, as brought out in the foregoing paragraphs, I find that Noticee is liable for monetary penalty under Section 15A(a) and 15HB of the SEBI Act, 1992, which reads as under:

“ ...

Penalty for failure to furnish information, return, etc.

15A. If any person, who is required under this Act or any rules or regulations made thereunder,—

(a) to furnish any document, return or report to the Board, fails to furnish the same ⁶³[or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to ⁶⁴[a penalty ⁶⁵[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]];

... .

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 ¹⁰⁴[liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.]

..”

Issue No. III: If yes, what should be the monetary penalty that can be imposed upon the Noticee?

20. While determining the quantum of penalty under Section 15A(a) and 15HB of the SEBI Act, 1992, it is important to consider the factors as stipulated in Section 15J of the SEBI Act, 1992 which reads as under: -

SEBI Act

“

Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15- or section 11 or section 11B, the Board or 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.

Explanation.—For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

.....”

21. In the instant case, I note that the material available on record does not quantify any disproportionate gain or unfair advantage or consequent loss caused to an investor or group of investors as a result of the violations committed by the Noticee. Further, there is nothing on record to show that the violations committed by the Noticee were repetitive in nature. However, I note from the material available on record that as per SEBI, failure to furnish information and failure to appear before the Investigating Authority by the Noticee had hampered the investigation process and also that the reply of Noticee to SEBI shows his callous attitude and complete disregard to the Regulator. In view thereof, I am of the view that such violations on part of the Noticee have to be dealt with imposition of suitable penalty.

E. ORDER

22. After taking into consideration the facts and circumstances of the case, material available on record, reply of the Noticee and also the factors mentioned in the preceding paragraphs, in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 r/w Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, I hereby impose penalty of Rs. 20,00,000/- (Rupees Twenty Lakhs Only) as per table below, on the Noticee, for the aforementioned violations, as discussed in this order. In my view, the said penalty will be commensurate with the violations committed by the Noticee in this case.

Name of the Noticee	Penalty under Section	Penalty (Amount in Rs.)
Mr. Rajat Mishra	Section 15A(a) of SEBI Act, 1992	10,00,000/- (Rupees Ten Lakhs only)
	Section 15HB of SEBI Act, 1992	10,00,000/- (Rupees Ten Lakhs only)

23. The Noticee shall remit /pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

24. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.
25. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

Date: June 07, 2024
Place: MUMBAI

AMAR NAVLANI
ADJUDICATING OFFICER