

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**[ADJUDICATION ORDER NO. Order/PB/UR/2023-24/29524-29523]**

---

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

---

**In respect of:**

<b>Sr. No.</b>	<b>Noticee Name</b>	<b>PAN</b>
1.	Mr. Venkatraman Ranganathan	ABOPR2170F
2.	Mr. Hariharansubramanian Venkatesh	AAHPV2269D
3.	Mr. Parthasarathi Naik	AAJPN7695R
4.	Ms. Ekta Anandalwar Naik	AZVPN0307P

**In the matter of Cerebra Integrated Technologies Limited.**

---

**BACKGROUND OF THE CASE**

1. The Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted investigation in the scrip of Cerebra Integrated Technologies Limited (hereinafter referred to as “**Company/CITL/Cerebra**”) during the period October 01, 2021 to November 13, 2021 (hereinafter referred to as the “**investigation period/IP**”). The focus of the investigation was to ascertain whether trading in the scrip of Cerebra during the IP, undertaken by Mr. Venkatraman Ranganathan (“**Noticee 1**”), Hariharansubramanian Venkatesh (“**Noticee 2**”), Parthasarathi Naik (“**Noticee 3**”) and Ekta Anandalwar Naik (“**Noticee 4**”) (hereinafter collectively referred to as “**Noticees**”) was while in possession of or having access to Unpublished Price Sensitive Information (hereinafter referred to as “**UPSI**”) of the unaudited financial results of CITL and was thus alleged to be in violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to

as “**SEBI Act**”) and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as “**PIT Regulations**”).

2. Based on the findings of the investigation, it was alleged that Noticees had violated as follows:

Table No. 1:- Action Matrix			
S. No.	Noticee No.	Alleged Violations	Penal Provisions
1.	Noticee 1	Section 12A(d) and 12A(e) of SEBI Act and Reg 3(1) of PIT Regulations;	Section 15 G of SEBI Act for all the Noticees.
2.	Noticee 2	Section 12A(d) and 12A(e) of SEBI Act and	
3.	Noticee 3	Reg 3(1) and 4(1) of PIT Regulations;	
4.	Noticee 4	Section 12A(d) and 12A (e) of SEBI Act and Reg 4(1) of SEBI PIT Regulations.	

### **APPOINTMENT OF ADJUDICATING OFFICER**

3. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as “**AO**”) under Sub-section 1 of Section 15-I of SEBI Act read with Section 19 of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and imposing penalties) Rules, 1995 (hereinafter referred to as ‘**Adjudication Rules**’) conveyed vide communique dated May 02, 2023, to inquire into and adjudge the aforesaid alleged violations against the Noticees, and if satisfied that the Noticees are liable, impose such penalty as it deems fit in terms of Rule 5 of Adjudication Rules and Section 15G of the SEBI Act.

### **SHOW CAUSE NOTICE, REPLY AND HEARING**

4. Pursuant to the investigation and consequent to the appointment of the undersigned, a common show cause notice (hereinafter referred to as “**SCN**”) dated July 17, 2023 bearing reference no. SEBI/HO/EAD/ADJ/PB/UR/28753,28754,28756,28758/2023 was issued to the Noticees under rule 4 of the Adjudication Rules read with sub-sections (1) and (2) of section 15-I of the SEBI Act to show cause as to why an inquiry should not be initiated against them and why penalty should not be imposed under Section 15G of the SEBI Act. The SCN also enclosed the following annexures:

<b>Table No. 2:- Annexures to the SCN</b>	
<b>Annexures No.</b>	<b>Particulars</b>
Annexure 1	Copy of the Order communicating Appointment
Annexure 2	Summary of all the corporate announcements during the IP
Annexure 3	Email dated February 04, 2023 by CITL
Annexure 4	Submissions of CITL dated February 04, 2023
Annexure 5	Chronology of events pertaining to the financial results for the quarter ended September 30, 2021 submitted by CITL
Annexure 6	Submissions dated December 15, 2022 of Noticee 4
Annexure 7	Amounts transferred to the account of Noticee 4
Annexure 8	Bank statements of Noticee 4, Srinivas Naik and Menorah Realities Pvt. Ltd
Annexure 9	Email dated February 20, 2023 by CITL
Annexure 10	Email dated October 12, 2021 by Noticee 2
Annexure 11	Total income disclosed on exchanges by the CITL for the quater
Annexure 12	Copy of CDR data along with visualization placed
Annexure 13	Cell tower location of Noticee 1 and Noticee 3 on October 12, 2021 & CDR location of Noticee 4 and Anandalwar Naik
Annexure 14	Notarized submissions dated March 08, 2023 of Noticee 4
Annexure 15	Statement under oath dated February 23, 2023 of Noticee 3
Annexure 16	Notarized submissions dated March 08, 2023 of Noticee 2
Annexure 17	Notarized submissions dated March 03, 2023 of Noticee 1
Annexure 18	Details regarding order placement by Noticee 4 through sub-broker

5. The allegations and observations levelled in the SCN against the Noticees are inter-alia as under:

**Background of the Company:**

**5.1.** CITL was incorporated on December 31, 1993. The closing price of the scrip of CITL was ₹ 10.25 at NSE and ₹ 10.21 at BSE on March 17, 2023. The management, financial results and shareholding pattern of CITL is tabulated below:

<b>Table No. 3:- Management of the Company</b>					
<b>Sl. No.</b>	<b>PAN</b>	<b>Name</b>	<b>Designation</b>	<b>Begin Date</b>	<b>End Date</b>
1	AFDPK0968D	Pazayanur Eswaran Krishnan	Non executive Chairman and	02/12/1996	-

Table No. 3:- Management of the Company					
Sl. No.	PAN	Name	Designation	Begin Date	End Date
			Independent Director		
2	ABOPR2170F	Venkatraman Ranganathan	Managing Director	01/01/2009	-
3	AANPV2162M	Vishwamurthy Phalanetra	Whole Time Director	18/07/1996	-
4	IHIPS4557R	Riyaz Suterwalla	Non Executive and Non Independent Director	14/09/2017	-
5	ADHPK6429P	Gopalkrishnan Seshadril	Independent Director	24/09/1997	-
6	AXKPP6034C	Bhavana Philipose	Independent Director	12/05/2020	-
7	GBR-517635635	Amul Mahendra Shah	Non-Executive and Non Independent Director	13/11/2020	-
8	ABJPV6599F	Mandya Venkatachar Seshadri Vasan	Independent Director	12/08/2019	-
9	AAJPN7695R	Parthasarathi Naik	Independent Director	27/07/2020	-
10	ARXPK0976D	Kishan S. Rao	Chief Financial Officer (KMP)	01/01/2021	20/11/2021
11	ATEPC7025Q	Maitri Chatterjee	Company Secretary (KMP)	11/02/2021	-

### Financial Results:

Table No. 4:- Summarized quarterly financial results of CITL					
Description (In ₹ Crores)	Consolidated				
	Sep 2020	Dec 2020	Mar 2021	June 2021	Sep 2021
Total Income	14.76	23.74	20.48	21.27	63.25
Total Expenditure	14.38	17.70	21.22	17.77	51.75
Net Profit after tax	0.38	4.37	(1.77)	2.89	9.73

It was observed that CITL had reported a total income of ₹ 63.25 crore during the quarter ending September 30, 2021, up by 197.36% from the previous quarter ending June 30, 2021 and 328.52 % from quarter ending September 30, 2020. Net profit after tax had increased to ₹ 9.73 crore during the quarter ending September 30, 2021, up by 236.67% from the previous quarter ending June 30, 2021 and 2460.52% from quarter ending September 30, 2020. A significant rise in total income and net profit was observed on a quarter-on-quarter basis.

### Shareholding Pattern:

Table No. 5:- Shareholding of CITL						
Particulars	Quarter ended Sep 2021			Quarter ended Dec 2021		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
<b>Promoter Holding</b>	5	86,03,219	7.10	5	86,03,219	7.10
<b>Non-Promoter Holding</b>	16,851	11,25,83,263	92.90	18,906	11,25,83,263	92.90
<b>Total</b>	16,856	12,11,86,482	100.00	18,911	12,11,86,482	100.00

### 5.2. Unpublished Price Sensitive Information and its period:

5.3. On November 13, 2021 aftermarket hours, CITL intimated to the Exchanges the financial results for the quarter ended September 30, 2021. CITL vide email dated February 04, 2023, submitted that they had initiated the process of preparation of the un-audited financial results for the quarter ending September 30, 2021 from October 01, 2021.

5.4. On November 13, 2021 at 22:50:11 IST on NSE and at 22:37:23 IST on BSE, the quarterly financial results of CITL for the quarter ending September 30, 2021 were disclosed in terms of the definition of UPSI, the possession of information regarding un-audited financial results for the quarter ending September 30, 2021 amounted to UPSI in terms of PIT Regulations.

5.5. Since, the initiation of process of preparation of the un-audited financial results for the quarter ending September 30, 2021 was started from October 01, 2021 and ended on November 13, 2021, IP and UPSI period was taken from October 01, 2021 to

November 13, 2021, however whenever deemed necessary, reference may have also been made to events/timeframes outside the IP/UPSI period.

**5.6. Insiders of CITL:**

**5.7.** As per the submissions of CITL dated February 04, 2023, following 30 persons (insiders and/or designated employees) were having access to and in possession of UPSI and thus were identified as insiders:

<b>Table No 6:- Insiders of CITL in terms of regulation 2(1)(g) of PIT Regulations</b>			
<b>S. No.</b>	<b>Pan</b>	<b>Name</b>	<b>Designation</b>
1	AHCPK5823G	P E Krishnan	Non-Executive Chairman And Independent Director
2	ABOPR2170F	V Ranganathan	Managing Director
3	AANPV2162M	P Vishwamurthy	Whole Time Director
4	ADHPK6429P	S Gopalkrishnan	Independent Director
5	ABJPV6599F	Mvs Vasan	Independent Director
6	IHIPS4557R	Riyaz Sutterwala	Non-Executive And Non Independent Director
7	AXKPP6034C	Bhavna Philipose	Independent Director
8	AAJPN7695R	Parthasarati Naik	Independent Director
9	GBR-517635635	Amul Mahendra Shah	Non- Executive And Non Independent Director
10	ARXPK0976D	Kishan S Rao	Chief Financial Officer (Kmp)
11	ATEPC7025Q	Maitri Chatterjee	Company Secretary (Kmp)
12	AAHPV2269D	H S Venkatesh	Financial Consultant
13	ABOPV0097R	Vijayakrishna K T	Company Secretary Consultant
14	AALPU6064D	Umarshankar S	Zonal Manager – Institutional Sales
15	ABQPH0060G	Raghavendra Ganapati Hegde	Zonal Manager- Refurbishment Sales, South
16	ABIPJ6510H	Phalguna Jois	Ceo- Enterprise Solutions And Infra Management(Esd)
17	ATLPP5033E	Preeti Tiwari	Customer Success And Bd- Epr
18	CVMPS9827G	Kala Bose	General Manager- Hr, Citl
19	ATRPR3305F	Y M Raghunath	Head Of Finance
20	CFUPM4972A	Rajamma A M	Sr. Manager Of Accounts

<b>Table No 6:- Insiders of CITL in terms of regulation 2(1)(g) of PIT Regulations</b>			
<b>S. No.</b>	<b>Pan</b>	<b>Name</b>	<b>Designation</b>
21	BRFPS0005L	Shaik Samiulla	Sr. Manager Of Accounts
22	AMWPR4506Q	Ramesh N M	Accounts Executive
23	ATAPG4772G	Ganesh K R	Sr. Executive Finance
24	ABNPA3050A	Ananda Seshu N	Accounts Manager
25	ABYPN0153A	Ravikumar Neeladri	Ceo- Recycling And Refurbishment
26	BEQPA8201L	Anish Padukone	Manager Finance
27	AQCPH9511P	Ajay Hande	Statutory Auditor
28	BSIPP4976K	Panduranga K	Accounts Manager
29	CXUPK4741D	Kiran S	Auditor
30	AAQPK6938B	Yashwant Khanderi	Auditor

**5.8. Chronology of Events related to UPSI:** CITL submitted the chronology of events pertaining to the financial results for the quarter ended September 30, 2021, which is reproduced below:

<b>Table No. 7:- Chronology of events as provided by CITL</b>			
<b>SL. No.</b>	<b>Date</b>	<b>Description of Activity</b>	<b>Persons Involved and Designation</b>
1.	01/10/21	Trading window closure	Maitree Chaterjee – CS, V Ranganathan - MD
2.	01/10/21 to 31/10/21	Review and reconciliation of depreciation on fixed assets, Reconciliation of TDS & other taxes and reconciliation with the parties. Bank reconciliation, completion of pending entries. Internal verification of Bank Balances with bank accounts and books.	Kishan Rao – CFO, Y M Raghunath – Head Finance, A M Rajamma/ Shaik Samiulla– Sr. Manager Accounts, Anish Padukone/ Panduranga K – Manager Accounts, Kiran and Yashwanth Khanderi- Auditors, V Ranganathan - MD
3.	05/11/21	Commencement of internal audit, giving access to raw accounting data and solving of audit queries.	Panduranga K - Accounts Mgr., AM Rajamma/ Shaik Samiulla – Sr Manager accounts, HS Venkatesh - Finance Consultant
4.	05/11/21 to 07/11/21	Preparation and submission of stock statement to banks and of internal audit.	Y M Raghunath – Head Finance, Shaik Samiulla - Sr Manager accounts, Kishan S Rao - CFO

<b>Table No. 7:- Chronology of events as provided by CITL</b>			
<b>SL. No.</b>	<b>Date</b>	<b>Description of Activity</b>	<b>Persons Involved and Designation</b>
5.	01/10/21 to 12/11/21	Commencement of statutory audit, giving access to the company's accounting system and solving auditors queries as raised during the audit on daily basis.	Y M Raghunath – Head Finance, Shaik Samiulla - Sr Manager accounts, Kishan S Rao – CFO, Ajay Hande - Statutory Auditor
6.	12/11/21	Preparation of draft financials. Sharing draft financials with the management and resolving final queries of auditors. Finalization of accounts including drafting the notes and checking the compliances of various accounting standards.	Kiran S – Auditor, Y M Raghunath – Head Finance, V Ranganatah – MD, Kishan S Rao - CFO Maitree Chaterjee - CS
7.	13/11/21	Sharing of draft audit report and /or finalized accounts with audit committee members.	Kishan S Rao – CFO, V Ranganathan – MD, P Vishwamurthy – Director, S Gopalakrishnan - Director, P E Krishnan – Director, MVS Vasan – Director, Maitree Chaterjee – CS, by invitation HS Venkatesh – Finance Consultant, Vijayakrishna K T – CS consultant, Kiran S - Auditor
8.	13/11/21	Sharing draft audit report and/or finalized accounts with board of directors.	PE Krishnan - Director, V Ranganathan – MD, P Vishwamurthy - Director, S Gopalakrishnan - Director, MVS Vasan - Director, Riyaz Suteralla - Director, Bhavan Philipose - Director, Partasarathi Nailk - Director, Amul M Shah _ Director, Maitree Chaterjee - Company Secretary
9.	13/11/21	Meeting of the board of directors held and approval of results.	PE Krishnan - Director, V Ranganathan – MD, P Vishwamurthy - Director, S Gopalakrishnan - Director, MVS Vasan - Director, Riyaz Suteralla - Director, Bhavan Philipose - Director, Partasarathi Nailk - Director, Amul M Shah _ Director, Maitree Chaterjee - Company Secretary

**5.9.** Further, it was observed that, Noticee 4, niece-in-law of Noticee 3 bought 83,000 shares of the Company at an average price of ₹ 53.53 during USPI period and sold these 83,000 shares at an average price of ₹ 76.40 post announcement period and earned a positive square off difference of ₹ 18,98,106. In this regard, trading pattern of Noticee 4, connection of Noticee 4 with other Noticees/insiders, bank statement analysis and funds arranged for trading, Call Data Record (hereinafter referred to as “CDR”) analysis were perused. The details are placed below:



**Connection of Noticee 4 with insiders/other Noticees and access to UPSI:**

UCC and KYC analysis:

- 5.9.1** Noticee 4 had residential address in UCC database as 401, Mayur Pankh, 6<sup>th</sup> Road, Chembur, Mumbai – 400071 which is in the same building as of Independent Director of Company viz. Noticee 3, 501, Mayur Pankh, 6<sup>th</sup> Road, Chembur, Mumbai – 400071.
- 5.9.2** Vide submissions dated December 15, 2022, Noticee 4 submitted that she is married, since 2015, to Anandalwar Naik who is the nephew of Independent Director of the Company, Mr. Parthasarathi Naik i.e. Noticee 3. She stayed with her father-in-law, Krishna Naik (brother of Noticee 3) till 2017 at the above mentioned address. Due to reservations to the inter-caste marriage and family differences, she and her husband, Anand Naik moved to a rented address in 2017.

Bank Statement Analysis: Funds arranged for trading:

- 5.9.3** Upon analysis of the bank account statement of Noticee 4 (designated bank account number 3495439724, Central Bank of India, period September 01, 2021 to March 31, 2022) it was observed that three transactions of ₹ 25 lakh, ₹ 18.5 lakh and ₹ 1.5 Lakh were made on October 14, 2021, October 20, 2021 and October 26, 2021 respectively, between Noticee 4 and M/S Jinendra Exports.
- 5.9.4** In this regard, Noticee 4 vide letter dated December 15, 2022, submitted that she had no specific relation with M/S Jinendra Exports but had obtained a friendly loan for six months for purchasing the shares of CITL. The same amounts were successively transferred to her trading account for purchase of shares of the CITL in three batches on October 18, 2021 (46,000 shares), October 26, 2021 (34,000 shares) and November 01, 2021 (3,000 shares).

Bank Statement Analysis: for Noticee 4's relationship with Noticee 3:

- 5.9.5** Analysis of the account statement bearing account no. 3495439724 shows transfer of ₹ 10 lakh from Srinivas Naik, son of Independent Director, Noticee 3, to Noticee 4 on December 09, 2021. On January 27, 2022, Noticee 4 transferred ₹ 10 lakh to one Menorah Realities Pvt. Ltd. On submission under oath by Noticee 3, it was allegedly observed that the entity, Menorah Realities Pvt. Ltd. belongs to his friend, one David Ashtamkar.
- 5.9.6** An amount of ₹ 1.90 Lakh was transferred to Noticee 4's account from the account of Shashikala Naik, wife of Noticee 3, on February 23, 2022 when

Noticee 4's account balance on that date was ₹ 45.03 Lakh. On February 25, 2022, Noticee 4 transferred an amount of ₹ 45 lakh to M/S Jinendra Exports leaving the account balance as ₹ 1.93 Lakh. The account of Shashikala Naik is jointly operated with her husband, Noticee 3.

- 5.9.7** Hence from the bank account statement analysis of the entities viz. Noticee 4, Menorah Realities Pvt. Ltd. and Srinivas Naik it was alleged that, Noticee 4 and family of Noticee 3, were connected and had monetary transactions amongst themselves indicating close relationship between them.

Access of UPSI to Noticee 3 and subsequent events:

- 5.9.8** From CDR analysis for the UPSI period, it was observed that Noticee 3 had multiple incoming and outgoing calls with two persons namely, Noticee 2 (Finance Consultant at CITL) and Noticee 1 (Managing Director of the CITL). CITL, vide email dated February 20, 2023, provided the emails of Noticee 2 and Noticee 1 for the period September 30, 2021 to October 14, 2021.

- 5.9.9** From the analysis of the aforesaid e-mails provided by CITL of Noticee 1 and Noticee 2, it was observed that Financial Consultant, Noticee 2 was involved in the process of drafting the quarterly financial statement for the quarter ending September 30, 2021. An e-mail was sent from his account to Managing Director, Noticee 1 on October 12, 2021 at 14:15 pm containing revenue figures of CITL as ₹ 62.88 crore for the quarter ending September 30, 2021. It is observed that total income disclosed on exchanges by CITL for the quarter was ₹ 62.95 crore as per standalone results and ₹ 63.25 crore as per consolidated results.

- 5.9.10** From the correspondences between Financial Consultant, Noticee 2 and Managing Director, Noticee 1, it was alleged that both Noticee 1 and Noticee 2 were aware of the quarterly financial performance of CITL on October 12, 2021 i.e., before the transfer of ₹ 25 lakh from M/S Jinendra Exports to Noticee 4, on October 14, 2021 for purchase of the first batch of shares of the company on October 18, 2021.

CDR Analysis:

- 5.9.11** From the analysis of CDRs of the insiders and other entities, it was observed that, Managing Director, Noticee 1 and Financial Consultant, Noticee 2 had the UPSI on October 12, 2021 as stated above and the transfer of ₹ 25 lakh to Noticee 4

took place on October 14, 2021. CDR observations during the period are mentioned below:

<b>Table No. 8:- CDR data of Noticee 1, Noticee 2, Noticee 3 and Anandalwar Naik</b>				
<b>S.N.</b>	<b>Name and designation</b>	<b>Mobile number</b>	<b>Call date and time</b>	<b>Remarks</b>
1	V. Ranganathan, Managing Director, Cerebra	9845025733	October 13, 2021 at 19:22 pm	Call from Parthasarathi Naik to V. Ranganathan
2	H S Venkatesh, Financial Consultant, Cerebra	9880164097	October 13, 2021 at 20:58 pm	Call from Parthasarathi Naik to H S Venkatesh
3	Parthasarathi Naik, Independent Director, Cerebra	9930004933	October 13, 2021	Calls made to Financial Consultant, H S Venkatesh and MD, V Ranganathan as above.
4	Anandalwar Naik, Nephew of Independent Director, Parthasarathi Naik and husband of Ekta Anandalwar Naik, Noticee 4	9769351367 and 8657146233	October 13, 2021 at 22:18 pm and 23:02 pm	Calls from Anandalwar Naik's number to Parthasarathi Naik, through both numbers.

**5.9.12** Thus it was alleged that Noticee 1 and Noticee 2 were in possession of the UPSI on October 12, 2021, pursuant to which as seen from the table above, Noticee 1, Noticee 2, Noticee 3 and husband of Noticee 4 were in contact with each other on October 13, 2021. The calls placed between them were proximate to each other i.e. the calls between them were placed at the late hours of October 13, 2021. Further, on October 14, 2021, transfer of ₹ 25 lakh took place to the account of Noticee 4.

**5.9.13** Further, it was also alleged that Cell tower locations of Noticee 1 and Noticee 3 on October 12, 2021 were at the same location between 17:00 pm to 21:00 pm in Mumbai and subsequently moved back to their respective places indicating that both allegedly met in the evening of October 12, 2021.

**5.9.14** It was further alleged that, repeated calls between Anandalwar Naik through both the mobile numbers and his uncle Noticee 3 between October 02, 2021 to October 13, 2021 clearly indicated there were allegedly good relationship between the family of Noticee 3 and Anandalwar Naik (husband of Noticee 4). On the night of October 13, 2021, when calls were made between Anandalwar Naik's and

Noticee 3's numbers, Noticee 4's and Anandalwar Naik's CDR location were allegedly the same.

In view of the above, i.e. UCC analysis, CDR analysis, emails provided by the Company, analysis of bank statements and funds received by Noticee 4 through friendly loan to buy shares of CITL, it was alleged that Noticee 1 and Noticee 2 had access to UPSI and communicated the UPSI to Noticee 3 who in turn communicated the same to Noticee 4 and Noticee 4 bought the shares of CITL based on UPSI. Thus it was alleged that Noticee 4 was a connected entity of Noticee 3 and she traded in the scrip of CITL on being in possession of UPSI after receiving it from Noticee 3.

#### **5.10 Trading Analysis of Noticee 4:**

The date-wise trading activity of Noticee 4 in the scrip of CITL is as under:

<b>Table No. 9:- Analysis of trades of Noticee 4 in the scrip of Cerebra</b>							<b>In ₹</b>
<b>Exchange</b>	<b>Trade Date</b>	<b>Buy Quantity</b>	<b>Average Buy Price</b>	<b>Buy Value</b>	<b>Sale Quantity</b>	<b>Average Sale Price</b>	<b>Sale Value</b>
<b>Pre-UPSI period July 01, 2021 to September 30, 2021</b>							
Nil trading							
<b>UPSI period October 01, 2021 to November 13, 2021</b>							
BSE	-	0	0	0	0	0	0
NSE	18/10/2021	46,000	54.05	24,86,300	0	0	0
NSE	26/10/2021	34,000	52.85	17,96,900	0	0	0
NSE	01/11/2021	3,000	53.50	1,60,500	0	0	0
<b>Total</b>	-	<b>83,000</b>	<b>53.53</b>	<b>44,43,700</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Post-UPSI November 14, 2021 to January 20, 2023</b>							
NSE	04/01/2022	0	0	0	4,000	86.91	3,42,642
NSE	05/01/2022	0	0	0	4,000	88.89	3,55,560
NSE	16/02/2022	0	0	0	45,000	86.47	38,91,013
NSE	17/02/2022	0	0	0	5,000	88.40	4,42,024
NSE	13/04/2022	0	0	0	5,000	75.04	3,75,177
NSE	01/06/2022	0	0	0	15,000	58.34	8,75,041
BSE	20/01/2023	0	0	0	5,000	12.07	60,349
<b>Total</b>	-	<b>0</b>	<b>0</b>	<b>0</b>	<b>83,000</b>	<b>76.40</b>	<b>63,41,806</b>

From the above table, it was observed that:

**5.10.1** No trades were carried out during pre-UPSI period by Noticee 4.

**5.10.2** Noticee 4 bought a total of 83,000 shares at a value of ₹ 44.43 Lakh on NSE during the UPSI period. No trades were carried out on BSE during the investigation period.

**5.10.3** Noticee 4 sold 83,000 shares at a value of ₹ 63.41 lakh on BSE and NSE post UPSI period thus earning a positive square off sum of ₹ 18.98 Lakh (sale value of ₹ 63.41 lakh–buy value of ₹ 44.43 lakh).

Further, sale value of shares according to closing price of the scrip at the end of UPSI period was perused. The UPSI period ended on November 13, 2021. November 13, 2021 and November 14, 2021 were trading holidays. On November 15, 2021, closing price was ₹ 73.55. Thus, it was alleged that profit made by Noticee 4 based on the closing price of November 15, 2021, is as follows:

<b>Table No. 10:- Profit made by Noticee 4 through her trades</b>				
<b>Buy</b>		<b>Sale values based on closing price of ₹ 73.55 on November 15, 2021</b>		<b>Profit (sale value – buy value) in ₹</b>
<b>Quantity</b>	<b>Value (₹)</b>	<b>Quantity</b>	<b>Value (₹)</b>	
83,000	44,43,700	83,000	61,04,650	16,60,950

**5.11.** Thus it was alleged that, trading in the scrip of CITL was undertaken by Noticee 4 while allegedly in possession of UPSI of the unaudited financial results of the Company for the quarter ending September 30, 2021 which were disclosed on the exchanges on November 13, 2021 post-market hours at 22:50:11 IST on NSE and at 22:37:23 IST on BSE. The financial results of CITL were positive as total income and profit after tax increased substantially for the quarter ending as on September 30, 2021 compared to the previous quarter ending as on June 30, 2021 and corresponding previous year quarter ending as on September 30, 2020. November 13, 2021 was a trading holiday. The price of the scrip moved from a close price of ₹ 75.45 on November 12, 2021 to a close price of ₹ 85.70 on November 25, 2021 i.e. increased by 13.58% on a close to close basis between November 12, 2021 to November 25, 2021.

**5.12.** In regard to the aforesaid, information was sought from the insiders of CITL and other entities, and to which they made their submissions, which are placed below:

**Comments of Noticees:**

**5.13. Noticee 4:** Vide notarized submissions dated March 08, 2023 and reply letter dated December 15, 2022, Noticee 4, inter-alia, submitted that:

**5.13.1** Her rationale for the purchase of the shares was intimation by CITL in the month of September to increase its authorized capital from ₹ 128 crore to ₹ 153 crore because of the issue of preferential shares/warrants which was noted by her.

**5.13.2** She had no specific relation with M/S Jinendra Exports (who allegedly funded her purchase of shares) and had been referred to them through her network of clients as a professional make-up artist.

**5.13.3** She was not active in her work as she had to give birth to her baby girl in November, 2021.

**5.13.4** She had placed the buy orders on October 18, 2021, October 26, 2021 and November 01, 2021 through offline mode, by visiting the office of the sub-broker of Kotak Securities - Grace Investments, in Mulund (W), Mumbai.

**5.14. Noticee 3:** During the statement under oath on February 23, 2023 and submissions made through emails, Noticee 3, inter-alia, submitted that:

**5.14.1** He was in contact with Financial Consultant, Noticee 2 and Managing Director, Noticee 1 during the UPSI Period, regarding follow up on the placement of shares with NSE and BSE.

**5.14.2** He was also in contact with nephew, Anandalwar Naik for family discussions and nothing related to CITL.

**5.14.3** He traded for himself and his family through Sub broker of Kotak Securities - Grace Investments with calls to AP dealer, Geeta Nair of Grace Investments.

**5.15. Noticee 2:** Vide notarized submissions received on March 08, 2023, Noticee 2, inter-alia, submitted that:

**5.15.1** He was coordinating with the CFO and was aware about the financial numbers. However, those numbers were not final as the same were subject to limited review by the Auditors.

**5.15.2** He had spoken to Noticee 3 during the UPSI period regarding income tax and TDS matters.

**5.15.3** He had not spoken with Noticee 3 for preferential issue filing details with NSE and BSE.

**5.16. Noticee 1:** Vide notarized submissions received on March 03, 2023, Noticee 1, inter-alia, submitted that:

**5.16.1** He was in touch with Noticee 3 for checking on the status of the issue of preferential shares/warrants with NSE and BSE.

**5.16.2** Noticee 2 had spoken to Noticee 3 during the UPSI period regarding income tax and TDS matters. Noticee 2 was definitely not involved in the preferential issue filing details with NSE and BSE.

**Analysis on comments/submissions made by the Noticees and alleged inconsistency between their statements:**

**5.17.** In view of their aforesaid comments/submissions, Noticees were asked to provide documentary evidence such as WhatsApp chat or any other evidence to substantiate their submissions. None of the Noticees could provide any relevant supporting documents for the same.

**5.18.** From analysis of Noticees' submissions, it was observed that the submissions provided were allegedly contradictory to each other's submissions or to the facts available on records as detailed below:

**5.18.1** Noticee 3 submitted that the reason for calls between him and Noticee 2 was for discussion regarding preferential issue of shares with BSE and NSE while Noticee 1 and Noticee 2 had denied the said reason. Upon seeking clarification on the same, Noticee 2 vide email dated March 07, 2023 submitted that he is an old person suffering from hypertension and one could not expect him to remember details;

**5.18.2** From CDR analysis of Noticee 3, it was alleged that, no calls were observed to be made to NSE or BSE or any person named by these entities during their submissions with whom Noticee 3 was in touch for placement of shares with BSE and NSE;

**5.18.3** Noticee 4 had submitted that she visited the office of Grace Investments to place off line orders. However, her CDR location shows that at the time of placement of these orders, her location was in Chembur/Ghatkopar and not in Mulund (W) where the office of Grace Investments is located. On October 26, 2021 when her second purchase order was placed, during that time she was in call with her doctor and not the dealer of Grace Investments.

**5.18.4** There is approximately 15 km distance between the place where Noticee 4 was located on dates when orders were placed for her trades in the scrip of CITL and the office of sub broker Grace Investments from where the trades were placed;



**5.18.5** Copy of deal slips (not numbered) were provided by Grace Investments for orders placed by Noticee 4. Grace Investments had confirmed that there was no walk in or visitor register in the premises. Hence, it is alleged that these slips were created either before placing the orders or created after the trades were executed and delivered to Grace Investments for the sake of compliance;

**5.18.6** Dealer for placing the orders for Noticee 3 and Noticee 4 were the same i.e. Geeta Nair. On October 26, 2021 from 10:13:51 till 10:15:01, Noticee 3 was talking to Geeta Nair (mobile number- 9819001266) and at 10:14:29 on the same date, Noticee 4's order was placed by the same dealer i.e. Geeta Nair. Similarly, on November 1, 2021 from 12:09:46 to 12:10:21, Noticee 3 was talking to Geeta Nair (mobile number- 9819001266) and at 12:10:11 on the same date, Noticee 4's order was placed by the same dealer i.e. Geeta Nair. Thus it is alleged that Noticee 3 was placing the orders for Noticee 4. No orders were placed in the trading account of Noticee 3 or his family on these dates.

#### **5.19. Concluding Allegations:**

**5.19.1** From the submissions of entities and CITL emails etc., it was alleged that Noticee 1 and Noticee 2 were aware about the upcoming substantially improved financial results of the company on October 12, 2021;

**5.19.2** On October 12, 2021 and October 13, 2021, Noticee 1 and Noticee 2 allegedly communicated the UPSI to Noticee 3;

**5.19.3** Subsequently on the evening of October 13, 2021 there were calls between Anandalwar Naik (husband of Noticee 4) and Noticee 3. During the calls, Noticee 4 was also present at same location of Anandalwar Naik;

**5.19.4** On October 14, 2021, it was alleged that, a friendly loan was taken for buying shares of CITL by Noticee 4. Regarding the entity from whom Noticee 4 took the loan, she submitted that the said entity was referred to her by her network of clients and she couldn't remember the name of the client who referred the said entity to her;

**5.19.5** Considering the income of Noticee 4 and her husband Anandalwar Naik, it was alleged that the said funds were arranged by Noticee 3 to trade in the account of Noticee 4 in order to avoid the scrutiny of Exchanges, as his name was already registered with exchanges/company as a designated person;



**5.19.6** Thus, it was alleged that, Noticee 3 placed orders in Noticee 4's trading account for buying shares of CITL.

**5.20.** Thus, from the aforesaid observations, it was alleged in the SCN that Noticee 1, Noticee 2 and Noticee 3 were allegedly insiders in terms of regulation 2(1)(g) of PIT Regulations, who communicated the UPSI i.e. unaudited financial results of CITL for the quarter ending on September 30, 2021 to Noticee 4, a connected person in terms of regulation 2(1)(d) of PIT Regulations, and thereby were alleged to have violated regulation 3(1) of PIT Regulations. Noticee 4 was connected to Noticee 3 by way of being immediate relative and was in possession of UPSI by virtue of such connection. Noticee 3 through Noticee 4 allegedly traded in the shares of CITL while in possession of UPSI in violation of regulation 4(1) of PIT Regulations, making a profit of ₹ 16,60,950.

- 6.** The SCN was duly delivered to all the Noticees through SPAD and the acknowledgements in this regard are on record and thus I note that sufficient notice was given to the Noticees. Pursuant to the delivery of the SCN, the details of replies submitted by the Noticees are as follows:

<b>Table No. 11:- Date and details of replies submitted by the Noticees</b>				
<b>Sr. No.</b>	<b>Noticee No.</b>	<b>Reply Sent (Y/N)</b>	<b>Date of the reply</b>	<b>Additional Information</b>
1.	Noticee 1	Y	July 31, 2023	Nil
2.	Noticee 2	Y	July 31, 2023	Nil
3.	Noticee 3	Y	August 26, 2023	Vide letter dated August 08, 2023, Noticee 3 submitted that the CD of annexures provided along with the SCN is not accessible/readable. In view of this, Noticee requested to provide him with physical copies of the annexures and further the Noticee sought 15 days time from the day of receipt of the annexures to reply to the SCN.

Table No. 11:- Date and details of replies submitted by the Noticees				
Sr. No.	Noticee No.	Reply Sent (Y/N)	Date of the reply	Additional Information
				Vide email dated August 10, 2023, Noticee was provided with the annexures as sought and hard copies of the annexures were also sent through speed post and further, Noticee was informed that their reply should be submitted by August 27, 2023.
4.	Noticee 4	Y	August 27, 2023	Vide letter dated August 08, 2023, Noticee 4 submitted that she is unable to access Annexures 14 to 18 of the SCN and thus she requested for the hardcopies of the said annexures. Further the Noticee sought 15 days time from the day of receipt of the annexures to reply to the SCN.  Vide email dated August 10, 2023, Noticee was provided with the annexures as sought and hard copies of the annexures were also sent through speed post and further, Noticee was informed that their reply should be submitted by August 27, 2023.

**7. The replies submitted by the Noticees are summarized below:**

***Noticee 1:***

**7.1** *Noticee 1 submitted that he was in touch with Noticee 3 for checking the status of the issue of preferential shares / warrants with NSE and BSE as has been submitted by him vide notarized submissions made on March 03, 2023. All the interactions with Noticee 3 during the IP was related to issue of preferential shares / warrants because that was the topic they were focused on during the quarter.*

- 7.2 Noticee 1 submitted that he had not revealed any data to Noticee 3 with regard to unaudited financials on October 12, 2021 as alleged in the Notice. Noticee further submitted that he came to know about the turnover on October 12, 2021 but then lot of accounting goes before arriving at the Net profits and it was too early to derive the revenue because the preparation of the unaudited financial result started on October 1, 2021 after the quarter ended on September 30, 2021.
- 7.3 Noticee 1 also submitted that he was not aware about the results but it was quite evidentiary and natural that there would be substantially improved financial results due to higher sales for the Quarter ended on September 30, 2021 and he came to know about results in the Board Meeting held on November 13, 2021 in which the Unaudited results were being considered and approved.
- 7.4 Regarding allegation that on October 12, 2021 and October 13, 2021, Noticee 1 and Noticee 2 allegedly communicated the UPSI to Noticee 3, Noticee 1 submitted that he himself did not have any UPSI on October 12, 2021 as it was too early to know the income for the said quarter.

**Noticee 2:**

- 7.5 Noticee 2 submitted that all his interactions either physically or in telephonic calls with Noticee 3, during the IP were related to issues of Income tax and TDS matters only. Noticee 2 also submitted that he was in touch with Noticee 3 for checking on the status of the issue of preferential shares/warrants with NSE and BSE and the same has been submitted by him vide notarized submissions made on March 08, 2023.
- 7.6 Noticee 2 submitted that he had not revealed any data to Noticee 3 with regard to unaudited financials on October 12, 2021 as alleged in the SCN. Noticee 2 further submitted that while he came to know about the turnover on October 12, 2021, however, a lot of final accounting has to be carried out before arriving at the net profit. It was too early to derive the net profit because the preparation of the unaudited financials started only on the October 21, 2021 after the Quarter ended on September 30, 2021.
- 7.7 Noticee 2 submitted that he was associated with the Company for one and half years (initially as a Consultant and then as a CFO, as submitted by him during the course of hearing). Being a professional and associated with the Company in a pure advisory capacity, he would not like to get into these types of transactions.

*You may verify that neither I, nor my relatives or associates have any transactions in the shares of CITL.*

- 7.8** *Noticee 2 submitted that he came to know about the financial results in the Board Meeting held on November 13, 2021 at which the Unaudited results were tabled for consideration and approval.*
- 7.9** *With regard to communication of UPSI on October 12, 2021 and October 13, 2021, Noticee 2 submitted that, he himself did not have any UPSI on October 12, 2021 and it was too early to know the income for the said Quarter and in none of his discussions with Noticee 3 he had discussed the company's results.*

**Noticee 3:**

- 7.10** *Noticee 3 submitted that he is a retired officer of the Income Tax Department of India and post his retirement, he was approached by his acquaintance, who extended him the honorary role of an Independent Director in the Company.*
- 7.11** *Noticee 3 submitted that his tenure as an Independent Director saw numerous telephonic interactions with the Company's representatives, including Noticee No. 1 and Noticee No. 2. These exchanges predominantly revolved around tax-related matters and the submission of documentation to the Stock Exchange to secure preliminary approval for the proposed preferential issue.*
- 7.12** *Noticee 3 categorically rebuffed the assertion regarding his intention of acquiring unpublished price-sensitive information for the purpose of engaging in insider trading through his telephonic interactions with the Company's representatives as the aforesaid allegation rests upon a dearth of concrete documentary evidence and a marked absence of context and content clarity concerning the aforementioned communications. In this regard, Noticee 3 submitted that he respectfully implores the office to furnish an unequivocal basis for the allegation of insider trading against him. The mere existence of telephonic communication, devoid of substantive proof, fails to substantiate the claim that he received unpublished price-sensitive information, let alone disseminated it to any other party.*
- 7.13** *Noticee 3 submitted that his communications with his family members, including his nephew, predominantly centered on routine familial matters and typical exchanges characteristic of familial relationships. This practice is ingrained in Indian culture and should not be misconstrued as a conduit for*

transmitting unpublished price-sensitive information. The presumption by your office that his communication with my family members served the illicit purpose of conveying unpublished price-sensitive information is bereft of any compelling evidentiary support.

**7.14** With regard to the banking transactions executed between his family members and Ekta Naik, his nephew's spouse,, Noticee 3 submitted that these financial exchanges were intended solely to provide Ekta with financial support during her pregnancy and in light of the constraints imposed by the COVID-19 pandemic-induced lockdown and that his nephew had lost his job due to lockdown as he was working for a travel agency. His awareness of his nephew-in-law's trading activities with the shares of the Company was non-existent, and he played no role in these financial transactions. They were motivated purely by familial benevolence and should not be misconstrued as a means to facilitate insider trading.

**7.15** Noticee 3 submitted that he had no discussions with Noticee 1 and Noticee 2 regarding unpublished price-sensitive information. His communications with the Company representatives, including Noticee 1 and Noticee 2, pertained to tax-related matters, applications filed with the Stock Exchange only, as far as the draft audit reports and financial documents is concerned and he received the same in his capacity as an Independent Director on the morning of November 13, 2021 on which the board meeting of the Company was scheduled and held and thus in no ways he was in receipt of UPSI prior to this date and he cannot pass the information which he didn't have/know. SEBI's assumption of his engagement in the transmission of UPSI is unsubstantiated.

**7.16** Noticee 3 submitted that Noticee 4 (Ekta) executed trades in the Company's shares without his knowledge or participation, as confirmed in her response during the investigation. Her actions were predicated on a fund-raising proposal sanctioned by the Company as specified in the investigation report. The banking transactions between his family and Noticee 4 (Ekta) were intended to offer financial assistance during her pregnancy, and they were undertaken without his involvement or knowledge. These financial transfers were driven solely by the objective of familial support and should not be misconstrued as having any bearing on the facilitation of insider trading.

**Noticee 4:**

7.17 Noticee 4 submitted that the primary premise upon which the case against her has been constructed is the presumption that Noticee No. 3 conveyed UPSI to her due to the familial relationship. This assumption is rooted through hypothesis that telephonic discussions between Noticee No. 3 and her spouse revolved around the sharing of such information. In this regard, Noticee 4 submitted that the AO has prominently underscored her familial connection with Noticee No. 3. To provide clarity, Noticee 4 submitted that she is the spouse of Noticee No 3's nephew and this familial connection was openly disclosed during the investigative process.

7.18 Noticee 4 submitted that the very foundation upon which the AO has constructed the case alleging insider trading, particularly concerning her family relationship with Noticee No. 3, appears to lack substantial, probative evidence. Regrettably, the AO has not provided any concrete proof that unequivocally establishes Noticee No. 3's communication of UPSI to her, thereby directly influencing her equity share transactions within the Company. Instead, the case appears to hinge primarily on the shared familial bond between Noticee No. 3 and her.

7.19 Noticee 4 submitted that the calls were made by Noticee No. 3 to her spouse for the purpose of taking order of supply of vegetables during the lockdown period.

7.20 Noticee 4 submitted that she was not in possession of UPSI relating to the company at any time and the trades she executed were not based on such information. In fact, the buy-side trades were executed based on announcement made by the Company in relation to fund raising on September 17, 2021, moreover, she submitted that generally the stock prices of the Company see a spike upon announcement of positive corporate action viz. fund raising, mergers, acquisitions, declaration of dividend and others. To support her claim, Noticee 4 requested to refer to Annexure - A of her reply summarizing the movement of stock prices upon announcement of fund raising proposal.

8. Thereafter, in terms of Rule 4(3) of Adjudication Rules and in the interest of Principles of Natural Justice, the Noticees were given an opportunity of personal hearing. The details of the Hearing Notice (hereinafter referred to as “HN”) its delivery is tabulated below:

Table No. 12:- Details regarding hearing of the Noticees.						
Sr. No.	Noticee No.	HN Dated	Hearing Date	Delivery (Y/N)	Appeared (Y/N)	Comments
1.	Noticee 1	August 07, 2023	August 17, 2023	Y	Y	N/a
2.	Noticee 2	August 07, 2023	August 18, 2023	Y	Y	N/a
3.	Noticee 3	August 29, 2023	September 07, 2023	Y	N	Noticee 3 vide email dated September 02, 2023 sought extension of three weeks for the personal hearing, with the aim of scheduling it after September 15, 2023. In this regard an opportunity of hearing was provided on September 18, 2023.
4.	Noticee 4	August 29, 2023	September 07, 2023	Y	N	Noticee 4 vide email dated September 01, 2023 sought postponement of three weeks of the personal hearing or to be scheduled after September 15, 2023. In this regard an opportunity of hearing was provided on September 18, 2023.
5.	Noticee 3	Vide email dated September 05, 2023	September 18, 2023	Y	Y	N/a



Table No. 12:- Details regarding hearing of the Noticees.						
Sr. No.	Noticee No.	HN Dated	Hearing Date	Delivery (Y/N)	Appeared (Y/N)	Comments
6.	Noticee 4	Vide email dated September 05, 2023	September 18, 2023	Y	Y	N/a

9. Thus the hearing in respect of the Noticees was concluded and the hearing minutes transcribing the details which transpired during the hearing are on record. During the course of the hearings, in respect of all the Noticees, I posed some queries to the Authorised representatives / Noticees in order to properly appreciate the allegations against the Noticees and the submissions made by them and in order to arrive at the reasonable decision in the matter. The queries posed to the Noticees / Authorised representatives and their subsequent replies are as below:

**Noticee 1:**

**Q1.** *Why did you request Mr. Parthasarathi Naik to visit the two exchanges, NSE and BSE, as he was the Independent director in the Cerebra?*

**A.** *As I was not present at that moment in Mumbai and Mr. Parthasarathi Naik was present there, therefore I have requested him to visit the exchanges.*

**Q2.** *Can you tell on which date did Mr. Parthasarathi Naik visit the two exchanges, NSE and BSE?*

**A.** *I cannot confirm at this moment. I will check my records and inform you by tomorrow i.e. August 18, 2023.*

**AS.<sup>1</sup>** *Partha Sir met BSE and NSE officials a few times and finally introduced me to Mr.Shukla to handle this.*

**Q3.** *Why did you meet Mr. Parthasarathi Naik on October 12, 2021, i.e. on the same day you have received the revenue figures for the quarter ending on September 30, 2021 from Mr. H Venkatesh by email.*

**A.** *I had met Mr. Parthasarathi Naik for the purpose of preferential allotment of shares on October 12, 2021.*

**Q4.** *When did you visit Mumbai?*

**A.** *I don't remember exactly. I will check my records and inform you by tomorrow i.e. August 18, 2023. I will also send you a copy of the email issued by the company secretary of Cerebra addressing the two exchanges, i.e. NSE and BSE.*

<sup>1</sup> Additional Submissions hereinafter referred to as "AS"



*AS. I was in Mumbai on the 12th and 13th of October. Had a meeting with Central Bank ED on the 12th and met a few computer dealers on the 13th. Further, the relevant portions of the email issued by the company CS is as below (which was relied upon by the Noticee I)*



Fri 18/08/2023 13:20

V Ranganathan <ranga@cerebracomputers.com>

FW: Fw: Cerebra Integrated Technologies Limited - Condonation Application

To: Utkarsh Rathore

Cc: PARAG BASU

Click here to download pictures. To help protect your privacy, Outlook prevented automatic download of some pictures in this message.

Another email.

Regards,

Ranganathan  
Managing Director  
Cerebra Integrated Technologies Limited  
(An ISO 9001:2015, BSE & NSE Listed Company)  
S5 Off 3rd Cross 1st Stage Peenya Industrial Area Bangalore – 560 058, INDIA  
Board: (91) 80 2204 6969 Extension: 116, Fax: (91) 80 2204 6980  
Phone Direct: (91) 080 2204 6994 Mobile: (91) 98450 25733  
Email: [ranga@cerebracomputers.com](mailto:ranga@cerebracomputers.com)  
[www.cerebracomputers.com](http://www.cerebracomputers.com) [www.cerebra-me.com](http://www.cerebra-me.com)

From: Maitri Chatterjee <[maitri.c@cerebracomputers.com](mailto:maitri.c@cerebracomputers.com)>

Sent: Thursday, March 24, 2022 3:07 PM

To: vijaykt <[vijaykt@vjkt.in](mailto:vijaykt@vjkt.in)>

Cc: V Ranganathan <[ranga@cerebracomputers.com](mailto:ranga@cerebracomputers.com)>; Vishwamurthy P <[vishwa@cerebracomputers.com](mailto:vishwa@cerebracomputers.com)>;

Subject: Re: Fw: Cerebra Integrated Technologies Limited - Condonation Application

Dear Sir

Please note that I have sent this email to Mr. Shukla in WhatsApp. Have connected with Ranga Sir in the morning for this issue.

Thanks & Regards

Maitri Chatterjee

Company Secretary

Cerebra Integrated Technologies Limited

(An ISO 9001:2008, BSE & NSE Listed Company)

Regd. Office: No. 5, off 3<sup>rd</sup> Cross, 1<sup>st</sup> Stage, Peenya Industrial Area,  
Bangalore – 560 058, INDIA

Mobile: (91) 9679258002/ 7003131821

Email: [maitri.c@cerebracomputers.com](mailto:maitri.c@cerebracomputers.com)

[www.cerebracomputers.com](http://www.cerebracomputers.com)

Dear Maitri,

This is with reference to your representation dated February 28, 2022, requesting SEBI for condonation of delay for filing in-principle approval for the proposed issue and allotment of 62,50,000 Equity shares and 1,78,60,000 Warrants to be issued on preferential basis read along with company letter dated March 11, 2022.

In this regards, SEBI has examined the matter and observed the following:-

- The company was supposed to file the application seeking in-principle approval with the Stock Exchange within 15 days of the shareholder's approval i.e., by November 08, 2021 in order to comply with the requirement of allotment to be done within 15 days of the shareholder's approval. However, the company filed its application on November 30, 2021 with BSE and December 02, 2021 with NSE with a delay of 22 days and 24 days respectively.
- In the instant matter the company is in non-compliance with Regulation 170 (1) of SEBI ICDR Regulation 2018, as the company has not filed application for seeking in-principle approval with the Stock Exchange within 15 days from the date of the shareholders meeting.
- In this regards, the company has inter-alia stated that it was not able to file the application due to COVID-19 pandemic. However, on examination of the matter it is apparent that the company had ample opportunity to file the said application with the stock exchanges within the stipulated time.
- Further, it is noted that there was a change of more than 40% in the price of the shares of the company, (considering the issue price as Rs. 57.40/-, MAP as Rs. 82.14/-, the relevant date as March 17, 2022 (being last date for which close price was available)) due to the said delay by the company in filing of the said application with the stock exchanges.

Considering the above, SEBI vide letter dated March 23, 2022, informed the Exchange that the condonation of delay in filing in-principle approval with the Stock Exchange may not be acceded to.

Regards

Jitan Patel

Manager - Listing Approvals

**Q5.** Did Mr. Parthasarathi Naik have any information regarding revenue figures for the quarter ending on September 30, 2021?

**A.** I did not share any information regarding revenue figures for the quarter ending on September 30, 2021 to Mr. Parthasarathi Naik and further I don't know whether he had any such information.

**Noticee 2:**

**Q1.** In your reply to the SCN you have submitted that you were initially appointed as CFO and then as a consultant. Is it so? Please Clarify.

**A.** I was firstly appointed as consultant and then CFO, not the other way around, which may be taken on record.

**AS.** I was initially appointed as a Consultant from July 2020 and as a CFO from January 22 to August 2022. I am sorry for the typographical error in my reply dated 31st July 2023.

**Q2.** Being the Financial Consultant of Cerebra, were you aware that the company was contemplating a preferential allotment of its shares? If so, were you consulted on the same by Mr. V. Ranganathan, MD and Mr. Parthasarathi Naik, Independent director of Cerebra?

**A.** I was not aware about the preferential allotment of the shares of Cerebra and was never consulted on this matter by either Mr. V. Ranganathan, MD or Mr. Parthasarathi Naik, Independent Director of Cerebra.

**AS.** I again reiterate that I have not provided any financial results to Mr. Parthasarathi Naik for the quarter ending 30th September 2021.

**Q3.** What discussions did you have with Mr. Parthasarathi Naik during your tenure as financial consultant/CFO of cerebra?

**A.** I had discussions regarding taxation and TDS matters only as Mr. Parthasarathi Naik was a retired Income Tax official.

**AS.** My interaction with Mr Parthasarathy Naik is restricted to two or three times and he only discussed the past income tax dues.

**Q4.** Can you provide any documentary evidence that you and Mr. Parthasarathi Naik had discussions regarding taxation matters only?

**A.** I will check my records and get back to you.

**AS.** Mr. Parthasarathy Naik called me on 13th October only to ask about Income tax dues and he did not discuss any financial results with me. This is to the best of my knowledge and recollection. Since discussions were over phone, there are no documents for the discussions

**Q5.** Why did Mr. Parthasarathi Naik call you on October 13, 2021?

**A.** I cannot recall at the current moment why he called on October 13, 2021.

**Q6.** Did you give any information to Mr. Parthasarathi Naik regarding financial result of quarter ending on September 30, 2021?

**A.** No, I did not give any such information, however Mr. Parthasarathi Naik being part of the Board of Cerebra, must necessarily be having information regarding performance of the company for that quarter.

**Q7.** Do you have any idea that Mr. Parthasarathi Naik had placed trades on behalf of Ekta Naik?

**A.** No I do not have any such information regarding placement of the trades.

**Noticee 3:**

**Q1.** Why did you meet Mr. Venkatraman Ranganathan on October 12, 2021 between 17:00 pm to 21:00 pm and what were the reason of calling Mr. Venkatraman Ranganathan on October 13, 2021? Please Clarify.

**A.** I met and called Mr. Venkatraman Ranganathan on October 12, 2021 for the same reason as has been stated in my statement on oath before SEBI i.e. for the purpose of preferential allotment of shares as the same did not get approval from the exchanges. This can also be corroborated by the statement on oath of Mr. Venkatraman Ranganathan.

**AS.** Recording of statement made by my authorized representative hence no response requested.

**Q2.** You said that you had met and called Mr. Venkatraman Ranganathan for the purpose of preferential allotment of shares as it was not approved by the exchanges and accordingly you had met the officials of BSE & NSE between the period of October 01, 2021 to October 16, 2021. Any documentary evidence to substantiate your claim that you had met BSE & NSE officials?

**A.** I will get back to you on the aforesaid query in my additional submissions.

**AS.** I was coordinating with one Mr. A. P. Shukla (Contact No. 998\*\*\*\*\*8), who was in turn coordinating with stock exchange officials.

**Q3.** It is observed from records available on the websites of the exchanges that the intimation regarding preferential allotment was issued on September 17, 2021 and the voting by the shareholders of Cerebra for the purpose of preferential allotment of shares took place on October 24, 2021. Cerebra was supposed to file the application seeking in-principle approval with the Stock Exchange within 15 days of the shareholder's approval i.e. by November 08, 2021, however the application was not filed within the prescribed timeline of 15 days. Therefore the issue of non-approval of the preferential allotment did not arise between the period October 01, 2021 - October 16 2021. Any comments on the same?

**A.** I will get back to you on this matter in my additional submissions.

**AS.** In addition to submission made in reply to show cause notice, I hereby further clarify that the company had not filed application in prescribed timeframe hence I was coordinating to apply for condonation of delay and allow company to file application. It is noteworthy to note that this was the peak covid period and hence the officials of stock exchanges were not easily reachable in the office.

**Q4.** Your nephew in law i.e. Mrs Ekta Naik, placed buy trades on three instances i.e. on October 18, 2021, October 26, 2021 and November 01, 2021. The trades were placed by Ms. Geeta Nair of Grace Investments and out of the three instances in two instances i.e. on October 26, 2021 and November 01, 2021, it is observed that the trades were placed between 10:13:52 - 10:15:01 and 12:09:46 – 12:10:21 respectively. Why were

you in call with Ms. Geeta Nair on October 26 at 10:14:29 and on November 01 at 12:10:11, exactly at the same time when the trades were being placed?

A. I will get back to you on this point in my additional submissions.

AS. I don't have information on the timing of trades placed by Ekta Naik and hence I cannot comment/confirm on the same. However, please note that I am a regular trader and hence I am in touch with my broker almost on daily basis to check prices of the stock and place orders.

Q5. Vide your statement on oath before SEBI you had submitted that the reason why you called Mr. Hariharansubramanian Venkatesh was for the purpose of preferential allotment of shares whereas in your reply to the SCN you had submitted that the reason of call was regarding taxation matters? Is this an afterthought?

A. This could be an afterthought because I being an old age person cannot recall things which happened 2 years back.

AS. I was discussing with company representatives mainly on timely payment of TDS tax and filing of documents with stock exchanges in relation to preferential allotment of shares. Please note that, the details referred to are more than 2-3 years old and hence I do not exactly remember date wise discussions which I had during said period.

**Noticee 4:**

Q1. Were you aware of the significant rise in the total income and net profit of Cerebra for the quarter ending on September, 2021?

A. I had knowledge of information which was publicly available and traded accordingly and I did not possess any unpublished information. The buy-side trades were executed based on announcement made by the company in relation to preferential allotment of shares and generally I invest only in companies which issue bonus shares, preferential shares etc.

AS. This is in relation to recording of statement made by my authorized representative hence no response required.

Q2. You said that you only invest in companies which issue bonus shares, preferential shares. Can you present any evidence to support your aforesaid statement?

A. I will share my demat statement and other information in my additional submissions.

AS. I confirm that I have only one demat and trading account. Client master of same is attached.

Q3. You had submitted that the reason for buying shares in Cerebra was its intimation of preferential issue by the company, however, the intimation was given by the company on September 17, 2021 (which was not approved by the exchange and the voting by the shareholders took place on October 24, 2021) and you started buying shares from October 18, 2021. Why so much delay in purchase of the shares?

A. I will get back to you on this matter in my additional submissions, however, generally subsequent to the announcement of preferential issue, price of the scrip starts rising and applying the same logic I started purchasing in the scrip of Cerebra.

Q4. From the prices of the scrip of Cerebra for the period of September 17, 2021 (intimation regarding preferential allotment) to October 18, 2021 (when Noticee started trading), it is observed that instead of increase in the price of the scrip of Cerebra, it

actually went down. What was the rationale to buy the shares when the prices of the scrip were going down and when the preferential allotment did not get approval from the shareholders / exchange at that point of time?

A. I will get back on this in my additional submissions.

AS. The investment was made by me on the basis of the publicly available data including prior intimation to conduct board meeting for considering fund raising proposal. Further, based on market pricing trend I have noted that the price of the stock generally raise upon announcement of corporate actions viz. from the date of prior intimation to stock exchange for conducting of board meeting to consider fund raising proposal. A trend analysis on the same was submitted along with a reply to show cause notice.

Q5. Who introduced you to Ms. Geeta Nair of Grace Investments and can you share your KYC submitted to the broker / sub-broker?

A. I will surely submit my KYC along with my additional submissions.

AS. I opened a trading account with Kotak Securities since they were reputed, and my husband also has an account with Kotak Securities. Mrs. Geeta Nair is the concerned representative who interacts with the client and executes trade. Client master of my demat and trading account is enclosed.

Q6. Do you know that you and Parthasarathi Naik both have same dealer i.e. Ms. Geeta Nair?

A. I will get back to you on this point in my additional submissions.

AS. I did not have knowledge of Parthasarathi Naik having an account with Grace Investment.

Q7. You placed buy trades on three instances i.e. on October 18, 2021, October 26, 2021 and November 01, 2021. The trades were placed by Ms. Geeta Nair of Grace Investments and out of the three instances in two instances i.e. on October 26, 2021 and November 01, 2021, it is observed that the trades were placed between 10:13:52 - 10:15:01 and 12:09:46 – 12:10:21 respectively. Why was Mr. Parthasarathi Naik in call with Ms. Geeta Nair on October 26 at 10:14:29 and on November 01 at 12:10:11, exactly at the same time when the trades were being placed. Please provide your comments on this?

A. I will provide my explanation on this point in my additional submissions.

AS. I am not privy to communications held between Parthasarathi Naik and Geeta Nair and hence I cannot comment/confirm on the same.

Q8. Apart from the scrip of Cerebra were your other transactions in the securities market also done through Ms. Geeta Nair of Grace Investments?

A. I will get back to you on this point in my additional submissions along with my demat statement.

AS. Yes. Attached statement for your reference.

Q9. What were your nature of transactions with Shashikala Naik, Menroh realities and M/s Jinendra exports?

A. I will provide explanation regarding the fund transactions in my additional submissions.

AS. Detailed submissions were made by me on this during the investigation process. Please see attached submissions for your reference.



**CONSIDERATION OF ISSUES AND FINDINGS**

- 10.** Now I shall proceed to examine the matter on merits. The crux of the allegation made in the SCN is that the insiders of the company i.e. Noticee 1 and Noticee 2 were in possession of the UPSI, i.e. unaudited financial results for the quarter ended on September 30, 2021 and who in turn communicated the same to another insider/independent director Noticee 3. Noticee 3 further communicated the UPSI to her niece-in-law Noticee 4, who placed the buy trades during the UPSI period in the scrip of the company and finally made illegal gains due to being in possession of UPSI and doing the insider trading.
- 11.** To that effect, I have carefully perused the Investigation Report, the charges levelled against the Noticees in the SCN, their replies and the other documents available on record. The issues that arise for consideration in the instant matter are:
- Issue no. 1:** Whether the unaudited financial results for the quarter ending on September 30, 2021 was UPSI in terms of regulation 2(1)(n) of the PIT Regulations and what was the period of UPSI?
- Issue no. 2:** Whether there was any impropriety in the trading pattern and trades placed by Noticee 4?
- Issue no. 3:** Whether the Noticees disseminated / communicated the UPSI?
- Issue no. 4:** Whether the Noticees were insiders?
- Issue no. 5:** Whether Noticee 4 can be said to have traded in the scrip of Cerebra while in the possession of UPSI?
- Issue no. 6:** Does the violation, if any, on the part of the Noticees attract penalty under Section 15G of the SEBI Act?
- Issue no. 7:** If so, what would be the monetary penalty that can be imposed against the Noticees taking into consideration the factors mentioned in section 15J of the SEBI Act?
- 12.** Before moving forward, the relevant provisions of SEBI Act and PIT Regulations allegedly violated by the Noticees and as mentioned in the SCN are reproduced below :-

**SEBI Act, 1992:**

***Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.***

***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;*

**PIT Regulations:**

***Communication or procurement of unpublished price sensitive information.***

**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.*

**NOTE:** *This provision is intended to cast an obligation on all insiders who are essentially persons in possession of unpublished price sensitive information to handle such information with care and to deal with the information with them when transacting their business strictly on a need-to-know basis. It is also intended to lead to organisations developing practices based on need-to-know principles for treatment of information in their possession*

***Trading when in possession of unpublished price sensitive information:***

**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.]*

*Provided that the insider may prove his innocence by demonstrating the circumstances including the following: –*

- (i) *the transaction is an off-market inter-se transfer between insiders who were in possession of the same unpublished price sensitive information without being in breach of regulation 3 and both parties had made a conscious and informed trade decision.*

*Provided that such unpublished price sensitive information was not obtained under sub-regulation (3) of regulation 3 of these regulations.*

*Provided further that such off-market trades shall be reported by the insiders to the company within two working days. Every company shall notify the particulars of such trades to the stock exchange on which the securities are listed within two trading days from receipt of the disclosure or from becoming aware of such information.];*

- (ii) *the transaction was carried out through the block deal window mechanism between persons who were in possession of the unpublished price sensitive information without being in breach of regulation 3 and both parties had made a conscious and informed trade decision;*

*Provided that such unpublished price sensitive information was not obtained by either person under sub-regulation (3) of regulation 3 of these regulations.*

- (iii) *the transaction in question was carried out pursuant to a statutory or regulatory obligation to carry out a bona fide transaction.*

- (iv) *the transaction in question was undertaken pursuant to the exercise of stock options in respect of which the exercise price was pre-determined in compliance with applicable regulations.]*

- (v) *in the case of non-individual insiders: –*

*(a) the individuals who were in possession of such unpublished price sensitive information were different from the individuals taking trading decisions and such decision-making individuals were not in possession of such unpublished price sensitive information when they took the decision to trade; and*

*(b) appropriate and adequate arrangements were in place to ensure that these regulations are not violated and no unpublished price sensitive information was communicated by the individuals possessing the information to the individuals taking trading decisions*



*and there is no evidence of such arrangements having been breached;*

*(vi) the trades were pursuant to a trading plan set up in accordance with regulation 5.*

*NOTE: 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. The reasons for which he trades or the purposes to which he applies the proceeds of the transactions are not intended to be relevant for determining whether a person has violated the regulation. He traded when in possession of unpublished price sensitive information is what would need to be demonstrated at the outset to bring a charge. Once this is established, it would be open to the insider to prove his innocence by demonstrating the circumstances mentioned in the proviso, failing which he would have violated the prohibition.*

**Issue no. 1: Whether the unaudited financial results for the quarter ending on September 30, 2021 was UPSI in terms of regulation 2(1)(n) of the PIT Regulations and what was the period of UPSI?**

13. I note that Cerebra had initiated the process of preparation of the un-audited financial results for the quarter ending September 30, 2021 from October 01, 2021. On November 13, 2021 at 22:50:11 IST on NSE and at 22:37:23 IST on BSE, the quarterly financial results of CITL for the quarter ending September 30, 2021 were disclosed in terms of the definition of UPSI. Thus, as the initiation of process of preparation of the un-audited financial results for the quarter ending September 30, 2021 had started from October 01, 2021 and ended on November 13, 2021, the UPSI period was to be taken from October 01, 2021 to November 13, 2021.
14. I note that the term UPSI has been defined in Regulation 2(1)(n) of PIT Regulations 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;*

*..*

*..*

*..”*

- 15.** From the literal interpretation of the aforesaid regulation, I note that the unaudited financial results for the quarter ending on September 2021 is UPSI and the same has not been disputed by the Noticees.
- 16.** I note that financial results allow investors to evaluate the company, its prospects and financial status, and therefrom the value of its shares. If the results contain positive information, such as extraordinary profits, they will drive up the share price of the company.
- 17.** As has been tabulated in paragraph 5.1, it was observed that Cerebra had reported a total income of ₹ 63.25 crore during the quarter ending September 30, 2021, up by 197.36% from the previous quarter ending June 30, 2021 and 328.52 % from quarter ending September 30, 2020. Net profit after tax had increased to ₹ 9.73 crore during the quarter ending September 30, 2021, up by 236.67% from the previous quarter ending June 30, 2021 and 2460.52% from quarter ending September 30, 2020. A significant rise in total income and net profit was observed on a quarter-on-quarter basis.
- 18.** Thus the improved financial result for the quarter ending on September 30, 2021 had the potentiality to materially affect the price of the shares of the company. Furthermore, since the process of preparation of the un-audited financial results for the quarter ending September 30, 2021 was initiated from October 01, 2021 and the same were disclosed on November 13, 2021, I find that the period from October 01, 2021 to November 13, 2021 was correctly termed as UPSI period.
- 19.** Noticee 1 and Noticee 2 have submitted that, it was too early to know the income for the said quarter and while it was fairly obvious that there would be substantial improvement in the financial results, we were certainly not aware of the actual financial results as the accounts were in the process of being finalized and lot of final accounting was required to be carried out before arriving at the net profit. It was too early to derive the revenue

because the preparation of the unaudited financials started on the October 1, 2021 after the quarter ended on September 30, 2021. In this regard, reliance is placed on the order of Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT") in the matter of Manoj Gaur v. SEBI<sup>2</sup>, wherein Hon'ble SAT clarified that UPSI relating to financial results cannot be said to only arise on the date of finalization of the results. The relevant text is mentioned below:

*".....15. It was strenuously argued by the learned senior counsel for the appellant that the corporate announcement dated October 11, 2008 made to the stock exchange regarding three issues viz. financial results for the quarter , dividends and rights issue were in public domain and could not be considered as UPSI. We are unable to accept this argument. As stated above, the definition of price sensitive information as provided in regulation 2(ha) of the Regulations is wide enough to include information relating to periodical financial results. What has been disclosed to the stock exchange is that these issues will be considered in the board meeting to be held on October 21, 2008. What has not been disclosed are the financial results or the amount of dividend or details of the rights issue. If we accept this argument of the learned senior counsel for the appellant that the moment a notice is sent to the stock exchange with regard to consideration of certain issues without details thereof, the same cannot be considered to be UPSI, it will be narrowing down the scope of the regulations defeating the very purpose of framing the regulations to prohibit insider trading while in possession of UPSI. When the company receives trial balances which are to be collated and ultimately examined by the internal committees, only those persons who are dealing with the issue are privy to such information and such information cannot be said to be in public domain. In the facts and circumstances of this case, the availability of the trial balances from the various units in the corporate office, which were discussed with the Executive Chairman of the company, leads us to the only conclusion that on the basis of trial balances, the UPSI was in existence on October 11, 2008 and Mr. Manoj Gaur being the Executive Chairman of the company was in possession of the same.."*

- 20.** Thus, I conclude that the unaudited financial results for the quarter ending on September 30, 2021 is UPSI and the UPSI period is from October 01, 2021 to November 13, 2021.

---

<sup>2</sup> 2012 SCC Online SAT 176, Decided on: 3-10-2012 (can be accessed on [https://sat.gov.in/english/pdf/E2012\\_JO201264.PDF](https://sat.gov.in/english/pdf/E2012_JO201264.PDF))

**Issue no. 2: Whether there was any impropriety in the trading pattern and trades placed by Noticee 4?**

21. From the trading pattern of Noticee 4 as has been tabulated in paragraph 5.10 above, I note that Noticee 4 placed 3 buy trades during the UPSI period. The buy trades were placed on October 18, 2021 for 46,000 quantity of shares, on October 26, 2021 for 34,000 quantity of shares and on November 01, 2021 for 3000 quantity of shares, amounting to total of 83,000 shares in the UPSI period.
22. I note that Noticee 4 obtained a friendly loan for six months for purchasing the shares of CITL on October 14, 2021 of amount ₹ 25 lakh, on October 20, 2021 of amount ₹ 18.5 lakh and October 26, 2021 of amount ₹ 1.5 Lakh from one M/S Jinendra Exports.
23. I note that Noticee 1 and Noticee 3 met on October 12, 2021, Noticee 3 called Noticee 1, Noticee 2 and husband of Noticee 4 on October 13, 2021. Fund of ₹ 25 lakh was arranged the very next day i.e. on October 14, 2021 and on the next trading day i.e. on October 18, 2021 trade amounting to ₹ 24,86,300/- was placed by Noticee 4. Similarly on October 20, 2021 and October 26, 2021, Noticee 4 took loan of ₹ 18.5 lakh and ₹ 1.5 lakh to place trades amounting to ₹ 17,96,900 and ₹ 1,60,500 respectively. Thus, I note that the trades by Noticee 4 were placed to the near exact amount to the loans taken by her from M/S Jinendra Exports. The total loan amount was ₹ 45 lakh and the total buy value on the three days was ₹ 44,43,700.
24. I note from the bank account of Srinivas Naik, son of Independent Director, Noticee 3, that an amount of ₹ 10 lakh was transferred to Noticee 4 on December 09, 2021. On January 27, 2022, Noticee 4 transferred ₹ 10 lakh to one Menorah Realities Pvt. Ltd. The reason submitted by Noticee 4 for this transfer was for booking a flat. Further a fund transfer of ₹ 1.90 lakh was made to Noticee 4's account from the account of Shashikala Naik, wife of Noticee 3, on February 23, 2022. The reason submitted by Noticee 4 was that she obtained the amount for her routine expenditure and personal needs, including to maintain the sufficient liquidity for personal needs. In regard to fund transfer by Shashikala Naik, Noticee 3 submitted the reason for transfer was to offer financial assistance during Noticee 4's pregnancy, and further Noticee 3 submitted that both the transfers i.e. by his wife and son were undertaken without his involvement or knowledge

and in light of the constraints imposed by the COVID-19 pandemic-induced lockdown and that his nephew had lost his job due to lockdown as he was working for a travel agency.

- 25.** For the transfer of amount of ₹ 10 lakh on December 09, 2021 from Srinivas Naik, son of Independent Director, Noticee 4 said that it was secured for the purpose of booking flat. Firstly, I note that, as a logical step Noticee 4 could have used some of the loan taken by her from M/S Jinendra Exports to book the flat or she could have liquidated some of her holding in the scrip of Cerebra. Secondly, even if it is assumed that the transfer by the son of Noticee 3 was due to close familial relationship, the money for the purpose of booking flat however was utilized by her after more than one and a half month i.e. on January 27, 2022, and was transferred to one Menorah Realities Pvt. Ltd which was the company of the friend of Noticee 3. Thirdly, presuming that financial constraints were being faced by Noticee 4 starting from the date when she remitted back the amount of ₹ 45 lakh on February 25, 2022, in this regard I note that, Noticee 4 took cumulative loan of ₹ 45 lakh from M/S Jinendra Exports for 6 months on the aforesaid 3 days and remitted back the same amount of ₹ 45 lakh on February 25, 2022. Assuming that the said deal of loan was finalised on the first day of receiving the amount i.e. on October 14, 2021, the six months would have lapsed in April 2022. The said amount prudently could have been remitted back to M/S Jinendra Exports in the month of April, 2022. Fourthly, also assuming that she was facing a cash crunch at that point of time and the loan amount was demanded back by M/S Jinendra Exports, I note that the logical decision would have been to liquidate the 25,000 shares of CITL she was still holding when she transferred the amount of ₹ 45 lakh. From the above discussion, I feel pertinent to mention that Noticee 4's fund transactions surrounding UPSI period do not seem in the normal course as someone who had given birth to baby girl in November, 2021 and someone who has to pay for her home booking advance and someone who is facing financial constraints is taking loan at that point to buy shares.

- 26.** Now moving forward to the placement of trades, it has been brought out above that the said buy orders in the scrip of Cerebra were done in the proximity to the meeting of Noticee 1 and Noticee 3 and calls between Noticee 1, Noticee 2, Noticee 3 and husband of Noticee 4. Noticee 4 had submitted that she had placed the buy orders on October 18, 2021, October 26, 2021 and November 01, 2021 through offline mode, by visiting the

office of the sub-broker of Kotak Securities - Grace Investments, in Mulund (W), Mumbai. In this regard, her CDR data was perused and it was found that her CDR location shows that at the time of placement of these orders, she was in Chembur/Ghatkopar and not in Mulund (W) where the office of Grace Investments is located. On October 26, 2021 when her second purchase order was placed, during that time she was in call with her doctor and not the dealer of Grace Investments. There is approximately 15 km distance between the place where Noticee 4 was on dates when orders were placed for her trades in the scrip of CITL and the office of sub broker Grace Investments from where the trades were placed. Copy of deal slips (not numbered) were provided by Grace Investments for orders placed by Noticee 4. Grace Investments had confirmed that there was no walk in or visitor register in the premises.

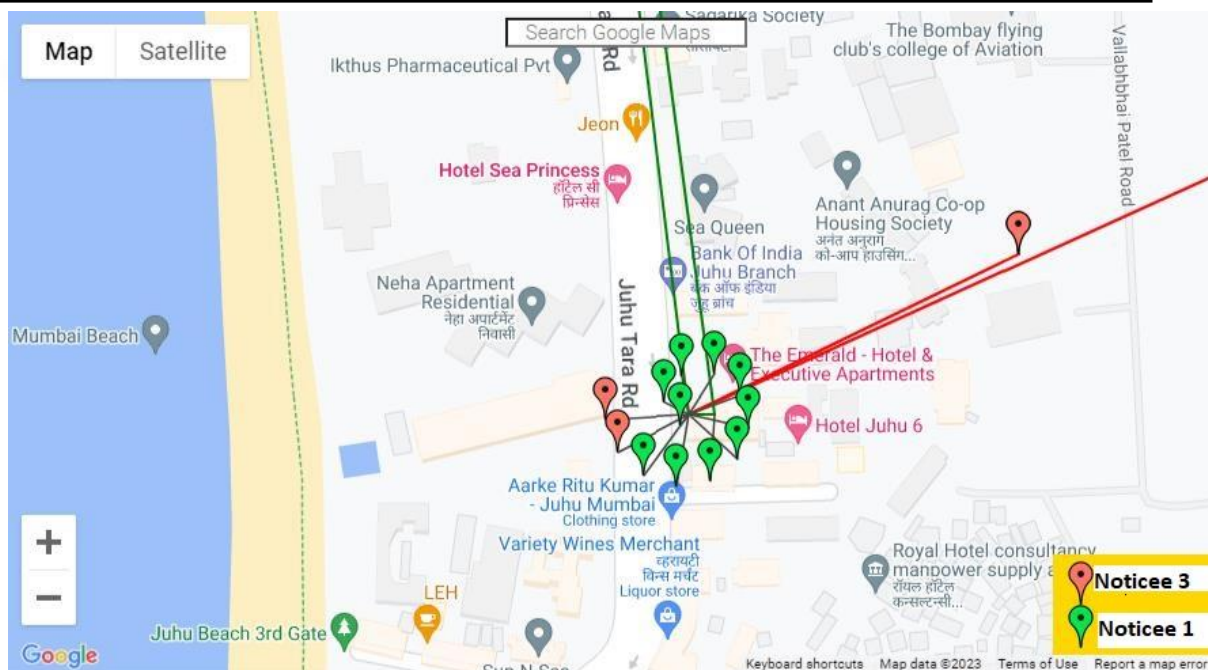
27. I also note that Dealer for placing the orders for Noticee 3 and Noticee 4 were the same i.e. Geeta Nair of Grace Investments. On October 26, 2021 from 10:13:51 till 10:15:01, Noticee 3 was talking to Geeta Nair (mobile number- 9xxxxxxx6) and at 10:14:29 on the same date, Noticee 4's order was placed by the same dealer i.e. Geeta Nair. Similarly, on November 1, 2021 from 12:09:46 to 12:10:21, Noticee 3 was talking to Geeta Nair (mobile number- 9xxxxxxx6) and at 12:10:11 on the same date, Noticee 4's order was placed by the same dealer i.e. Geeta Nair. Further, Noticee 3 has not submitted any documentary evidence that at the time when he was at call with Geeta Nair, he had placed any trades in any scrip.
28. From the above paragraphs, I find that sufficient inferences can be drawn out of the attending circumstances that there was impropriety in the trading pattern and trades placed by Noticee 4

**Issue no. 3: Whether the Noticees disseminated / communicated the UPSI?**

29. As has been already established that the financial results for the quarter ending on September 30, 2021 was UPSI and further it was observed that Cerebra had reported a total income of ₹ 63.25 crore and profit of ₹ 9.73 crore for the quarter ended September 30, 2021.

30. It was alleged in the SCN that Noticee 1 and Noticee 2 were aware about the upcoming substantially improved financial results of the company on October 12, 2021 and on October 12, 2021 and October 13, 2021, Noticee 1 and Noticee 2 allegedly communicated the UPSI to Noticee 3.
31. I note that regulation 3(1) of the PIT Regulations postulates as below  
*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.*  
*NOTE: This provision is intended to cast an obligation on all insiders who are essentially persons in possession of unpublished price sensitive information to handle such information with care and to deal with the information with them when transacting their business strictly on a need-to-know basis. It is also intended to lead to organisations developing practices based on need-to-know principles for treatment of information in their possession*
32. I note that Noticee 2 was involved in the process of drafting the quarterly financial statement for the quarter ending September 30, 2021. An e-mail was sent from his account to Noticee 1 on October 12, 2021 at 14:15 pm containing revenue figures of CITL as ₹ 62.88 crore for the quarter ending September 30,2021. It is observed that total income disclosed on exchanges by CITL for the quarter was ₹ 62.95 crore as per standalone results and ₹ 63.25 crore as per consolidated results, which is very near to the earlier provisional figures provided by Noticee 2.
33. Thus, I find that Noticee 2 communicated the UPSI to Noticee 1 on October 12, 2021 at 14:15 pm. Further, from the CDR analysis of Noticee 1 and Noticee 3 and from their cell tower locations, it was observed that on October 12, 2021 between 17:00 pm to 21:00 pm Noticee 1 and Noticee 3 were at the same location in Mumbai and subsequently moved back to their respective places indicating that both met on October 12, 2021 evening. The pictographical representation is placed below:





34. Further, as can be seen from paragraph 5.9.11, Noticee 1, Noticee 2, Noticee 3 and husband of Noticee 4 were in contact with each other on October 13, 2021. The calls placed between them were proximate to each other i.e. the calls between them were placed at the late hours of October 13, 2021.
35. Information was sought from the Noticees during the course of the Investigation as to reason of their communication and the reason of meeting of Noticee 1 and Noticee 3 during the UPSI period, the details of which are tabulated below:

Table No. 13:- Communication of Noticees during the UPSI period as submitted by them during the investigation			
Noticee 1	Noticee 2	Noticee 3	Noticee 4
<p>I was in touch with Parthasarathi Naik for checking on the status of the issue of preferential shares/warrants with NSE and BSE. He was only asked to meet BSE &amp; NSE regarding the status of preferential issue.</p> <p>Cerebra had planned a preferential issue to raise money for the company. This issue did not get the approval from NSE and BSE We were following up from here but did not get</p>	<p>Mr. Parthasarathi Naik might have spoken to me on Income tax matters a couple of times.</p>	<p>Met Mr. HS Venkatesh once or twice, in Bangalore August 2021- December 2021.Spoken on and off, maybe regarding details to be filed with BSE and NSE for placement of shares.</p> <p>I was in contact with Mr V. Ranganathan regarding the</p>	<p>I was not in contact with Mr. Parthasarathi Naik during October 1, 2021 to November 30, 2021, except that Mr. Parthasarathi Naik and family had visited me in the hospital to congratulate me and check my health on giving birth to a baby girl on November 24, 2021.</p>



Table No. 13:- Communication of Noticees during the UPSI period as submitted by them during the investigation			
Noticee 1	Noticee 2	Noticee 3	Noticee 4
much response. Since Mr. Parthasarathi Naik was in Mumbai and was our director we requested him to visit BSE and NSE and explore supporting us and check if there was any problem with our proposal. He went and met them and came back saying that there has been a delay in filing our application, there were 48 people in the list and the price has risen significantly. Hence the exchanges told him that either we had to do the issue at the current price at that time or come up with a rights issue such that every shareholder benefits.		placement of shares and details to be filed with NSE and BSE	

36. Noticee 3 submitted the reason for calls between him and Noticee 2 was for preferential issue of shares with BSE and NSE while Noticee 2 had submitted that it was for the reason of taxation matters. Further, I note that the reason as stated by Noticee 1 and Noticee 3 regarding their communication during UPSI period was for the issue of preferential allotment of shares as the same was not getting approval from the exchanges. In this regard, I note from the records available on the websites of the exchanges that the intimation regarding preferential allotment was issued on September 17, 2021 and the voting by the shareholders of Cerebra for the purpose of preferential allotment of shares took place on October 24, 2021. Cerebra was supposed to file the application seeking in-principle approval with the Stock Exchange within 15 days of the shareholder's approval i.e. by November 08, 2021, however the application was not filed within the prescribed timeline of 15 days. Therefore the issue of non-approval of the preferential allotment did not arise during the period October 12, 2021 and October 13, 2021 when the meeting between Noticee 1 and Noticee 3 took and when there were calls between the Noticees, in fact, during the period October 12 to October 13, 2021, no application could have been filed with the exchanges as the shareholders were yet to give their approval to the preferential issue. Furthermore, documentary evidences were asked from Noticee 3

regarding his meeting with the NSE and BSE officials during the course of hearing, however the Noticee 3 could not produce the same.

Further, Noticee 1 by his own admission has submitted that Noticee 3 was not involved in the preferential issue (placement and filing). Since Noticee 3 was in Mumbai he was requested to meet the NSE and BSE officials. In this regard, I note that firstly, the issue of delay of preferential allotment did not arise at the juncture when communication was happening between Noticee 1 and Noticee 3. Furthermore, Noticee 1 himself visited Mumbai on October 12, 2023, and if Noticee 3 was only tasked to meet the BSE and NSE officials, Noticee 1 himself could have met the exchange officials, since he was also present on that date in Mumbai. Thus, I note that the submissions of Noticee 1 and Noticee 3 that their communication was regarding preferential issue of Cerebra does not hold merit.

37. I note that, it has already been established that the trades of Noticee 4 were not in the normal course of business and the said transactions happen to be in proximity with the communication between the Noticees.
38. I note that Hon'ble Supreme Court in the matter of Balram Garg v. SEBI (supra), has held that there should be cogent evidence to prove the communication of UPSI and not by deeming the communication. The relevant extract of the said judgement is given below:

*"...40. We are also of the opinion that in the absence of any material available on record to show frequent communication between the parties, there could not have been a presumption of communication of UPSI by the appellant Balram Garg. The trading pattern of the appellants in C.A. No.7590 of 2021 cannot be the circumstantial evidence to prove the communication of UPSI by the appellant Balram Garg to the other appellants in C.A. No.7590 of 2021. It would also be pertinent to note here that Regulation 3 of the PIT Regulations, which deals with communication of UPSI, does not create a deeming fiction in law. Hence, it is only through producing cogent materials (letters, emails, witnesses etc.) that the said communication of UPSI could be proved and not by deeming the communication to have happened owing to the alleged proximity between the parties. "*

39. I note that suffice evidences are available on record to hold that frequent communication took place between the Noticee 1, Noticee 2 and Noticee 3 and between Noticee 3 and husband of Noticee 4. Thus, I note that the next leg is to prove that the communication of Noticees and meeting between Noticee 1 and Noticee 3 was to convey the UPSI. I note that there is no direct evidence to substantiate that the aforesaid communication were to transpire UPSI, however, as has been observed by the Hon'ble Apex Court in the matter of Balram Garg v. SEBI (Supra), in order to raise a presumption that UPSI was communicated to Noticee 3 who in turn communicated to Noticee 4, a reasonable expectation to have access to UPSI is to be shown. Such reasonable expectation can only be drawn from the foundational facts. The relevant text is placed below:

*"....42. This Court in Chintalapati Srinivasa Raju vs Securities and Exchange Board of India [(2018) 7 SCC 443] has further held that:*

*"Further, under the second part of Regulation 2(e) (i), the connected person must be "reasonably expected" to have access to unpublished price sensitive information. The expression "reasonably expected" cannot be a mere ipse dixit – there must be material to show that such person can reasonably be so expected to have access to unpublished price sensitive information.*

*.*  
*.*  
*.*

*We have already demonstrated that the minority judgment is much more detailed and correct than the majority judgment of the Appellant Tribunal. We accept Shri Singh's submission that in cases like the present, a reasonable expectation to be in the know of things can only be based on reasonable inferences drawn from foundational facts. This Court in SEBI v. Kishore R. Ajmera, (2016) 6 SCC 368 at 383, stated:*

*"26. It is a fundamental principle of law that proof of an allegation leveled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and leveled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless.*

*It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.”*

..

..

..

*43. This Court has also held in a catena of cases that the foundational facts must be established before a presumption is made.*

*..”*

**40.** I note that the fact of trades of Noticee 4 not being in the normal course has already been established. Further it has also been established that there was communication between the Noticees and the funds were arranged the very next day of the said communication and the funds arranged through loan from Jinendra Exports by Noticee 4 was for the purpose of buying shares in the scrip of Cerebra. Furthermore, the reason stated by Noticee 1 and Noticee 3 regarding their meeting / communication pertained to the issue of preferential allotment of shares as the same was not getting approval from the exchanges has already been falsified. Thus, from the attending circumstances, i.e. possession of UPSI by Noticee 1, meeting and calls between Noticee 1 and Noticee 3 and arranging of funds for trading in the scrip of Cerebra the next day and trading in the scrip of Cerebra the very next trading day, I can infer that Noticee 3 was in possession of the UPSI.

**41.** Noticee 4 in her statement recording has submitted that there was no direct communication between her and Noticee 3. However, it is to be noted that there were fund transactions between Noticee 4 with the wife and son of Noticee 3 and with Menorah Realities Pvt. Ltd, the company belonging to the friend of Noticee 3. Furthermore, Noticee 3 was regularly talking to Noticee 4's husband and Noticee 4 and her husband being in a marital relationship and living under same roof leads to presumption that there would have been communication between Noticee 4 and her husband and therefore between Noticee 3 and Noticee 4. This presumption is further substantiated by the fact of Noticee 4's trading pattern as has been established to be not in the normal course.

Thus I find that from the foundational facts such as Noticees being insiders, their communication and the funds arrangement for trading in furtherance of such communication raises reasonable expectation as required by the law that the Noticees including Noticee 3 and Noticee 4 were in receipt of the UPSI. In the matter of Ameen Khwaja v. SEBI<sup>3</sup>, Hon'ble SAT held that near relatives of persons in possession of UPSI can be reasonably expected to have access to UPSI. The relevant extracts are given below:

*"...22.. All these facts coupled with the trading pattern of the appellant nos. 2 to 6 as detailed (supra) on preponderance of probability would establish that appellant no. 1 Ameen Khwaja can "reasonably expected to have access to the unpublished price sensitive information" and he being near relatives of the rest of the appellants who reside together with him can reasonably expected to have imparted the said UPSI to the rest of the appellants."*

Also in the matter of Navin Kumar Tayal v. SEBI<sup>4</sup>, Hon'ble SAT observed that an irresistible inference can be drawn if the entities share close and cordial relationship. In this matter the brother in law of the insider was also held liable, the relevant text are as follows:

*"..40....Jyotika Tayal is the sister of Rohit Gupta and was the wife of Sanjay Tayal who was involved in the merger discussions. Sanjay Tayal admittedly had inside information. By a deeming fiction of law, his wife also had inside information. Rohit Gupta being the brother-in-law of Sanjay Tayal and having close cordial relationship, an irresistible inference can be drawn that he had access to this price sensitive information. Further, Rohit Gupta was not a regular trader and all of sudden hemakes trades on 17th and 18th May 2010 during the time when the binding agreement was executed is not a coincidence but raises a red flag and indicates that the trades were executed based on UPSI. Rohit Gupta did not have enough funds to purchase the shares and accordingly, an amount was transferred from Advik Textiles which is a company which was closely connected with the Tayal Group. The payment to the broker was made on May 20, 2010 after the amount was received by Rohit Gupta from Advik Textiles."*

---

<sup>3</sup> SAT Appeal No. 584 of 2019 (can be accessed on [https://sat.gov.in/english/pdf/E2022\\_JO2021696.PDF](https://sat.gov.in/english/pdf/E2022_JO2021696.PDF))

<sup>4</sup> SAT Appeal No. 8 of 2018 dated 02.08.2021 (can be accessed on [https://sat.gov.in/english/pdf/E2021\\_JO20189.PDF](https://sat.gov.in/english/pdf/E2021_JO20189.PDF))

..

..

*The fact that the Navin Tayal was the brother of Sanjay Tayal and Jyotika Tayal was the wife of the Sanjay Tayal leads to an irresistible inference that they had inside information and, in any case, were deemed to be connected persons having inside information. The sequence of events clearly indicates that these appellants conspired to make unlawful gain.”*

42. Furthermore, Hon’ble tribunal in the matter of Ameen Khwaja v. SEBI (supra) also observed that initially if it has been proved that there was access of UPSI or communication of UPSI, the burden shifts on the entities to prove otherwise. The relevant text is as follows:

*“...34. 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. I note that the probabilities of communicating the UPSI were presumed by the CDR analysis of Noticee 1, Noticee 2, Noticee 3 and Noticee 4’s husband that they called and met and further arranged money next day and placed trades the next trading day. During the course of the hearing, Noticee 3 was specifically asked for the documentary evidence regarding his submission that he met Noticee 1 and called Noticee 2 regarding preferential allotment of shares and resultantly met NSE and BSE officials for the purpose of issue of non-approval of the preferential allotment and further he was asked to reply as to why he was on call with Geeta Nair while she was placing the buy trades of Noticee 4. None of the questions posed to Noticee 3 fetched any satisfactory reply nor could Noticee 3 produce any documentary evidence in this regard. For instance the questions posed and submissions given by Noticee 3 are illustrated below:

*“Q3.It is observed from records available on the websites of the exchanges that the intimation regarding preferential allotment was issued on September 17, 2021 and the voting by the shareholders of Cerebra for the purpose of preferential allotment of shares*

took place on October 24, 2021. Cerebra was supposed to file the application seeking in-principle approval with the Stock Exchange within 15 days of the shareholder's approval i.e. by November 08, 2021, however the application was not filed within the prescribed timeline of 15 days. Therefore the issue of non-approval of the preferential allotment did not arise between the period October 01, 2021 - October 16 2021. Any comments on the same?

A. I will get back to you on this matter in my additional submissions.

AS. In addition to submission made in reply to show cause notice, I hereby further clarify that the company had not filed application in prescribed timeframe hence I was coordinating to apply for condonation of delay and allow company to file application. It is noteworthy to note that this was the peak covid period and hence the officials of stock exchanges were not easily reachable in the office.

Q4. Your nephew in law i.e. Mrs Ekta Naik, placed buy trades on three instances i.e. on October 18, 2021, October 26, 2021 and November 01, 2021. The trades were placed by Ms. Geeta Nair of Grace Investments and out of the three instances in two instances i.e. on October 26, 2021 and November 01, 2021, it is observed that the trades were placed between 10:13:52 - 10:15:01 and 12:09:46 – 12:10:21 respectively. Why were you in call with Ms. Geeta Nair on October 26 at 10:14:29 and on November 01 at 12:10:11, exactly at the same time when the trades were being placed?

A. I will get back to you on this point in my additional submissions.

AS. I do have information on the timing of trades placed by Ekta Naik and hence I cannot comment/confirm on the same. However, please note that I am a regular trader and hence I am in touch with my broker almost on daily basis to check prices of the stock and place orders.”

I note that the claim by Noticee 3 that he was coordinating to apply for condonation of delay and allow the company to file application when he met the Exchange officials between October 01 and October 16, 2021 falls flat as during the aforesaid period there could not be any delay on the part of the company to condone since its shareholders had given their approval to the preferential issue much later on October 24, 2021 and the company could have been able to file its application with the Exchanges only after the date of approval by the shareholders. Further, I note that Noticee 3 could not provide any documentary evidence of his trading in any shares on the two days i.e. October 24 and November 01, 2021 when he was on call with Geeta Nair of Grace Investments. From the above two instances, I note that the submissions of Noticee 3 does not holds any merit.



44. The question regarding call of Noticee 3 with Geeta Nair of the Grace investments while placement of Noticee 4's trades was also posed to Noticee 4, however her reply was also not found to be satisfactory.
45. Noticee 1 was also asked the question regarding meeting of Noticee 3 with the officials of NSE and BSE and when Noticee 3 met NSE and BSE officials, however his reply was not satisfactory. I note that while the meeting and calls between Noticee 1 and Noticee 3 took place i.e. on October 12 and October 13, 2021, the issue regarding delay in filing of application for the purpose of preferential allotment did not exist as has been established above. The meeting of shareholders of Cerebra took place on October 24, 2021 and Cerebra was supposed to file the application for the approval within 15 days i.e. by November 08, 2021. Furthermore, I note that Noticee 1 himself has submitted that apart from the issue of delay of preferential allotment, Noticee 3 was not consulted for issuance of preferential allotment of shares. Thus, I find that the replies and evidences submitted by Noticee 1, Noticee 3 and his nephew in law, Noticee 4 to rebut the presumption of communicating the UPSI were not sufficient. In this regard, I would like to refer to the judgement of Hon'ble SAT in the matter of Utsav Pathak vs. SEBI<sup>5</sup> Appeal No. 430 of 2019:

*"....19. The contention of the learned counsel for the appellant that the inference of providing sensitive information by the appellant to the Tippees was not inferred from any foundational facts is patently erroneous. In this regard, we may note that it is a fundamental principle of law that proving of an allegation levelled against a person can be derived either from direct substantive evidence or can be inferred by a logical process of reasoning from the totality of attending facts and circumstances surrounding the allegations made and levelled. The Supreme Court in SEBI vs. Kishore Ajmera (2016) 6 SCC 368 held that in the absence of direct evidence, the court cannot become helpless and that the court can take notice of immediate and proximate facts and circumstances surrounding the events and reach to a reasonable conclusion. The Supreme Court held that the test would always be as to what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.*

---

<sup>5</sup> SAT Appeal No. 430 of 2019 dated 12.06.2020 (can be accessed on [https://sat.gov.in/english/pdf/E2020\\_JO2019430\\_2.PDF](https://sat.gov.in/english/pdf/E2020_JO2019430_2.PDF))

20. In this regard, the decision in *Raj Ratnam's* case is relevant wherein the relevance of circumstantial evidence relating to an insider has been culled out as under:-

*"..Moreover, several other Courts of Appeals have sustained insider trading convictions based on circumstantial evidence in considering such factors as —(1) access to information; (2) relationship between the tipper and the tippee; (3) timing of contact between the tipper and the tippee; (4) timing of the trades; (5) pattern of the trades; and (6) attempts to conceal either the trades or the relationship between the tipper and the tippee" United States v. Larrabee, 240 F.3d 18, 21-22 (1st Cir. 2001)..*

22. From the aforesaid foundational facts, the circumstantial evidence or on a preponderance of probability by a logical process of reasoning from the totality of the attending facts and circumstances as stated aforesaid, an irresistible inference can be drawn that the appellant had passed on the price sensitive information regarding the open offer to the Tippees. Such inference taken from the immediate and proximate facts and circumstances surrounding the events is reasonable and logical which any prudent man would arrive at such a conclusion. The Supreme Court in *Kanhaiyalal Patel (supra)* held that an inferential conclusion from proved and admitted facts would be permissible and legally justified so long as the same is reasonable.

23. In the light of the aforesaid, the decisions cited by the learned counsel for the appellant on the issue that a person cannot be held guilty only on the strength of proximity of relationship with the Tippee are distinguishable on facts and are not applicable in the instant case. We find from the record that there is ample evidence to draw a reasonable inference that the appellant had passed on the price sensitive information to the Tippees and, consequently, we are of the opinion that the order of the AO does not suffer from an error of law."

46. Thus, conclusively, I find that Noticee 2 communicated the UPSI to Noticee 1, who in turn communicated the same to Noticee 3 and further Noticee 3 communicated the same to Noticee 4.

**Issue no. 4: Whether the Noticees were insiders?**

47. From the submission of Cerebra dated February 04, 2023, it was observed that 30 persons including Noticee 1, Noticee 2 and Noticee 3 were insiders of the company and the same has not been disputed by the Noticees either through their replies to the SCN or during the course of the hearing.
48. Now, the key issue is establishing that Noticee 4 was also insider in Cerebra. The definition of insider as given in Regulation 2(1)(g) of PIT Regulations is placed below:

*"insider" means any person who is:*

*i) a connected person; or*

*ii) in possession of or having access to unpublished price sensitive information;*

**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 an "insider" regardless of how one came in possession of or had access to such information. Various circumstances are provided for such a person to demonstrate that he has not indulged in insider trading. Therefore, this definition is intended to bring within its reach any person who is in receipt of or has access to unpublished price sensitive information. The onus of showing that a certain person was in possession of or had access to unpublished price sensitive information at the time of trading would, therefore, be on the person leveling the charge after which the person who has traded when in possession of or having access to unpublished price sensitive information may demonstrate that he was not in such possession or that he has not traded or he could not access or that his trading when in possession of such information was squarely covered by the exonerating circumstances.

49. From the above, 'insider' means any person who is either a connected person or in possession of or having access to UPSI. The close relationship between Noticee 3 and Noticee 4 and further the modus-operandi in their placement of trades leads to reasonable conclusion that Noticee 4 was an insider of Cerebra by virtue of having access to UPSI, however as has been held by the Hon'ble Supreme Court in the matter of Balram Garg v. SEBI<sup>6</sup>, the onus of proving that Noticee 4 was in possession of or had access to UPSI is on SEBI. The relevant text is as under:

*"....32....In our opinion, the approach adopted by the SAT turns the SEBI Act on its head as it places the burden of proving that there was a complete breakdown of ties between the parties on the Appellants in C.A. No.7590 of 2021 while conveniently ignoring the*

---

<sup>6</sup> Civil Appeal No. 7054 of 2021 (can be accessed on [https://main.sci.gov.in/supremecourt/2021/26746/26746\\_2021\\_9\\_1501\\_35070\\_Judgement\\_19-Apr-2022.pdf](https://main.sci.gov.in/supremecourt/2021/26746/26746_2021_9_1501_35070_Judgement_19-Apr-2022.pdf))

*fact that the onus was actually on SEBI to prove that the appellants were in possession of or having access to UPSI. The legislative note to Regulation 2(1)(g) makes the above position of law explicitly clear. It states that:*

*“... The onus of showing that a certain person was in possession of or had access to unpublished price sensitive information at the time of trading would, therefore, be on the person leveling the charge after which the person who has traded when in possession of or having access to unpublished price sensitive information may demonstrate that he was not in such possession or that he has not traded or he could not access or that his trading when in possession of such information was squarely covered by the exonerating circumstances.”*

50. I note that it has already been established that Noticee 4 was in possession of UPSI and thus I find that Noticee 4 was an insider in terms of the definition of insider as per the PIT Regulations.

**Issue no. 5: Whether Noticee 4 can be said to have traded in the scrip of Cerebra while in the possession of UPSI?**

51. I note that regulation 4(1) of the PIT Regulations states as follows:

*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.*

52. I note that Noticee 4 was in possession of the UPSI and in accordance with the explanation to regulation 4(1) of the PIT Regulations, Noticee 4 is presumed to have been motivated by the knowledge and awareness of such information in her possession. Furthermore I have already established that the trading pattern of Noticee 4's trades were not in normal course.

53. Noticee 4 had submitted that the reason for buying shares in Cerebra was intimation of preferential issue by the company. In this regard, I note that, the intimation was given by the Company on September 17, 2021 voting by the shareholders took place on October 24, 2021 and application to the exchanges were filed after the stipulated timeline and

Noticee 4 started buying shares from October 18, 2021. Noticee 4 further submitted that she invests in companies which issue bonus shares, preferential shares as the prices of the stock generally rise upon announcement of corporate actions. However, I do not subscribe to the aforesaid logic of Noticee 4 for buying shares of Cerebra as firstly, Noticee 4 started buying the shares from October 18, 2021 i.e. more than 1 month after the announcement of the preferential allotment of the shares, further, instead of increase in the price of the scrip of Cerebra, it actually went down from ₹ 56.30 on September 17, 2021 to ₹ 54 on October 18, 2021 and further to ₹ 52.65 on November 01, 2021.

54. I find that not only Noticee 4 placed the trades on the basis of UPSI but the said trades were being placed on the direction of Noticee 3. Thus I find that Noticee 4 placed trades while in possession of UPSI and the said trades were placed by Noticee 3 through Noticee 4.
55. Thus, I conclude that Noticee 1, has violated Section 12A(d) and 12A (e) of SEBI Act, 1992 and Reg 3(1) of SEBI PIT Regulations, Noticee 3 has violated Section 12A(d) and 12A (e) of SEBI Act, 1992 and Reg 3(1) and 4(1) of SEBI PIT Regulations, 2015, and Noticee 4 has Section 12A(d) and 12A (e) of SEBI Act, 1992 and Reg 4(1) of SEBI PIT Regulations, 2015.
56. In regard to Noticee 2, I find that, apart from the mail dated October 12, 2021 and call with Noticee 3 on October 13, 2021, no other incriminating factors have been found. I note that though the proximity of calls and email of Noticee 2 does raise some doubts, however the said incriminating factors do not lead towards making him liable and the benefit of doubt may be given to him.

**Issue no. 6: Does the violation, if any, on the part of the Noticees attract penalty under Section 15G of the SEBI Act?**

57. It has been established in foregoing paragraphs that, Noticee 1, Noticee 3, and Noticee 4 have violated the provisions of the SEBI Act and PIT Regulations. The Hon'ble Supreme Court of India in the matter of SEBI vs. Shri Ram Mutual Fund<sup>7</sup> *inter alia* held "once the

---

<sup>7</sup> (68 SCL 216(SC)) (Can be accessed on <https://main.sci.gov.in/jonew/judis/27774.pdf>)

*violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established then the penalty is to follow.”*

58. Thus, I am convinced that it is a fit case for imposition of monetary penalty on Noticee 1, Noticee 3, and Noticee 4 under the provisions of Section 15G of the SEBI Act which reads as under:

***Penalty for insider trading.***

*15G. If any insider who,—*

- (vii) 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*
- (viii) 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*
- (ix) 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.*

**Issue no. 7: If so, what would be the monetary penalty that can be imposed against the Noticee taking into consideration the factors mentioned in section 15J of the SEBI Act?**

59. While determining the quantum of penalty under section 15G of SEBI Act, it is important to consider the factors as stipulated in section 15J of the SEBI Act which reads as under:

*15J. While adjudging quantum of penalty under [15-I or section 11 or section 11B, the Board or the adjudicating officer] shall have due regard to the following factors, namely:—*

- (a) *the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) *the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) *the repetitive nature of the default.*

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

60. I note that Noticee 4 sold 83,000 shares at a value of ₹ 63.41 lakh on BSE and NSE post UPSI period thus earning a positive square off sum of ₹ 18.98 Lakh (sale value of ₹ 63.41 lakh—buy value of ₹ 44.43 lakh). However, taking into account the sale value based on the closing price on the next trading day when UPSI was declared i.e. on November 15, 2021, closing price was ₹ 73.55. I note that the profit made by Noticee 4 was ₹ 16,60,950/- (refer paragraph 5.10). I note that no prior default of Noticee 1, Noticee 3 and Noticee 4 is available on record, hence the violation is not repetitive. The violation of Noticee 1, Noticee 3 and Noticee 4 cannot be dealt with lightly as it would undermine investors' confidence in the securities market and has to be viewed seriously and calls for appropriate penalty. I note that Hon'ble SAT in the matter of Shri E. Sudhir Reddy v. SEBI<sup>8</sup> inter alia held:

*"..7...A shareholder becomes an owner of the company to the extent of the value of shares held by him. He is therefore, entitled to his share in the profits earned by the company. Therefore, performance of a company is of primary importance to the investors as well as to the general public who might be interested in investing in the company. The shareholders and general public get information about the company either through the annual report or during the annual general meeting. However, persons in the company or otherwise concerned with the affairs of the company are in possession of such information before it is actually made public. The directors of the company or for that matter even professionals like Chartered Accountants and Advocates advising the company on its business related activities are privy to the performance of the company and come in possession of information which is not in public domain. Knowledge of such*

---

<sup>8</sup> SAT Appeal No. 138 of 2011 (Can be accessed on [https://www.sebi.gov.in/sebi\\_data/attachdocs/1404291243955.pdf](https://www.sebi.gov.in/sebi_data/attachdocs/1404291243955.pdf))



unpublished price sensitive information in the hands of persons connected to the company puts them in an advantageous position over the ordinary shareholders and the general public. Such information can be used to make gains by buying shares anticipating rise in the price of the scrip or it can also be used to protect themselves against losses by selling the shares before the price falls. Such trading by the insider is not based on level playing field and is detrimental to the interest of the ordinary shareholders of the company and general public. It is with a view to curb such practices that section 12A of the Sebi Act makes provisions for prohibiting insider trading and the Board also framed the Insider Trading Regulations to curb such practice.”

### **ORDER**

61. Having considered the facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act, taking note of Section 15G of the SEBI Act and also taking into account judgement of the Hon’ble Supreme Court in SEBI vs. Bhavesh Pabari<sup>9</sup> and in exercise of power conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby impose following penalty under section 15G of the SEBI Act on Noticee 1, Noticee 3 and Noticee 4:

Sr. No.	Name of the Noticee	Provisions violated	Penalty
1.	Noticee 1 (Venkatraman Ranganathan ) PAN: ABOPR2170F	Section 12A(d) and 12A (e) of SEBI Act and Reg 3(1) of SEBI PIT Regulations	₹ 10,00,000/- (Rupees Ten Lakh Only)
2.	Noticee 3 (Parthasarathi Naik) PAN: AAJPN7695R	Section 12A(d) and 12A (e) of SEBI Act and Reg 3(1) and 4(1) of SEBI PIT Regulations	₹ 50,00,000/- (Rupees Fifty Lakh Only)
3.	Noticee 4 (Ekta Anandalwar Naik) PAN: AZVPN0307P	Section 12A(d) and 12A (e) of SEBI Act and Reg 4(1) of SEBI PIT Regulations	Jointly and Severally

62. Noticee 1, Noticee 3 and Noticee 4 shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. [www.sebi.gov.in](http://www.sebi.gov.in) on the following path, by clicking on the payment link:

**ENFORCEMENT → Orders → Orders of AO → PAY NOW**

<sup>9</sup> (2019) 5 SCC 90 (Can be accessed on [https://main.sci.gov.in/supremecourt/2013/36291/36291\\_2013\\_Judgement\\_28-Feb-2019.pdf](https://main.sci.gov.in/supremecourt/2013/36291/36291_2013_Judgement_28-Feb-2019.pdf))

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

**Date: October 12, 2023**

**Place: Mumbai**

**Parag Basu**

**ADJUDICATING OFFICER**