

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER Ref. No. ORDER/JS/RJ/2025-26/31683-31684]**

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) RULES, 1995

In respect of:

Noticee No.	Name of the Noticee	PAN
1.	Mr. Anupam Gupta	AHQPG5608R
2.	Mr. Nitin Kumar Garg	AIXPG1991K

In the matter of suspected insider trading activity of certain entities in the scrip of M/s Nucleus Software Exports Limited.

1. Nucleus Software Exports Ltd. (hereinafter referred to as '**company**' / '**Nucleus**') is listed on BSE Limited (hereinafter referred to as '**BSE**') and National Stock Exchange of India Limited (hereinafter referred to as '**NSE**') (collectively referred as '**stock exchange**'). The company disclosed its financial results for the quarter and year ended March 31, 2023 to the stock exchanges on May 26, 2023 (during trading hours). It was observed that the net profit of the company on a standalone basis for the quarter ending March 2023 had increased by 76.45 percent and on YoY basis increased by 209.66 percent respectively from March 2022 to March 2023.
2. Post the declaration of results, on May 26, 2023, the scrip of Nucleus closed at Rs. 809.30, i.e., witnessing a rise of 19.99 percent on a close-to-close basis. Further, the price was moving upwards and touched a high of Rs.1068.25 on May 30, 2023, i.e., a raise of 58.38 percent in four trading days. Thus, the news regarding financial results had a positive material impact on the price movement of Nucleus.
3. In this context, an investigation was carried out by Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') to ascertain whether trading undertaken by Mr. Anupam Gupta (hereinafter referred to as '**Noticee No. 1**' / '**Anupam**') in the scrip of Nucleus for the period March 01, 2023 to June 16, 2023 (hereinafter referred to as the '**Investigation Period**' / '**IP**') was done while in possession of or having

access to unpublished price sensitive information (hereinafter referred to as '**UPSI**') with respect to the financial results for the quarter and year ended March 31, 2023.

4. It was observed that Noticee No. 1 had bought 300 shares on April 13, 2023, 720 shares on April 17, 2023 and 2,000 shares on May 25, 2023, i.e., a total of 3,020 shares at an average price of Rs. 629.73. Further, Noticee No. 1 sold 1,020 shares on the day of announcement, i.e., on May 26, 2023, 980 shares on May 29, 2023 and 1020 shares on May 30, 2023 at an average price of Rs. 949.57, thereby making a profit of Rs. 8.98 lakh.
5. It was stated in the investigation report (hereinafter referred to as '**IR**') that Mr. Nitin Kumar Garg (hereinafter referred to as '**Noticee No. 2**'/ '**Nitin**'), an employee of Nucleus and Noticee No. 1 were connected during the IP as they are cousins. It was alleged that Noticees had conversations on financial performance of Nucleus as was admitted by them under oath during the course of statement recording on August 07, 2024. Further, it was alleged that the fund transferred from the accounts of Noticee No. 2 and Noticee No. 2's father, Mr. Vijendra Nath Garg to bank account of Noticee No. 1 which was used for trading in the scrip of Nucleus. Moreover, the WhatsApp chats amongst the Noticees during the IP substantiate the fact that Noticee No. 2 communicated the UPSI to Noticee No. 1.
6. In this context, Noticee No. 1 was alleged to have dealt in the shares of Nucleus while in possession of or having access to UPSI and thus violated regulation 4(1) of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as '**PIT Regulations**') read with sections 12A(d) and (e) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**'). Further, Noticee No. 2 was alleged to have communicated the UPSI to Noticee No. 1, thereby violating regulation 3(1) of PIT Regulations read with section 12A(e) of SEBI Act.
7. In view of the above, SEBI initiated the instant adjudication proceedings against the Noticees.

Appointment of Adjudicating Officer

8. Pursuant to the superannuation of the earlier Adjudicating Officer(hereinafter referred to as '**AO**') who had been appointed so vide communique dated November 18, 2024,

the undersigned was appointed as AO in this matter vide communique dated April 04, 2025 under section 15-I of SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as 'Rules'), to inquire into and adjudge the aforesaid alleged violations committed by the Noticees.

Show Cause Notice, Reply and Hearing

9. Show Cause Notice Ref. No. SEBI/HO/EAD2/NH/RJ/2025/4078 dated February 05, 2025 (hereinafter referred to as '**SCN**'/ '**Notice**') was issued by the erstwhile AO to the Noticee in terms of rule 4(1) of the Rules read with section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against the Noticees and why penalty, if any, should not be imposed on them in terms of the provisions of the section 15G of the SEBI Act for the violations alleged to have been committed by the Noticees.

10. The SCN, *inter alia*, alleged the following:

"... UPSI

- (a) *It was observed that on May 26, 2023 during the market hours, Nucleus disclosed financial results of the company for the quarter and year ended March 31, 2023, which was a UPSI in terms of Regulation 2(1)(n) of the PIT Regulations.*
- (b) *Since there is an increase in profits leading to price rise post dissemination of financial results, the UPSI is observed to have a positive material impact on price of Nucleus.*

Period of UPSI

- (c) *The company vide letter dated June 10, 2024 provided a chronology of events leading to the aforesaid corporate announcement on May 26, 2023. Since, the preparation of financial results commenced on April 01, 2023, and the results were disseminated on exchanges during trading hours on May 26, 2023, the UPSI period is taken from April 01, 2023 to May 26, 2023.*
- (d) *Further, the Pre-UPSI period has been considered from March 01, 2023 to March 16, 2023. The Post-UPSI period has been considered from May 26, 2023 to June 16, 2023.*

Impact of UPSI on the price of the scrip

- (e) *The announcement was made on May 26, 2023 (during trading hours) and the closing price on May 26, 2022 was Rs. 809.3. On May 25, 2023 i.e. on the previous day the scrip closed at Rs. 672.7. Thus, on the day of the announcement, price of the scrip increased by around 19.99 percent in comparison to the previous day on a close-to-close basis.*

Identification of Insiders/Suspected Entities/ Other Entities

- (f) Nucleus vide letter dated June 10, 2023 provided a list of entities who were privy to the UPSI and were therefore insiders as per Regulation 2(1)(g) of the PIT Regulations. The company has informed that during the period between January 01, 2023 to June 30, 2023, there was no market and off market trades undertaken by the directors, promoters, KMP, compliance and no preclearance of trades request received or approved by the Compliance Officer to the connected persons/ designated persons and their immediate relatives/ directors/ promoters/officers for the trades executed by them, during the period of said Financial Results.

Trading Activity of Noticee No. 1

- (g) The day-wise trades executed by Noticee No. 1 in the scrip of Nucleus on NSE during the IP is tabulated below:

Table A

Date	Buy Quantity	Buy Rate	Buy Value	Sell Quantity	Sell Rate	Sell Value
Pre UPSI-Period (March 01, 2023 to March 16, 2023)						
No Trading Observed in Pre UPSI-Period						
UPSI Period (March 17, 2023 to May 25, 2023)						
13-Apr-2023	300	617.17	1,85,000	-	-	-
17-Apr-2023	720	594.35	4,28,000	-	-	-
25-May-2023	2,000	677.67	13,55,000	-	-	-
Post Announcement Period (May 26, 2023 to June 16, 2023)						
26-May-2023	-	-	-	1,020	809.30	8,25,000
29-May-2023	-	-	-	980	971.15	9,52,000
30-May-2023	-	-	-	1,020	1,068.25	10,90,000
Total	3,020		19,68,000	3,020		28,67,000

Trading pattern of Noticee No. 1

- (h) It was observed that Noticee No. 1 had opened an account with Motilal Oswal Financial Services Limited (hereinafter referred to as 'MOFSL') on April 19, 2022. Further, it was observed that Noticee No. 1 had purchased shares of Nucleus for the first time on April 13, 2023. Prior to this, as per the trading details submitted by the exchange(s), Noticee No. 1 had not dealt in any scrip since April 19, 2022.
- (i) It was observed that Noticee No. 1 had not traded in any scrip during the pre-UPSI period. It was observed that Noticee No. 1 had bought 300 shares of Nucleus on April 13, 2023 and subsequently bought 720 shares on April 17, 2023 and 2000 shares on one day before the announcement of UPSI i.e. on May 25, 2023.
- (j) During the investigation, Noticee No. 1 was asked to provide the rationale for placing the above trades in Nucleus. In this regard, Noticee No. 1, vide email dated July 19, 2024, has, inter alia, submitted that:
 "Reason/rationale for executing the buy transactions – Long term investment, and Reason / rationale for executing the sell transactions – Change in the share price, booking of profit. Information was relied upon for executing these orders –

reading on the internet on which companies to invest in the market and share trending information etc”.

- (k) It was also observed that Noticee No. 1 had traded in the scrip of Nuclues through MOFSL. Noticee No. 1 had placed all his Buy trades online, and Sell trades telephonically and through pre-trade confirmation slips.
- (l) In this regard, it is alleged from the trading pattern that Noticee No. 1 had not participated in the market prior with volume and value similar to the alleged trades in the scrip of Nucleus.

Analysis of connections of Noticee No. 1 with insiders/ company and access to UPSI

Bank Statement Analysis

- (m) The bank account statements of the Noticee No. 1 were obtained from various banks and analyzed to check whether there was any fund transfer between him and the insiders during IP. The list of bank accounts of the Noticee No. 1 which were analyzed during IP is tabulated below:

Table B

S. No.	Entity	Name of the bank	Bank Account No.
1	Mr. Anupam Gupta	Punjab National Bank	4053XXXXXXXX047
		AU Bank	221XXXXXXXXX917
		HDFC Bank	008XXXXXXXXX991

- (n) It was observed that the HDFC Bank account of Noticee No. 1 was linked to his trading account. In this regard, the following transactions, inter alia, has been highlighted in the IR:

Table C

Sr. No	Date	Narration	Credit(Cr)/Debit(Dr)	Amount (in Rs.)	Balance (in Rs.)
1	10/04/23	NEFT CR-PUNB0019800-VIJENDRA NATH GARG-ANUPAM GUPTA-PUNBH23100882726	Cr	10	18,258.06
2	11/04/23	NEFT CR-PUNB0019800-VIJENDRA NATH GARG-ANUPAM GUPTA-PUNBH23101897634	Cr	1,25,000	1,43,258.06
3	11/04/23	NEFT CR-PUNB0019800-VIJENDRA NATH GARG-ANUPAM GUPTA-PUNBH23101894730	Cr	75,000	2,18,258.06
4	13/04/23	FT_1F727AD647550/MOTILALOSWALSECURITI	Dr	1,88,000	28,289.06
5	14/04/23	NEFTCR-PUNB0019800-VIJENDRA NATH GARG-ANUPAM GUPTA-PUNBH23104253298	Cr	1,50,000	1,75,423.13
6	15/04/23	NEFT CR-PUNB0019800-VIJENDRA NATH GARG-ANUPAM GUPTA-PUNBH23105397283	Cr	50,000	2,24,259.39
7	18/04/23	FT_1F8C99875C2750/MOTILALOSWALSECURITI	Dr	2,17,433	10,865.99
8	19/04/23	01341050046025-TPT-OK-NITIN KUMAR GARG	Cr	100	10,965.99
9	19/04/23	01341050046025-TPT-OK-NITIN KUMAR GARG	Cr	80,000	90,765.99

10	29/04/23	01341050046025-TPT-OK-NITIN KUMAR GARG	Cr	50,000	4,63,271.93
11	01/05/23	01341050046025-TPT-OK-NITIN KUMAR GARG	Cr	50,000	5,13,132.56
12	12/05/23	UPI-NITIN GARG-9717922996@PAYTM-HDFC0000134-313217171532-NA	Dr	25,275	3,28,189.52
13	25/05/23	01341050046025-TPT-OK-NITIN KUMAR GARG	Cr	5,00,000	7,38,836.63
14	25/05/23	FT_2049CB06CE2050/MOTILALOSWALSECURI	Dr	7,00,000	38,836.63
15	01/06/23	00600340052920-PAYOUT FROM MOFSL	Cr	19,81,136	20,57,178.05
16	01/06/23	01341050046025-TPT-XFR-NITIN KUMAR GARG	Dr	50,000	20,07,178.05
17	01/06/23	NEFT DR-PUNB0000400-VIJENDRA NATH GARG-NETBANK, MUM-N152232483297906-XFR	Dr	50,000	19,57,178.05
18	02/06/23	01341050046025-TPT-XFR-NITIN KUMAR GARG	Dr	5,00,000	14,49,795.20
19	02/06/23	NEFT DR-PUNB0000400-VIJENDRA NATH GARG-NETBANK, MUM-N153232484963366-XFR	Dr	5,00,000	9,49,795.20
20	03/06/23	01341050046025-TPT-XFR-NITIN KUMAR GARG	Dr	1,47,167	7,99,977.25
21	03/06/23	NEFT DR-PUNB0000400-VIJENDRA NATH GARG-NETBANK, MUM-N154232486255484-XFR	Dr	5,00,000	2,99,977.25

- (o) It is stated in the IR that before the execution of trade on April 10, 2024, the closing balance in the said HDFC account was Rs. 18,258.06. On April 11, 2024, amounts of Rs. 1,25,000 and Rs. 75,000 (i.e. totalling Rs. 2,00,000) were received from one, Mr. Vijendra Nath Garg and the closing balance of the said account post the said transfer was Rs. 2,18,258. Thereafter, on April 13, 2024, an amount of Rs. 1,88,000 was transferred to stock broker MOFSL. It is alleged that the said amount of Rs. 2,00,000 was used to buy 300 shares (i.e. Buy value of Rs. 1,85,152.45) of Nucleus. Further, it was observed that Noticee No. 1 received funds from Mr. Vijendra Nath Garg and Mr. Nitin Kumar Garg during IP for subsequent trades.
- (p) During the investigation, Noticee No. 1 was asked to clarify the funds received in his HDFC Bank account during the IP and the relationship of Noticee No. 1 with the said entities. In response, Noticee No. 1 vide email dated July 19, 2024, provided the following details:

Table D

Name	PAN	Mobile No.	Address	Relationship
Mr. Vijendra Garg	BBWPG3363C	98XXXXXX98	1107, Patel Nagar, Hapur, U.P.	Mausa Ji
Mr. Nitin Garg	AIXPG1991K	97XXXXXX96	1107, Patel Nagar, Hapur, U.P.	Mausi's son

- (q) In this regard, it is alleged that Noticee No. 1 and the entities who have transferred funds are connected to each other.

- (r) Thereafter, bank account statement of Noticee No. 2 (HDFC A/c no. 013XXXXXXXXX25) and Mr. Vijendra Nath Garg (PNB A/c no. 0198XXXXXXXX08) were analysed. From the analysis of bank account statements of these accounts, it is alleged that the amounts were received by Noticee No. 1 from his relatives and is directly connected to them.
- (s) In this regard, Noticee No. 1 and Noticee No. 2 are alleged to be connected/related to each other.

Statements

- (t) The statement of Noticees was recorded on August 07, 2024. Noticee No. 1 during statement recording, *inter alia*, submitted the following:

"I myself placed these trades. I received money from Shri Nitin Garg for the purpose of investment into shares of Nucleus. Some money was added by me too in the total amount to be invested. The money was returned in the proportion of his investment to the total amount invested by us together. I had roughly invested 2-3 lakhs and he invested around 9-10 lakhs. I returned around 18 lakhs to him.

It was done in conjunction with Nitin because of the confidence shown by him in the performance and prospects of his company. Later, I solely invested in all other scrips without any investment being received from Mr. Nitin Garg. No, he did not share any financial information. However, he did say that the company was going to do very well and the scrip is going to do well. He showed confidence in the performance of his company and was himself putting in 9-10 lakhs and because of this confidence I also invested 2-3 lakhs.

No other scrip. Now, in retrospect, I feel that my trading account was used as a mule account by Mr. Nitin Garg to invest in the scrip of Nucleus.

I invested in the scrip of Nucleus during April and May 2023 after being asked by my cousin Mr. Nitin Garg. He showed confidence for the future performance of his company and its scrip. Therefore, I invested in the scrip and returned the amount invested by Nitin proportionate to his investment.

At that time, I did not realise that this could be treated as mala fide."

- (u) The statement of Noticee No. 2 was also recorded on August 07, 2024. Noticee No. 2 during statement recording, *inter alia*, submitted the following:

"I gave money to Mr. Anupam Gupta who is my cousin for investing in the scrip of Nucleus Software Exports Ltd. through my bank account and father's bank account.

I knew that the company was going to make very good profit before the announcement as it was commonly discussed at the office that the company is going to declare huge profit in the upcoming announcement regarding financial results. I additionally knew that the company had increased AMC cost for all the customers multifold. I was confident that the company's scrip is going to do well. Therefore, I asked Mr. Anupam

Gupta to purchase the shares of Nucleus in April- May 2023 and I also sent him money to invest in the scrip.

We regularly communicate via mobile calls and meet during family gatherings, where we discuss family matters and other topics. In March/April 2023, we talked about job opportunities at Nucleus. During this conversation, I mentioned about the company's strong future growth, some customer names, and the appraisal I received. I informed him that I received an approximate 25% appraisal for the year 2022-23 and also expecting a favorable appraisal for the year 2023-24 as well. I told him to not worry and invest in the scrip of Nucleus and mentioned that the company is going to do very well.

I did not use my own trading account because of fear of being caught of trading in my own company's scrip prior to announcement.

Through all this I learnt that if we do something illegal then it gets highlighted in the end anyhow and so it should not be done thinking that it will not be caught. I am only responsible for all this and I used my father's bank account to transfer funds to Mr. Anupam Gupta. My father is not responsible for any of this and I am solely responsible for it."

WhatsApp Chat amongst the Noticees

- (v) *During the statement recording on August 07, 2024, WhatsApp communication between Noticees with respect to Nucleus was observed. Accordingly, the screen shots of the said WhatsApp communication were provided by Noticee No. 1 vide email dated August 07, 2024. It is stated in the IR that from the WhatsApp chats, it is clearly evident that on the instruction of Noticee No. 2 the trades were executed by Noticee No. 1.*

CDR Analysis

- (w) *On analyzing the CDRs, it was observed that there are multiple telephonic calls between Noticees during the IP. It is also observed that there were calls between Noticee No. 2 and employees of the Finance department of Nucleus namely, Mr. SXXX SXXX and Mr. DXXX DXX during the IP.*
- (x) *In this context, it is alleged in the IR that the communication of UPSI from the Insiders/Company to the Noticee No. 1 is established. It is alleged in the IR that Noticee No. 2 being an employee/insider of Nucleus had communicated UPSI regarding the financials to Noticee No. 1. Thus, it is alleged that Noticee No. 2 was in possession of or had access to UPSI and, therefore, an insider in terms of Regulation 2(1)(g)(ii) of PIT Regulations, 2015.*
- (y) *It is noted that the dealings by Noticee No. 1 in shares of Nucleus from April 13, 2024 to May 30, 2024 have is based on UPSI, which has been passed on by Mr. Nitin Kumar Garg, who is an insider and privy to the aforesaid UPSI.*

Allegations

- (z) *In this regard, it is alleged that Noticees are connected/related to each other, being relatives. It is alleged that the trades by Noticee No. 1 were executed in conjunction with Noticee No. 2 based on the recommendation of Noticee No. 2.*

- (aa) *In view of the above, it is alleged that Noticee No. 2 being employee/insider of Nucleus was in possession of UPSI. It is alleged that Noticee No. 2 had close contact and relation with Noticee No. 1. In this regard, it is alleged that Noticee No. 2 had communicated aforesaid UPSI relating to financial results for the quarter and year ended March 31, 2023 to Noticee No. 1.*
- (bb) *Accordingly, Noticee No. 2 is alleged to have violated Regulation 3(1) of the PIT Regulations, 2015 read with Section 12A(e) of SEBI Act, 1992. Further, Noticee No. 1 has allegedly traded in the shares of Nucleus while in possession of or having access to UPSI has, therefore, violated Regulation 4(1) of the PIT Regulations, 2015 read with Sections 12A(d) and (e) of SEBI Act, 1992.*

...

11. The Noticees, vide email dated March 16, 2025 submitted their reply to the SCN. The reply of the Noticee No. 1 is reproduced below:

- (a) *That the contents of Para 1, being matter of record, does not call for a response from our client.*
- (b) *That the contents of Para 2, to the extent of date of disclosure of financial results are matter of record hence do not call for a response from our client. The contents of Para 2 concerned with the factual details of disclosure of Financial results are denied for want of knowledge. The burden of proof lies only upon the SEBI / Concerned Authorities with regards to the disclosures regarding increase in the net profit and it does not call for response from our client.*
- (c) *That the contents of Para 3 to the extent of upward trajectory of the scrip which is subject matter of investigation is matter of internal records, authentic data set of which are squarely within the exclusive possession of SEBI, which are also factual and hence does not call for any response from our client. However, the fact that a scrip has positive impact upon disclosure of financial results is a standard market in a response towards scrip of a company delivering positive results, as such does not merits response from our client.*
- (d) *That the contents of Para 4 are matters of internal records, which are basis of ongoing proceedings of Inquiry and Adjudication and hence does not call for any response from our client. However it is apt to mention herein that the nature of generic allegations upon the trades being based upon 'UPSI' is vague and arbitrary. The trades which have been marked as fit for investigation based upon UPSI have been identified as such without any basis and apparently based upon 'significant difference' in the sell and buy value, without specifying the degree of difference between buy and sell values which is unusual and considered as fit for investigation and subsequently for imposing liability under the Act / relevant Regulations. As regards the time period and cut off date for ascertaining the upward trajectory of the price of scrip is concerned, it is submitted that the scrip further went on an upward trajectory rising nearly Rs. 1700 on/around 09.11.2023, as such it is peremptory to categorise the trades or part of trades as*

reaping unwarranted benefit of UPSI, during the period beginning from 01.03.2023 and ending on 16.06.2023.

- (e) That the contents of Para 5 are not admitted as stated. Our client bought the shares in multiple tranches as stated, however did not sell in tranches, out of his own will, as referred in the Para under Reply. It is apt to mention herein that the SCN, at later stages (page 15 of SCN) rely upon the communications of the Noticee No 1 with Noticee No 2 wherein the Noticee No 1 speaks about the fact that despite his instructions to the stock broker / stock broker's employee/ agent regarding clearing his portfolio and selling the scrips of M/s Nucleus Software Exports Ltd., the trade could not be executed as instructed, for reasons unknown to him. As such the instruction to 'sell' could only be executed only 29.05.2023 and 30.05.2023, owing to which, the scrip under reference further charted upward trajectory. It is pertinent to mention herein that the upward trajectory of the scrip under reference after the date of instructions to sell (dated 26.05.2023) was significant as compared to its upward trajectory earlier (before instructions to sell on 26.05.2023). The scrip under reference travelled upward trajectory, thereby delivering 'Accidental Profits' on the account of Noticee No 1, which could not be attributed to his conscious decision making based upon access to any 'UPSI', as alleged.*
- (f) That the contents of Para 6 are partly denied being not true and partly not admitted as stated. The Noticee No 1 and No 2 are related to each other is a matter of fact hence not denied. However the 'discovery' of relation of Noticee No 1 and 2 by sifting through the 'chats' is not true and interactions concerning transfer of any money with ignoble motives is not true. Additionally, the aversion regarding interaction of the Noticee No 1 and 2 through telephonic messaging wherein 'UPSI' was communicated is absolutely a figment of fiction and not true, hence vehemently denied. The burden of Proof lies upon the good offices of AO regarding the 'whatsapp chats' evidencing transmission of 'UPSI', as notice No 2 did not ever had any such information and hence absolutely incapacitated to communicate such information to any other person.*
- (g) That the contents of Para 7, to the extent of reference to the Legal Provisions do not merit response from our client. As regards the allegation of dealing in the scrips under reference, based on UPSI, it is vehemently denied for the reasons as stated in the preceding paras. It is reiterated that despite producing the entire chatbox by both the Noticees earlier, no particular chat have been cited clearly evidencing or remotely referring to any information which falls under the domain of the PIT Regulations as referred to in the Para under Reply.*
- (h) That the contents of Para 8 are matter of record, hence need no reply. The information as conveyed forms part of internal working of SEBI and is squarely within the exclusive possession of SEBI, which are also factual and hence does not call for any response from our client.*
- (i) That contents of Para 9 are legal hence does not merit any response.*

- (j) *That the contents of Para 10 are not admitted as stated. As regards the nature of information as referred to have been disclosed on dates as referred in the Para under Reply, it is a matter of record hence does not calls for a response from my client.*
- (k) *That the contents of Para 11 are not admitted as stated. It is a natural consequence that upon disclosure of positive Financial Results of a company, the scrips have an upward trajectory.*
- (l) *That the contents of Para 12 are squarely within the knowledge of SEBI and hence does not calls for a response from our client.*
- (m) *That the contents of Para 13, which led to the carving of two periods of time for the purpose of investigation, are squarely within the knowledge of SEBI and hence does not calls for a response from our client.*
- (n) *That the contents of Para 14 are matter of record and does not require any response from our client.*
- (o) *That the information as referred to in the Para under reply, forms part of internal working of SEBI and is squarely within the exclusive possession of SEBI, which are also factual and hence does not call for any response from our client. However it is pertinent to mention herein that the individuals who are privy to the UPSI have been illustrated and also exonerated form any wrongdoings.*
- (p) *That contents of the Para 16 are matter of record and does not require any response from our client.*
- (q) *That contents of Para 17 are a matter of record hence does not call for a response from our client.*
- (r) *That the contents of Para 18 are matter of record hence does not call for a response from our client. However it is matter of chance that the third tranche was purchased a day before the Financial results were disclosed. It is noteworthy, that despite having all the financial resources the scrips were purchased in three tranches, whereas every subsequent purchase was made at a higher price than the previous one. As such the pattern of purchase/investment evidently establishes that the Noticee No 1 began with small purchases initially and thereafter observing the positive trajectory of the scrip under reference, after gaining confidence, opted to invest further. It is also pertinent to mention at this juncture that the Noticee No 1 also instructed to sell the scrips to his broker, which is placed on record in the SCN (Page 15), on 26.05.2023. However the scrips could not be sold completely and hence the remaining scrips were sold in two tranches on 29.05.2023 and 30.05.2023, thereby recording significant upward trajectory thereafter.*
- (s) *That contents of Para 19 are matter of record and hence does not requires response from our client at this juncture.*
- (t) *That contents of Para 20 are matter of record and hence does not requires response from our client.*

- (u) That contents of Para 21 are not admitted as stated. The Noticee No 1 was always desirous of venturing into the securities market and ventured into the same with small investment.
- (v) That the contents of Para 22 – 23 are matter of record hence does not require any response from our client.
- (w) That the contents of Para 24 are not admitted as stated being baseless and primitive and without supporting material on record. Apart from the Bank account and transaction details, the Para under reply jumps to the conclusion and declares Noticee No 2 as insider without any supporting document on record, arising out of preliminary inquiry or in the SCN. On the contrary the SCN on preceding Paras absolves the Key personnel of the M/s Nucleus Software Exports Ltd. from any wrongdoings. As such the Noticee No 2, who happens to be a Managerial Level employee, have been declared/branded to be an 'insider' without any document on record.

The statements of the Noticees in Para 24.9 and Para 24.10 make it evidently clear that that the investments were made based upon decision which in turn was made relying upon the good performance of the company over the years as gauged by the Noticee No 2. It is reiterated that the investment was also significantly disproportionate to the available sources for investing with each Noticee No 1 and 2 and hence establishes the fact that the Noticee No 2 (as an employee) had much higher faith in his employer instead of the Noticee No 1 who was merely relying upon and rallying the investment decision of his cousin/Noticee No 2 with 'utmost caution' and pooled in a very small amount of money. The Bank statements and financials of the Noticee No 1 would make it evidently clear that had he been in possession of any 'UPSI' he would have stretched all his means to gain maximum "Assured" rewards, instead of investing marginal sums as a cautious beginner.

Additionally the part of statement in Para 24.09 "No other scrip.....scrip of Nucleus" has not been made and grossly misinterpreted by the official recording the statement. Similarly in Para 24.10 the part of statement "Through all this..... solely responsible for it." has not been made and grossly misinterpreted by the official recording the statement.

- (x) That the contents of Para 24.11 – 24.13 are not admitted as stated. The concerned chats among cousins inter alia also has some elements of financial discussions and hence consequently the investment made in the securities market is also a part of the interaction. Nonetheless no illegality has been pointed out in the interaction and hence no liability may be imposed upon the Noticees based upon the contents as referred to in the Para 24.11 – 24.13.
- (y) That the contents of Para 24.14 are categorically denied as baseless and devoid of any truth. The concerned employees as referred to have been known to the Noticee No 2 since long time as professional colleagues, who happen to have work responsibilities which requires continuous interactions. The interactions as referred to are not standalone interactions during the time period under

investigation, however are part of continuous communication which the Noticee No 2 had, both prior and post the time period under scrutiny. As such branding the employees Mr. SXXXSXXX and Mr. DXXX DXX as source for accessing the UPSI is absolutely erroneous, far from truth and material available on record.

- (z) That the contents of Para 25 are denied as no chain establishing communication of 'UPSI' have been placed on record and established, rather conclusions have been drawn on factually incorrect information and assumptions based on incomplete and incorrect information.*
- (aa) That contents of Para 26 are categorically denied being devoid of truth, for reasons as stated in the preceding Paras.*
- (bb) Reply to Para 27 – 30*
 - i) It is submitted that Noticee No 2 was never in possession of any information which is categorised as 'UPSI'. As no such information was available, hence it could not have been transmitted further. Also all the communication between Noticee No 1 and 2 have been provided and placed on record in the present SCN, however no remote reference has been made regarding availability of any such information in the entire chats of the intervening time period.*
 - ii) It is submitted that in light of the submissions made hereinbefore, all the allegations levelled against my client are denied vehemently.*
 - iii) It is submitted that the allegations of violations of PIT Regulations, as alleged in the subject SCN, are denied being figment of fiction devoid of any credible material on record to arrive at findings which may hold our client culpable.*
 - iv) It is submitted that our client has not indulged in trades in securities market which are based upon 'UPSI'.*
 - v) It is submitted that our client has not engaged itself in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealings in securities which are listed on a recognised stock exchange in contravention of the provisions of the act or the rules and the regulations made thereunder or in any manner affects the securities market.*

12. Further, Noticee No. 2 submitted the following in his reply:

- (a) That the contents of Para 1, being matter of record, does not call for a response from our client.*
- (b) That the contents of Para 2, to the extent of date of disclosure of financial results are matter of record hence do not call for a response from our client. The contents of Para 2 concerned with the factual details of disclosure of Financial results are denied for want of knowledge. The burden of proof lies only upon the SEBI / Concerned Authorities with regards to the disclosures regarding increase in the net profit and it does not call for response from our client.*
- (c) That the contents of Para 3 to the extent of upward trajectory of the scrip which is subject matter of investigation is matter of internal records, authentic data set*

of which are squarely within the exclusive possession of SEBI, which are also factual and hence does not call for any response from our client. However, the fact that a scrip has positive impact upon disclosure of financial results is a standard market in a response towards scrip of a company delivering positive results, as such does not merit response from our client.

- (d) That the contents of Para 4 are matters of internal records, which are basis of ongoing proceedings of Inquiry and Adjudication and hence does not call for any response from our client. However it is apt to mention herein that the nature of generic allegations upon the trades being based upon 'UPSI' is vague and arbitrary. The trades which have been marked as fit for investigation based upon UPSI have been identified as such without any basis and apparently based upon 'significant difference' in the sell and buy value, without specifying the degree of difference between buy and sell values which is unusual and considered as fit for investigation and subsequently for imposing liability under the Act / relevant Regulations. As regards the time period and cut off date for ascertaining the upward trajectory of the price of scrip is concerned, it is submitted that the scrip further went on an upward trajectory rising nearly Rs. 1700 on/around 09.11.2023, as such it is peremptory to categorise the trades or part of trades as reaping unwarranted benefit of UPSI, during the period beginning from 01.03.2023 and ending on 16.06.2023.*
- (e) That the contents of Para 5 are not admitted as stated. Our client did not buy the shares but relying upon the convenience and also handy assistance of reputed Broker firm instead transferred money to his cousin, Noticee No 1, which were later used to buy shares in multiple tranches as stated, however they were not sold in tranches, as per the will/decision of Noticees, as referred in the Para under Reply. It is apt to mention herein that the SCN, at later stages (page 15 of SCN) rely upon the communications of the Noticee No 1 with Noticee No 2 wherein the Noticee No 1 speaks about the fact that despite his instructions to the stock broker / stock broker's employee/ agent regarding clearing his portfolio and selling the scrips of M/s Nucleus Software Exports Ltd., the trade could not be executed as instructed, for reasons unknown to him. As such the instruction to 'sell' could only be executed only 29.05.2023 and 30.05.2023, owing to which, the scrip under reference further charted upward trajectory. It is pertinent to mention herein that the upward trajectory of the scrip under reference after the date of instructions to sell (dated 26.05.2023) was significant as compared to its upward trajectory earlier (before instructions to sell on 26.05.2023). The scrip under reference travelled upward trajectory, thereby delivering 'Accidental Profits' on the account of Noticee No 1, which could not be attributed to his conscious decision making based upon access to any 'UPSI', as alleged.*
- (f) That the contents of Para 6 are partly denied being not true and partly not admitted as stated. The Noticee No 1 and No 2 are related to each other is a matter of fact hence not denied. However the 'discovery' of relation of Noticee No 1 and 2 by sifting through the 'chats' is not true and interactions concerning*

transfer of any money with ignoble motives is not true. Additionally, the aversion regarding interaction of the Noticee No 1 and 2 through telephonic messaging wherein 'UPSI' was communicated is absolutely a figment of fiction and not true, hence vehemently denied. The burden of Proof lies upon the good offices of AO regarding the 'whatsApp chats' evidencing transmission of 'UPSI', as notice No 2 did not ever had any such information and hence absolutely incapacitated to communicate such information to any other person.

- (g) That the contents of Para 7, to the extent of reference to the Legal Provisions do not merit response from our client. As regards the allegation of dealing in the scrips under reference, based on UPSI, it is vehemently denied for the reasons as stated in the preceding paras. It is reiterated that despite producing the entire chat box by both the Noticees earlier, no particular chat has been cited clearly evidencing or remotely referring to any information which falls under the domain of the PIT Regulations as referred to in the Para under Reply.*
- (h) That the contents of Para 8 are matter of record, hence need no reply. The information as conveyed forms part of internal working of SEBI and is squarely within the exclusive possession of SEBI, which are also factual and hence does not call for any response from our client.*
- (i) That contents of Para 9 are legal hence does not merit any response.*
- (j) That the contents of Para 10 are not admitted as stated. As regards the nature of information as referred to have been disclosed on dates as referred in the Para under Reply, it is a matter of record hence does not call for a response from my client.*
- (k) That the contents of Para 11 are not admitted as stated. It is a natural consequence that upon disclosure of positive Financial Results of a company, the scrips have an upward trajectory.*
- (l) That the contents of Para 12 are squarely within the knowledge of SEBI and hence does not calls for a response from our client.*
- (m) That the contents of Para 13, which led to the carving of two periods of time for the purpose of investigation, are squarely within the knowledge of SEBI and hence does not calls for a response from our client.*
- (n) That the contents of Para 14 are matter of record and does not require any response from our client.*
- (o) That the information as referred to in the Para under reply, forms part of internal working of SEBI and is squarely within the exclusive possession of SEBI, which are also factual and hence does not call for any response from our client. However it is pertinent to mention herein that the individuals who are privy to the UPSI have been illustrated and also exonerated form any wrongdoings.*
- (p) That contents of the Para 16 are matter of record and does not require any response from our client.*
- (q) That contents of Para 17 are a matter of record hence does not call for a response from our client.*

- (r) *That the contents of Para 18 are matter of record hence does not call for a response from our client. However it is matter of chance that the third tranche was purchased a day before the Financial results were disclosed. It is noteworthy, that despite having all the financial resources the scrips were purchased in three tranches, whereas every subsequent purchase was made at a higher price than the previous one. As such the pattern of purchase/investment evidently establishes that the Noticees began with small purchases initially and thereafter observing the positive trajectory of the scrip under reference, after gaining confidence, opted to invest further. It is also pertinent to mention at this juncture that the Noticee No 1 also instructed to sell the scrips to his broker, which is placed on record in the SCN (Page 15), on 26.05.2023. However the scrips could not be sold completely and hence the remaining scrips were sold in two tranches on 29.05.2023 and 30.05.2023, thereby recording significant upward trajectory thereafter.*
- (s) *That contents of Para 19 are matter of record and hence does not requires response from our client at this juncture.*
- (t) *That contents of Para 20 are matter of record and hence does not requires response from our client.*
- (u) *That contents of Para 21 are not admitted as stated. The Noticee No 1 was always desirous of venturing into the securities market and ventured into the same with small investment and collective courage arising from Noticee No 2 also offering to pool his resources to initiate the investment venture in securities market.*
- (v) *That the contents of Para 22 – 23 are matter of record hence does not require any response from our client.*
- (w) *That the contents of Para 24 are not admitted as stated being baseless and primitive and without supporting material on record. Apart from the Bank account and transaction details, the Para under reply jumps to the conclusion and declares Noticee No 2 as insider without any supporting document on record, arising out of preliminary inquiry or in the SCN. On the contrary the SCN on preceding Paras absolves the Key personnel of the M/s Nucleus Software Exports Ltd. from any wrongdoings. As such the Noticee No 2, who happens to be a Managerial Level employee, have been declared/branded to be an ‘insider’ without any document on record.*

The statements of the Noticees in Para 24.9 and Para 24.10 make it evidently clear that that the investments were made based upon decision which in turn was made relying upon the good performance of the company over the years as gauged by the Noticee No 2. It is reiterated that the investment decision was taken primarily based upon faith on the working of company by the Noticee No 2 who, as an employee happens to be aware that the company is doing good in terms of business and hence is expected to deliver better returns to its investors also in terms of dividends etc. The Investments in the securities under reference in the present SCN was not made in single tranche however through small and

successive investments which would make it evidently clear that had he been in possession of any 'UPSI' he would have stretched all his means at the earliest to gain maximum "Assured" rewards, instead of investing gradually upon gaining confidence in performance of the security.

Additionally the part of statement in Para 24.09 "No other scrip.....scrip of Nucleus" has not been made and grossly misinterpreted by the official recording the statement. Similarly in Para 24.10 the part of statement "Through all this..... solely responsible for it." has not been made and grossly misinterpreted by the official recording the statement.

- (x) That the contents of Para 24.11 – 24.13 are not admitted as stated. The concerned chats among cousins inter alia also has some elements of financial discussions and hence consequently the investment made in the securities market is also a part of the interaction. Nonetheless no illegality has been pointed out in the interaction and hence no liability may be imposed upon the Noticees based upon the contents as referred to in the Para 24.11 – 24.13.*
- (y) That the contents of Para 24.14 are categorically denied as baseless and devoid of any truth. The concerned employees as referred to have been known to the Noticee No 2 since long time as professional colleagues, who happen to have work responsibilities which requires continuous interactions. The interactions as referred to are not standalone interactions during the time period under investigation, however are part of continuous communication which the Noticee No 2 had, both prior and post the time period under scrutiny. As such branding the employees Mr. SXXX SXXX and Mr. DXXX DXX as source for accessing the UPSI is absolutely erroneous, far from truth and material available on record.*
- (z) That the contents of Para 25 are denied as no chain establishing communication of 'UPSI' have been placed on record and established, rather conclusions have been drawn on factually incorrect information and assumptions based on incomplete and incorrect information.*
- (aa) That contents of Para 26 are categorically denied being devoid of truth, for reasons as stated in the preceding Paras.*
- (bb) Reply to Para 27 – 30*
 - i) It is submitted that Noticee No 2 was never in possession of any information which is categorised as 'UPSI'. As no such information was available, hence it could not have been transmitted further. Also all the communication between Noticee No 1 and 2 have been provided and placed on record in the present SCN, however no remote reference has been made regarding availability of any such information in the entire chats of the intervening time period.*
 - ii) It is submitted that in light of the submissions made hereinbefore, all the allegations levelled against my client are denied vehemently.*
 - iii) It is submitted that the allegations of violations of PIT Regulations, as alleged in the subject SCN, are denied being figment of fiction devoid of*

any credible material on record to arrive at findings which may hold our client culpable.

- iv) It is submitted that our client has not indulged in trades in securities market which are based upon 'UPSI'.*
- v) It is submitted that our client has not engaged itself in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealings in securities which are listed on a recognised stock exchange in contravention of the provisions of the act or the rules and the regulations made thereunder or in any manner affects the securities market.*

13. After receipt of the written reply and in compliance with the principle of natural justice, an opportunity of personal hearing was granted to the Noticees by the undersigned on April 24, 2025. Noticees along with their authorised representative, Mr. Mohit Choudhary attended the hearing on April 24, 2025.

Issues

14. After careful perusal of the material on record, I note that the issues that arise for consideration in the present case are as follows:

- I. Whether Noticee No. 2 communicated the UPSI regarding the financial results of Nucleus to Noticee No. 1 and thereby violated regulation 3(1) of PIT Regulations and section 12A (e) of the SEBI Act?
- II. Whether Noticee No. 1 traded in the scrip of Nucleus while being in possession of UPSI and thereby violated regulation 4(1) of PIT Regulations and sections 12A (d) and (e) of the SEBI Act?
- III. Does the violation, if any, on the part of Noticees attract a monetary penalty under section 15G of the SEBI Act?
- IV. If so, what would be the monetary penalty that can be imposed upon Noticees taking into consideration the factors stipulated in section 15J of the SEBI Act?

15. The relevant extracts of the provisions of law, allegedly violated by Noticee, are mentioned under:

PIT Regulations

“3. (1) No insider shall communicate, provide, or allow access to any unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

....

4.(1) No insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information:

Explanation –When a person who has traded in securities has been in possession of unpublished price sensitive information, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession.

....”

SEBI Act

“12A. No person shall directly or indirectly—

...

(d) engage in insider trading;

(e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder...”

16. I now proceed to decide the issues at hand.

Consideration

- I. **Whether Noticee No. 2 communicated the UPSI regarding the financial results of Nucleus to Noticee No. 1 and thereby violated regulation 3(1) of PIT Regulations and section 12A (e) of the SEBI Act?**
- II. **Whether Noticee No. 1 traded in the scrip of Nucleus while being in possession of UPSI and thereby violated regulation 4(1) of PIT Regulations and sections 12A (d) and (e) of the SEBI Act?**

17. The SCN alleged that Noticee No. 2 was in possession of UPSI regarding financial results of Nucleus for the quarter and year ended March 31, 2023 which he communicated to Noticee No. 1. Further, it was alleged that Noticee No. 1 had traded in the scrip of Nucleus while being in possession of the UPSI received from Noticee No. 2.

UPSI

18. At the foremost, it is crucial to discern whether the information regarding the financial results of the Nucleus for the quarter and year ended March 31, 2023 was UPSI in terms of regulation 2(1)(n) of the PIT Regulations. In this regard, the relevant clause of the PIT Regulations are mentioned as under:

"unpublished price sensitive information" means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –

(i) financial results;... (Emphasis supplied)

19. It is not in dispute that unpublished information relating to the financial results is a price sensitive information and till that information is made known to the public, it continues to be UPSI. In the instant case, the financial results of the Nucleus for the quarter and year ended March 31, 2023 was price sensitive information and it had a material impact on the scrip of Nucleus inasmuch as the price of the scrip increased by 19.99% on close to close basis on the day it was disseminated, i.e., May 26, 2023. It was observed that the net profit for the company on a standalone basis for quarter ending March 2023 had increased by 76.45 percent and on YoY basis increased by 209.66 percent from March 2022 to March 2023.

20. Further, it is noted that the sub-clause (i) of the regulation 2(1)(n) of the PIT Regulations provides that financial results would be deemed to be UPSI.

21. In light of the aforesaid discussion, I have no qualm in holding that the information regarding the financial results of the Nucleus for the quarter and year ended March 31, 2023 was an UPSI before it was disseminated over the stock exchanges.

Period of UPSI

22. From the email dated June 10, 2024 received from Nucleus by SEBI, it is noted that the preparation of financial results of Nucleus for the quarter and year ended March 31, 2023 had commenced on April 01, 2023. It is a fact that the said results were disseminated on the stock exchanges during trading hours on May 26, 2023.

23. It is noted that Noticees have not disputed the period of UPSI alleged in the SCN.

24. In this background, I conclude that the UPSI period existed from April 01, 2023 to May 26, 2023.

Insider

25. As per regulation 2(1)(g) of the PIT Regulations, an insider means any person who is:

- i) a connected person; or
- ii) in possession of or having access to unpublished price sensitive information.

26. In this background, I note that Noticee No. 2 was employed by Nucleus during IP and he has been working with Nucleus since 2004. At the relevant time, he was holding the position of Project Manager, Global Customer Services Team at Nucleus. It is a fact that Noticee No. 2 was not included in the list of designated employee of Nucleus for the IP.

27. Here, it is crucial to take note of the following extracts of the statement of the Noticee No. 2 dated August 07, 2024 which was recorded under section 11C (5) of the SEBI Act:

“ ...

Q5. Company's annual financials for FY 2022-23 were disclosed on May 26, 2023. Were you aware of the total income and profit reported in the financial statements for FY 2022-23 before announcement?

A5. I knew that the company was going to make very good profit before the announcement as it was commonly discussed at the office that the company is going to declare huge profit in the upcoming announcement regarding financial results. I additionally knew that the company had increased AMC cost for all the customers multifold. I was confident that the company's scrip is going to do well.

Therefore, I asked Mr. Anupam Gupta to purchase the shares of Nucleus in April-May 2023 and I also sent him money to invest in the scrip.

...

Q7. Why you did not invest using your own account and invested through the account of Mr. Anupam Gupta?

A7. I did not use my own trading account because of fear of being caught of trading in my own company's scrip prior to announcement. ...” (Emphasis supplied)

28. From the aforesaid admission, it is unequivocally established that Noticee No. 2 had access to material information regarding the company's strong financial and business performance well before such information was made available to the public at large. It is also pertinent to note that results of the company were indeed 'very good' as the net profit for Nucleus on a standalone basis from December 2022 to March 2023 quarter had increased by 76.45 percent and on YoY basis increased by 209.66 percent from March 2022 to March 2023.

29. In this connection, it is apposite to draw reference to the following provisions of the PIT Regulations:

(e) "generally available information" means information that is accessible to the public on a non-discriminatory basis

“(g) “insider”

...

NOTE: Since "generally available information" is defined, it is intended that anyone in possession of or having access to unpublished price sensitive information should be considered as an "insider" regardless of the manner in which one came into possession of or had access to such information.

(n) "unpublished price sensitive information".....

NOTE: It is intended that information relating to a company or securities, that is not generally available would be unpublished price sensitive information if it is likely to materially affect the price upon coming into the public domain. The types of matters that would ordinarily give rise to unpublished price sensitive information have been listed above to give illustrative guidance of unpublished price sensitive information.” (Emphasis supplied)

30. It is a fact that the information regarding the nature of the financial results and the business operations of Nucleus which formed an integral part of the financial results was available to Nitin prior to public disclosure. At this stage, this information was not available to the general public on a non-discriminatory basis. Considering that such information is likely to materially affect the price of the scrip upon becoming generally

available and noting that the scrip of Nucleus had risen by 19.99% following the declaration of the financial results by Nucleus, it is apparent that the information that Nitin had access to was an UPSI relating to the financial results of Nucleus.

31. I further note that Nitin was well aware of the sensitive nature of the information that was in his possession. Perhaps the most telling is the answer of Nitin to question no. 7 in his statement dated August 07, 2024, wherein he stated that he had deliberately abstained from using his trading account only out of the fear of being apprehended for insider trading. The fact that Nitin traded in the scrip of Nucleus based on this UPSI through a third party, Anupam, to circumvent detection further underscores the privileged nature of the information which he had access to.

32. Now I proceed to analyse the subsequent conduct of Nitin after coming in possession of UPSI. I note that after becoming privy to the UPSI, Nitin had instructed Anupam to purchase shares of the Nucleus during the UPSI period and even provided funds for the same. Notably, Anupam was Nitin's relative (maternal aunt's son). The Noticees shared a close and cordial relationship with each other which was characterized by frequent communication, as noted from the following:

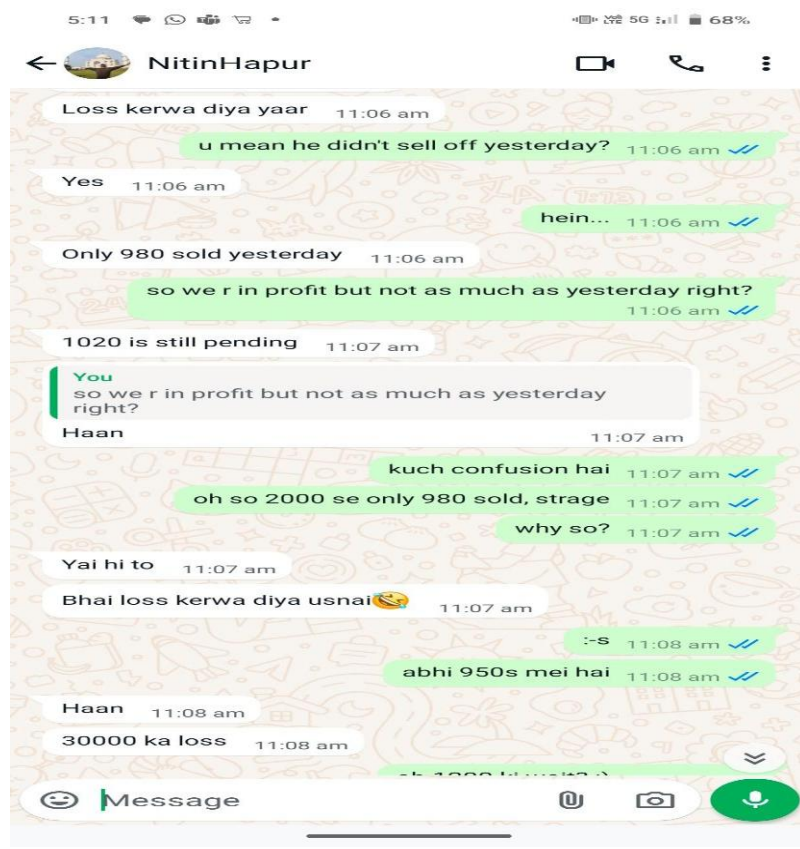
- a) The Call Data Records (hereinafter referred to as '**CDR**') reveal that there were frequent telephonic communication between the Noticees during the UPSI period and post UPSI period as well, including on the crucial dates on which trades were executed by Anupam in the scrip of Nucleus. The relevant details of call records corresponding to the trade dates of Anupam in the scrip of Nucleus are tabulated under:

Table 1

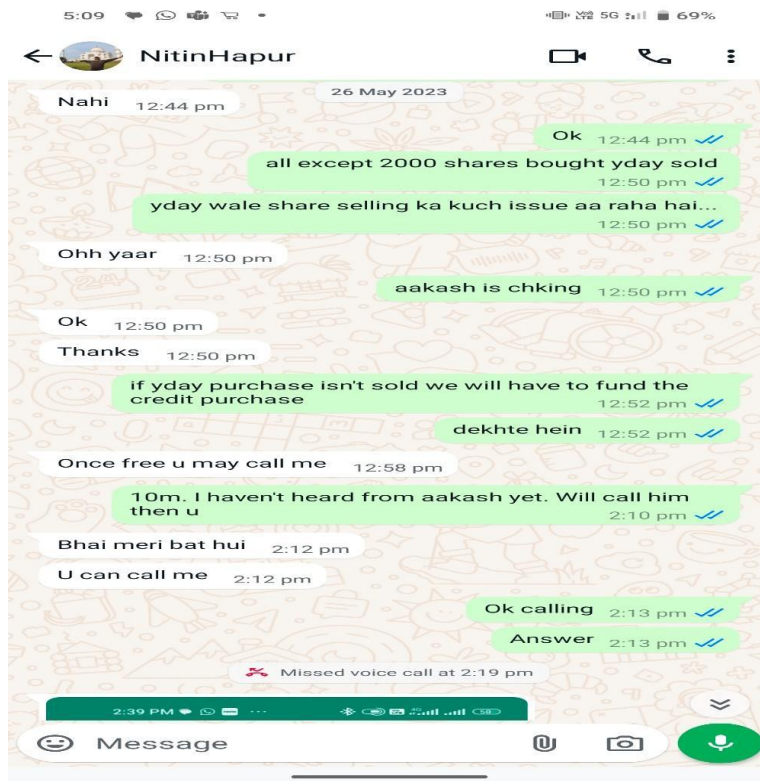
Date of Trade	Time of Call	Duration	Remarks
April 13, 2023	15:29:00	292	Anupam brought shares of Nucleus.
April 16, 2023	17:38:08	319	
April 17, 2023	11:04:16	301	
April 18, 2023	12:18:16	267	
May 25, 2023	No calls on May 25, 2023 but there were calls on May 24, 2023.		
May 26, 2023	12:26:47	27	Anupam sold shares of Nucleus which were
	12:28:43	69	
	14:19:10	15	

Date of Trade	Time of Call	Duration	Remarks
May 29, 2023	14:19:36	15	bought during the UPSI period.
	09:19:53	24	
	09:23:36	93	
	09:26:21	603	
May 30, 2023	11:36:01	150	
	11:50:25	190	
	12:19:06	24	
	14:23:43	219	

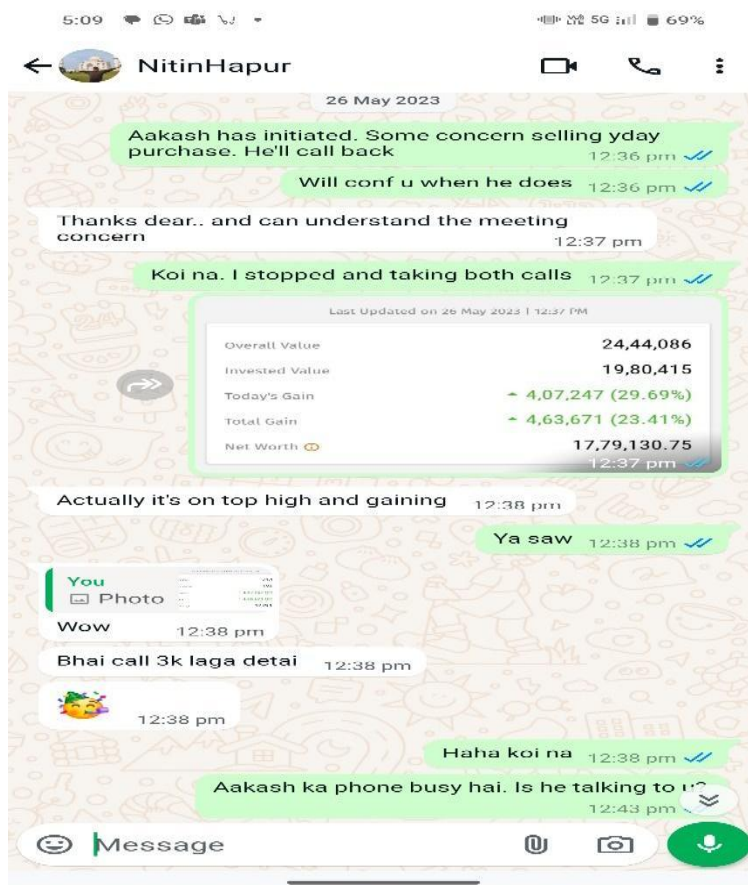
- b) Noticees also used to regularly exchange messages with each other over the WhatsApp application. On perusal of the said chats, it is noted that Noticees were also communicating through WhatsApp during the period when Anupam traded in the scrip of Nucleus. These messages, provided by Anupam, further reveal that Nitin had a deep financial interest in the trades executed by Anupam in the scrip of Nucleus during the IP. Some of the relevant screenshots illustrating the same are provided as under:



Screenshot 1



Screenshot 2



Screenshot 3

33. In light of these facts, it is important to understand the rationale of Anupam for executing the trades in the scrip of Nucleus during the UPSI period. Here, I take note of the following extract of Anupam's statement dated August 07, 2024:

"Q5 Why didn't you opt for trading by yourself solely and undertook investment activity jointly with Mr. Nitin Garg?"

A5 It was done in conjunction with Nitin because of the confidence shown by him in the performance and prospects of his company. Later, I solely invested in all other scrips without any investment being received from Mr. Nitin Garg.

Q6 Did Mr. Nitin Garg share with you any information related to the financials of Nucleus for the FY 2022-23 prior to buying shares of Nucleus in April and May 2023?

A6 No, he did not share any financial information. However, he did say that the company was going to do very well and the scrip is going to do well. He showed confidence in the performance of his company and was himself putting in 9-10 lakhs and because of this confidence I also invested 2-3 lakhs.

Q9 Any other information that you would like to share.

A9 I invested in the scrip of Nucleus during April and May 2023 after being asked by my cousin Mr. Nitin Garg. He showed confidence for the future performance of his company and its scrip. Therefore, I invested in the scrip and returned the amount invested by Nitin proportionate to his investment. At that time, I did not realise that this could be treated as mala fide." (Emphasis supplied)

34. Thus, it is manifest that Anupam executed trades in the scrip of Nucleus solely based on the confidence expressed by Nitin in the said scrip. It is pertinent to mention that the statement of Nitin further lends credence to the said fact. In this regard, the relevant extract of Nitin's statement is reproduced below:

"Q6. Did you disclose any information related to Nucleus Software Exports Ltd. to Mr. Anupam Gupta between April 2023 and Nov 2023?"

... During this conversation, I mentioned about the company's strong future growth, some customer names, and the appraisal I received. I informed him that I received an approximate 25% appraisal for the year 2022-23 and also expecting a favorable appraisal for the year 2023-24 as well. I told him to not

worry and invest in the scrip of Nucleus and mentioned that the company is going to do very well.” (Emphasis supplied)

35. I further find that the role of Nitin in the entire operation was not just limited to imparting privileged information regarding the ‘very good’ financial performance of Nucleus to Anupam, rather, Nitin, along with his father, Vijendra Nath Garg, went ahead and provided funds to Anupam for facilitating his trades in the scrip of Nucleus during the UPSI period. Noticees, in their statements, admitted that Nitin along with his father had provided funds to Anupam for trading in the scrip of Nucleus. This is further supported by bank records of Anupam which show multiple transfers from Nitin and his father to Anupam’s account during the UPSI period, followed by repayments from Anupam to Nitin and his father after receiving the pay-out from the sale of Nucleus shares. In this regard, the relevant extract of Nitin’s HDFC Bank account evidencing these fund flows is tabulated below:

Table 2

Sr. No	Date	Narration	Credit(Cr)/ Debit(Dr)	Amount (in Rs.)	Balance (in Rs.)
1.	10/04/23	NEFT CR-PUNB0019800-VIJENDRA NATH GARG-ANUPAM GUPTA-PUNBH23100882726	Cr	10	18,258.06
2.	11/04/23	NEFT CR-PUNB0019800-VIJENDRA NATH GARG-ANUPAM GUPTA-PUNBH23101897634	Cr	1,25,000	1,43,258.06
3.	11/04/23	NEFT CR-PUNB0019800-VIJENDRA NATH GARG-ANUPAM GUPTA-PUNBH23101894730	Cr	75,000	2,18,258.06
4.	13/04/23	FT_1F727AD647550/MOTILALO SWALSECURITI	Dr	1,88,000	28,289.06
5.	14/04/23	NEFTCR-PUNB0019800-VIJENDRA NATH GARG-ANUPAM GUPTA-PUNBH23104253298	Cr	1,50,000	1,75,423.13
6.	15/04/23	NEFT CR-PUNB0019800-VIJENDRA NATH GARG-ANUPAM GUPTA-PUNBH23105397283	Cr	50,000	2,24,259.39
7.	18/04/23	FT_1F8C99875C2750/MOTILALO SWALSECURITI	Dr	2,17,433	10,865.99
8.	19/04/23	01341050046025-TPT-OK-NITIN KUMAR GARG	Cr	100	10,965.99
9.	19/04/23	01341050046025-TPT-OK-NITIN KUMAR GARG	Cr	80,000	90,765.99

10.	29/04/23	01341050046025-TPT-OK-NITIN KUMAR GARG	Cr	50,000	4,63,271.93
11.	01/05/23	01341050046025-TPT-OK-NITIN KUMAR GARG	Cr	50,000	5,13,132.56
12.	12/05/23	UPI-NITIN GARG-9717922996@PAYTM-HDFC0000134-313217171532-NA	Dr	25,275	3,28,189.52
13.	25/05/23	01341050046025-TPT-OK-NITIN KUMAR GARG	Cr	5,00,000	7,38,836.63
14.	25/05/23	FT_2049CB06CE2050/MOTILAL OSWALSECURITI	Dr	7,00,000	38,836.63
15.	01/06/23	00600340052920-PAYOUT FROM MOFSL	Cr	19,81,136	20,57,178.05
16.	01/06/23	01341050046025-TPT-XFR-NITIN KUMAR GARG	Dr	50,000	20,07,178.05
17.	01/06/23	NEFT DR-PUNB0000400-VIJENDRA NATH GARG-NETBANK, MUM-N152232483297906-XFR	Dr	50,000	19,57,178.05
18.	02/06/23	01341050046025-TPT-XFR-NITIN KUMAR GARG	Dr	5,00,000	14,49,795.20
19.	02/06/23	NEFT DR-PUNB0000400-VIJENDRA NATH GARG-NETBANK, MUM-N153232484963366-XFR	Dr	5,00,000	9,49,795.20
20.	03/06/23	01341050046025-TPT-XFR-NITIN KUMAR GARG	Dr	1,47,167	7,99,977.25
21.	03/06/23	NEFT DR-PUNB0000400-VIJENDRA NATH GARG-NETBANK, MUM-N154232486255484-XFR	Dr	5,00,000	2,99,977.25

36. From the aforesaid table, it is apparent that Anupam was regularly receiving funds from Nitin and his father during the UPSI period. The said funds were transferred by Anupam to his trading account and were subsequently used to purchase shares of Nucleus. After the receipt of the sale pay-out, monies were transferred by Anupam to the bank account of Nitin and his father in proportion to their contribution. In this regard, reference is made to the order of the Hon'ble Securities Appellate Tribunal (hereinafter referred to as '**SAT**') in the matter of *Pallavi Navinchandra Mehta and Ors. v. Securities and Exchange Board of India*¹ wherein it was held as under:

"23. We also find that Appellant no. 3 transferred the funds to his wife Appellant no. 6 who, in turn, transferred it to Appellant nos. 1 and 2. Further, the finding that appellants also traded on behalf of one of the appellant leads to an irresistible conclusion that appellant had intent to trade while in possession of insider information. ..."

¹Appeal No. 606 of 2021.

37. Thus, when the pattern of fund transfers amongst Anupam, Nitin, and Nitin's father during the UPSI period, their subsequent utilization of these funds and ensuing proportional distribution of proceeds is considered alongside relevant judicial precedents, it strongly supports the inference that Noticees acted in collusion with each other driven exclusively by the objective to profit from asymmetrical access to non-public price sensitive information.

38. It is also a fact that Anupam had purchased shares of Nucleus for the first time on April 13, 2023. Prior to April 13, 2023, Anupam had never dealt in the scrip of Nucleus. Not just that, Anupam has not participated in the market prior to the impugned trades in Nucleus with volume and value similar to those in Nucleus. It is also a fact that Noticee No. 1 exited his position once the UPSI came in the public domain. In this regard, the relevant trading details reflecting the post-disclosure trading pattern of Noticee No. 1 are mentioned below:

Table 3

Date	Buy Quantity	Buy Rate (in Rs.)	Buy Value (in Rs.)	Sell Quantity	Sell Rate (in Rs.)	Sell Value (in Rs.)
Post Announcement Period (May 26, 2023 to June 16, 2023)						
26-May-2023	-	-	-	1,020	809.30	8,25,000
29-May-2023	-	-	-	980	971.15	9,52,000
30-May-2023	-	-	-	1,020	1,068.25	10,90,000
Total	-	-	-	3,020		28,67,000

39. It is worth noting that Noticees had shown a strong desire to exit the position of Anupam on the very date UPSI was disseminated, i.e., on May 26, 2023 as seen from the WhatsApp chats and replies of the Noticees. However, Noticees encountered issues from broker's end, thereby delaying sale of all his holding to subsequent dates. I note that such a unique trading pattern of Anupam cannot be attributed to mere coincidence. This abrupt and distinct trading pattern, combined with the atypical volume and values, raises serious suspicion regarding the nature of the trades of Anupam.

40. From all the attendant facts and circumstances, it is established that Nitin had access to crucial aspects of the financial results, i.e., the nature of the financial results along

with the business operations, which were not generally available to the public at large. As noted above, this information was undoubtedly price sensitive information and was likely to materially affect the price of the scrip upon being disclosed. It is also a fact that Nitin capitalised on this unpublished information by making Anupam trade on his behalf during the UPSI period. Nitin's mala fides are evident as he admitted that he was aware of the risks of trading from his own account, which prompted him to take help of Anupam to execute the trades. Therefore, I find on a scale of preponderance of probability that Nitin was privy to the UPSI and was an insider in terms of regulation 2(1)(g)(ii) of the PIT Regulations.

41. In this background, when the aforesaid facts along with the nature of the relationship amongst the Noticees, frequent communication over call and WhatsApp, the financial transactions between Noticees and the fund utilisation thereof, the unusual trading pattern of Anupam are considered holistically, it appears that Anupam had executed the trades in the scrip of Nucleus only based on the UPSI communicated and financial support extended by Nitin, otherwise, Anupam would not have entered into such trades in the scrip of Nucleus. Therefore, it reasonably follows a preponderance of probability that Nitin had communicated the UPSI to Anupam and Anupam, having possession to UPSI, was an insider in terms of the PIT Regulations.

42. At this stage, I take note of the decision of the Hon'ble SAT in the matter of *Ameen Khwaja & Ors. v. SEBI*² wherein it was held as under:

"The burden of proof of having reasonable expectation of having access to the UPSI is initially no doubt on respondent SEBI. Once the respondent SEBI place material/probabilities then onus to prove shifts to the other side i.e. the appellants to prove otherwise. Since, admittedly, respondent SEBI is required to establish the facts on preponderance of probability and not beyond reasonable doubt, the similar standard of proof would apply to the appellants to shift the onus."

43. In this context, applying the regulatory provisions surrounding the charge of insider trading, I am of the view that as it has been established that Noticees were having a reasonable expectation of having access to the UPSI, now Noticees have the burden to demonstrate that they were not in possession of the above-noted UPSI. In this

²Appeal No. 584 of 2019.

regard, Noticees raised various contentions. The said contentions are discussed in the following paragraphs:

Communication

44. The Noticees stated that the concerned chats among cousins, *inter alia*, had some elements of financial discussions. In this regard, Noticees have argued that no illegality has been pointed out in the said interactions and hence no liability can be fastened upon the Noticees based upon the chats and conversations. Further, Noticees stated that despite producing the entire chat box, no particular chat has been cited remotely referring to any information that falls under the domain of the PIT Regulations. Furthermore, Nitin has contended that the employees referred in the SCN have been known to him for a long time as professional colleagues and branding such employees as sources for accessing the UPSI is erroneous.
45. In this regard, I note that chats and calls between the Noticees and other conversations cannot be seen in isolation. These communications, when considered in isolation, may appear innocuous; however, viewed holistically alongside financial transactions, roles, relationships, and trading patterns, they irresistibly lead to the conclusion on a preponderance of probabilities that the trades of Anupam in the scrip of Nucleus were not *bona fide* rather driven by his access to UPSI through Nitin. Adding to that, I note that no allegation has been made in the SCN that Nitin had received the UPSI from the said two employees.
46. Accordingly, this contention of the Noticees cannot be accepted.

Methodology

47. The Noticees have argued that trades marked as fit for investigation have been identified without any basis and apparently based upon 'significant difference' in the sell and buy value, without specifying the degree of difference between buy and sell values which is unusual.
48. I note that the focus of the investigation as noted from the IR was to ascertain whether Anupam had traded in the scrip of Nucleus during the IP while in possession of or

having access to UPSI about its financial results for the quarter and year ended March 31, 2023 in contravention of the provisions of the PIT Regulations. In the course of the investigation, the trades executed by Anupam during the IP were analysed for the alleged violation of PIT Regulations. Pursuant to the culmination of the investigation, the instant proceedings were initiated *qua* Noticees. Here, it is imperative to mention that no trades were selected for investigation solely on the basis of 'significant difference' in the sell and buy value rather the investigation focused on the timing and context of trades vis-à-vis possession of UPSI.

49. Accordingly, this contention of the Noticees cannot be accepted.

Statements were misinterpreted

50. Noticees have contended that Anupam's statement "*No other scrip. Now, in retrospect, I feel that my trading account was used as a mule account by Mr. Nitin Garg to invest in the scrip of Nucleus.*" and Nitin's statement "*Through all this I learnt that if we do something illegal then it gets highlighted in the end anyhow and so it should not be done thinking that it will not be caught. I am only responsible for all this and I used my father's bank account to transfer funds to Mr. Anupam Gupta. My father is not responsible for any of this and I am solely responsible for it.*" were not made and have been grossly misinterpreted during the recording of the statement.

51. It is a fact that the statement of Noticees was recorded on oath in consonance with the mandate of section 11C of the SEBI Act on August 07, 2024. It is not the case of the Noticees that the said statements were recorded in abrogation of the procedure prescribed under section 11C of the SEBI Act which mandates the statement after being recorded in writing has to be read over before signature is affixed by the said person. From the statements and the records of the matter, I do not find that Noticees while signing these statements or even afterwards until the submission of the reply have disputed the veracity of the abovementioned extracts of the statements. Moreover, if Noticee No. 1 was aggrieved with the statement of Noticee No. 2, it was always open to him to request a cross-examination of Noticee No. 2 or vice versa which admittedly was not done in the present case.

52. *Arguendo*, even if the instant submission of the Noticee is accepted, it remains that Nitin communicated UPSI to Anupam and Anupam traded in the scrip of Nucleus while being in possession of UPSI.

53. Therefore, this assertion of the Noticees cannot be accepted.

Non-joinder

54. Noticees have alleged that the SCN absolved the key personnel of Nucleus from any wrongdoing.

55. It is noted that the objective of the instant proceeding is to only adjudge the allegations brought out in the SCN against Noticees. Non-initiation of proceedings *qua* other entities cannot be taken as a ground by Noticees to seek an exoneration from the present proceeding.

56. Here, I place reliance on the findings made by Hon'ble SAT in the matter of *Systematix Shares & Stocks (India) Limited v. SEBI*³ wherein it was noted that:

"...It is true that the Board has taken action selectively against a few entities involved in the alleged wrong doing. According to the appellant the Board should have proceeded against all wrong doers and the action against the appellant and a few entities alone is also discriminatory. We cannot subscribe to this view since the Board has set its own benchmark in selecting cases for action and, in any case, the appellant cannot plead himself innocent or his trades as lawful."

57. Therefore, this contention of the Noticees cannot be accepted.

58. Based on the discussions in the previous paragraphs, I find on preponderance of probability that Nitin, by virtue of position in the company, was in possession of UPSI regarding the nature of the financial results and business operations which eventually formed part of the financial results of Nucleus. It is an admitted fact that Noticees shared a cordial bond and Anupam traded in the scrip of Nucleus based on the

³ Appeal No. 21 of 2012.

information shared and confidence shown by Nitin. Nitin provided funds to Anupam to trade in his behalf as well. All these factors show that Anupam's trades in Nucleus were executed on the basis of UPSI, which preponderance of probability suggests, were provided by Nitin. Consequently, I find that Noticees had access to the UPSI and hence, were insiders in terms of regulation 2(1)(g)(ii) of the PIT Regulations.

Trading

59. It is not disputed that the Noticee No. 1 had traded in the scrip of Nucleus during the IP. The trading details of the Noticee No. 1 in the scrip of Nucleus in the IP is tabulated below:

Table 4

Date	Buy Quantity	Buy Rate	Buy Value	Sell Quantity	Sell Rate	Sell Value
Pre UPSI-Period (March 01, 2023 to March 16, 2023)						
No Trading Observed in Pre UPSI-Period						
UPSI Period (March 17, 2023 to May 25, 2023)						
13-Apr-2023	300	617.17	1,85,000	-	-	-
17-Apr-2023	720	594.35	4,28,000	-	-	-
25-May-2023	2,000	677.67	13,55,000	-	-	-
Post Announcement Period (May 26, 2023 to June 16, 2023)						
26-May-2023	-	-	-	1,020	809.30	8,25,000
29-May-2023	-	-	-	980	971.15	9,52,000
30-May-2023	-	-	-	1,020	1,068.25	10,90,000
Total	3,020		19,68,000	3,020		28,67,000

60. As mentioned in preceding paragraphs, it is evident that Noticee No. 1 had no prior dealings in the scrip of Nucleus before April 13, 2023. There is no record of Anupam engaging in trades of similar volume or value in the market prior to this transaction. The sudden and isolated entry of Anupam into Nucleus shares, coupled with the absence of any previous trading activity, constitutes a highly unusual and distinctive trading pattern.

61. I note that Noticees have submitted various explanations and justifications for the impugned trades as their defences which are discussed under different headings for the ease of discussion:

Trades based on the analysis

62. Noticees contended that the statement of the Noticees had made it clear that the investments were made based upon a decision relying upon the good performance

of the company over the years as gauged by the Nitin. Noticees have argued that the investment decision was taken primarily based upon faith in the working of the company by Nitin who as an employee happens to be aware that Nucleus was doing good in terms of business and hence was expected to deliver better returns to its investors.

63. Having gone through the said contention, I find that such a contention may appear to be appealing on its face, on an examination of the same, the defense put forward by the Noticees is found to be grossly untenable and lacks merit to be accepted. I find that no material or evidence has been adduced by the Noticees to substantiate their submission that the trades were based on the analysis undertaken by Nitin.

64. Here, it becomes crucial to take note of the Explanation to regulation 4(1) of the PIT Regulations, which reads as under:

“...When a person who has traded in securities has been in possession of unpublished price sensitive information, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession....” (Emphasis supplied)

65. As it has been established that the Noticees were insiders in terms of PIT Regulations, accordingly, the presumption follows that the trades of Anupam were executed with the knowledge and awareness of such UPSI. Therefore, it is not proper on the part of the Noticees to rebut the said presumption by vaguely arguing that the decision was based on an analysis undertaken by Nitin without providing any document or material to support their assertion.

66. Therefore, it cannot be said that the abovementioned trades were based on the acumen or analysis of Nitin. Consequently, this contention of the Noticees lacks merit and hence cannot be accepted.

Amount of Investment

67. Noticees have argued that their investment was significantly disproportionate to the available sources for investing. Noticees asserted that bank statements and financials of Anupam would make it evidently clear that had he been in possession

of any UPSI, he would have stretched all his means to gain maximum 'assured' rewards, instead of investing marginal sums as a cautious beginner.

68. It is reiterated that as the onus *qua* status of Noticees as insiders has shifted, the burden is now on the Noticees to rebut the presumption drawn in terms of Explanation to regulation 4(1) of the PIT Regulations. Noticees, instead of submitting any evidence to refute the said presumption, have ambiguously contended that the trades executed by Noticee No. 1 were disproportionate to his available sources for investing. *Ergo*, this submission of the Noticees can in no manner help their case. Adding to that, the Noticees have not adduced any material to show what constitutes their available sources for investing.

69. Further, I note that Anupam has purchased 3,020 shares of Nucleus amounting to Rs. 19,68,000/- during the UPSI period. The said amount utilised for purchasing the scrip of Nucleus during the UPSI period was funded by Anupam himself, along with the substantial contributions from Nitin and his father, Mr. Vijendra Nath Garg. The relevant details in this regard have been mentioned below:

Table 5

Contribution made for purchasing the scrip of Nucleus	Amount (in Rs.)
Amount contributed by Anupam	8,87,890
Amount contributed by Nitin and his father	10,80,110

70. In these circumstances, the collective financial contributions made by the Noticees wherein not just Noticees but also Nitin's father had contributed clearly demonstrate a concerted effort was made to maximize gains based on UPSI.

71. Thus, the instant contention of the Noticees lacks merit and hence cannot be accepted.

Accidental Profit

72. Noticees have stated that despite their instructions to the stockbroker for liquidating the holdings of Anupam in Nucleus on May 26, 2023 the holdings could not be liquidated as instructed. Noticees have argued that as such the instruction to 'sell' could only be executed only May 29, 2023 and May 30, 2023, owing to which the

scrip of Nucleus charted an upward trajectory that was significant as compared to its upward trajectory earlier (before instructions to sell on May 26, 2023). Noticees asserts that the delay in executing the sale resulted in delivering ‘accidental profits’ that could not be attributed to Anupam’s conscious decision-making based upon access to any UPSI.

73. In this regard, I note that the moot issue here pertains to communicating UPSI and trading while in possession of UPSI. As noted above, Noticees have not been able to shift the onus regarding the fact that UPSI was communicated by Nitin to Anupam and Anupam was in possession of UPSI when the trades were executed in the scrip of Nucleus during the UPSI period. In this regard, even if the contention of the Noticees is accepted, the underlying fact that there was communication of UPSI amongst the Noticees and subsequently, trades executed while being in possession of UPSI remains unrebutted.

74. Further, it is important to emphasize that no reasoning has been provided by the Noticees explaining this mysterious urgency on their part to liquidate their holdings in the scrip of Nucleus in the immediate aftermath of the disclosure of financial results by Nucleus. Such urgency is rather indicative of the fact that trades of Noticees were driven by information that was not in the public domain and the Noticees wanted to capitalize on it once it became publicly available.

75. Therefore, the submission of the Noticees cannot be accepted.

Purchase of the third tranche was a matter of chance

76. Noticees have contended that the third tranche, which was purchased a day before the financial results were disclosed on May 25, 2023, was purely a matter of chance.

77. Anupam had executed the following trades in the scrip of Nucleus on May 25, 2023:

Table 6

Date	Buy Quantity	Buy Rate (in Rs.)	Buy Value(in Rs.)	Sell Quantity	Sell Rate (in Rs.)	Sell Value(in Rs.)
May 25, 2023	2,000	677.67	13,55,000	-	-	-

78. It is noted that Anupam had purchased 2000 shares of Nucleus on May 25, 2023 out of the total 3200 shares of Nucleus purchased by him during the UPSI period. Thus, it is apparent that the highest purchase on a single day during the UPSI period was undertaken by Anupam on May 25, 2023.

79. Here, it is vital to refer to relevant entries of the bank account statement of Anupam for the date, May 25, 2023:

Table 7

Sr. No	Date	Narration	Credit(Cr)/ Debit(Dr)	Amount (in Rs.)	Balance (in Rs.)
1.	25/05/23	01341050046025-TPT-OK-NITIN KUMAR GARG	Cr	5,00,000	7,38,836.63
2.	25/05/23	FT_2049CB06CE2050/MOTILALOS WALSECURITI	Dr	7,00,000	38,836.63

80. From the said table, it is noteworthy that the transfer undertaken of Rs. 5,00,000/- by Nitin to the bank account of Anupam on May 25, 2023 was his highest transfer in one instalment. It is a fact that on the very same date, Anupam had transferred an amount of Rs. 7,00,000/- to his trading account and bought shares in the scrip of Nucleus. In this context, I note that undertaking such a high value transaction on the same date when Anupam had made his largest purchase of Nucleus shares cannot be attributed to mere coincidence, especially when the information regarding the date of dissemination of the financial results of Nucleus on May 26, 2023 has been in the public domain since May 18, 2023. The timing and the amounts of money involved in the above transactions appear suspicious and cannot be explained by mere serendipity or chance. The *modus operandi* of the Noticees, as observed from the aforesaid discussions, is rather suggestive of elaborate planning undertaken by them to maximize profit in the shortest span of time. *Ergo*, this contention of the Noticees appears to be an afterthought and hence cannot be accepted.

81. Therefore, I find that Noticees have failed to demonstrate that they were not in possession of UPSI, or any of the available defences in terms of regulation 4(1) of the PIT Regulations are attracted.

82. Accordingly, in light of the discussions in the previous paragraphs, it is established on preponderance of probability that Nitin had communicated the UPSI to Anupam

who subsequently had traded in the scrip of Nucleus while being in possession of UPSI.

83. Based on the foregoing discussions, it is established that Anupam has violated regulation 4(1) of PIT Regulations and sections 12A(d) and (e) of the SEBI Act and Nitin has violated regulation 3(1) of PIT Regulations and section 12A (e) of the SEBI Act.

III. Does the violation, if any, on the part of Noticee attract a monetary penalty under section 15G of the SEBI Act?

84. As it has been established that Noticee No. 1 has violated regulation 4(1) of PIT Regulations and sections 12A(d) and (e) of the SEBI Act and Noticee No. 2 has violated regulation 3(1) of PIT Regulations and section 12A (e) of the SEBI Act, the Noticees are liable for payment of a monetary penalty in terms of section 15G of the SEBI Act.

85. The text of the above said section 15G of the SEBI Act is reproduced below:

“15G. Penalty for insider trading.

If any insider who, —

(i) either on his own behalf or on behalf of any other person, deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price-sensitive information; or

(ii) communicates any unpublished price-sensitive information to any person, with or without his request for such information except as required in the ordinary course of business or under any law; or

(iii) counsels, or procures for any other person to deal in any securities of any body corporate on the basis of unpublished price-sensitive information, shall be liable to a penalty which shall not be less than ten lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher”

IV. If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in section 15J of the SEBI Act?

86. While determining the quantum of penalty under section 15G of the SEBI Act, the following factors stipulated in section 15J of the SEBI Act are taken into account:

“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.”

87. I note that material available on record does not bring out any loss caused to any specific investor or a group of investors, as a result of violations committed by Noticee with respect to UPSI. I note that there is no material available on record to indicate that the violations committed by Noticee are repetitive. I have also considered the profit made by the Noticees while trading in scrip of Nucleus.

88. The aforementioned factors have been taken into consideration while adjudging the penalty.

Order

89. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in preceding paragraphs and in the exercise of powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose the following penalty on the Noticees:

Table 8

Noticee	Violations established	Charging provisions	Penalty (in Rs.)
Mr. Anupam Gupta	Regulation 4(1) of PIT Regulations and sections 12A(d) and (e) of SEBI Act	Section 15G of SEBI Act	Rs. 10,00,000/- (Rupees Ten Lakh only)
Mr. Nitin Kumar Garg	Regulation 3(1) of the PIT Regulations read with section 12A(e) of SEBI Act	Section 15G of SEBI Act	Rs. 15,00,000/- (Rupees Fifteen Lakh only)

90. I am of the view that the said penalty is commensurate with the lapses/omissions on the part of Noticees.

91. Noticees shall remit/pay the said amount of penalty within 45 days of receipt of this order through the 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.

92. In terms of the provisions of rule 6 of the Rules, a copy of this order is being sent to Noticees and also to the SEBI.

Date: September 23, 2025

Place: Mumbai

**JAI SEBASTIAN
ADJUDICATING OFFICER**