

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER Ref. No. ORDER/JS/RJ/2025-26/31608-31610]

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

Noticee No.	Name of Noticee	PAN
1.	Mr. Arun Kumar Somani	BOAPS8111R
2.	Mr. Ramesh Chand Gupta	AAPPG1507P
3.	Ms. Tara Devi Gupta	AEPPG4463C

(The Noticees are individually referred to by their respective Noticee No. as mentioned above and collectively referred to as 'Noticees')

**In the matter of suspected insider trading activity of certain entities in the scrip of
Indian Oil Corporation Ltd.**

BACKGROUND

1. Indian Oil Corporation Ltd. (hereinafter referred to as '**IOCL**/' '**company**') is a public company listed on BSE Limited (hereinafter referred to as '**BSE**') and National Stock Exchange of India Limited (hereinafter referred to as '**NSE**').
2. On October 31, 2023, at 13:57:10 Hrs, IOCL informed the stock exchanges about the financial results for the quarter and half year ended September, 2023. Further, IOCL declared an interim dividend of 50%, i.e., Rs. 5/- per equity share of face value of Rs.10/- each, for the financial year 2023-2024. It was observed that on October 31, 2023, the price of the scrip of IOCL increased by 1.64% and closed at Rs. 89.70 as compared to the previous day's close price (i.e., Rs 88.25). There was a cumulative increase of 17.90% till November 07, 2023 in the price of the scrip of IOCL.
3. Based on the NSE observations, certain entities were shortlisted by Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') for possible violations of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as '**PIT Regulations**'), if any, while trading in the scrip of the IOCL from October 03, 2023 to November 15, 2023. It was observed that Mr. Arun Kumar Somani (hereinafter referred

to as '**Noticee No. 1**'), a designated employee (Senior Finance Manager) of the IOCL, was involved in the process of finalization and limited review for Q2 of 2023-24 as per the information provided by IOCL. It was, further observed that Mr. Ramesh Chand Gupta (hereinafter referred to as '**Noticee No. 2**') and Ms. Tara Devi Gupta (hereinafter referred to as '**Noticee No. 3**') are related/connected to Noticee No. 1 as father-in-law and mother-in-law respectively. Based on the findings of the investigation, it was alleged that Noticee No. 1 communicated the unpublished price sensitive information (hereinafter referred to as '**UPSI**') regarding the quarterly financial result ending September 2023 of IOCL along with the interim dividend to Noticee No. 2. It was, further, alleged that Noticee Nos. 2 and 3 traded in the scrip of IOCL in the period from October 03, 2023 to November 15, 2023 while in possession of UPSI.

4. In this regard, it was alleged in the investigation report (hereinafter referred to as '**IR**') that Noticee No. 1 by sharing UPSI with Noticee No. 2, violated regulation 3(1) of the PIT Regulations and section 12A(e) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**'). Further, it was alleged that Noticee Nos. 2 and 3 while in possession of the UPSI, traded in the scrip of IOCL, which was in violation of regulation 4(1) of the PIT Regulations and sections 12A(d) and (e) of the SEBI Act.
5. In this background, SEBI initiated the instant adjudication proceedings against the Noticees.

APPOINTMENT OF ADJUDICATING OFFICER

6. Pursuant to the superannuation of the earlier Adjudicating Officer(hereinafter referred to as '**AO**') who had been appointed so vide communique dated October 08, 2024, the undersigned was appointed as AO in this matter vide communique dated April 04, 2025 under section 15-I of SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Rules**'), to inquire into and adjudge the aforesaid alleged violations committed by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

7. Show Cause Notice (hereinafter referred to as '**SCN**') Ref. No. SEBI/HO/EAD2/NH/RJ/2023/34247 dated October 31, 2024, was issued to the Noticees

under rule 4 of Rules to show cause as to why an inquiry should not be held and why penalty, if any, should not be imposed on them in terms of the provisions of section 15G of the SEBI Act for the violations alleged to have been committed by the Noticees.

8. The SCN dated October 31, 2024, *inter alia*, alleged the following:

Chronology of Events

8.1. IOCL provided a chronology of events related to the announcement of quarterly financial results for the quarter ending September, 2023, along with declaration of interim dividend of 50% on the face value of Rs. 10/- . A summary of main events, as stated in the Investigation Report (hereinafter referred to as '**IR**'), is given below.

- The UPSI came into existence from October 20, 2023 when Division of Finance submitted the financial statements to Corporate Finance Team of IOCL.
- Presentation on financial results to board for its approval and authorization of Director (Finance) for signing of financial results is made on October 31, 2023. The aforesaid information is made public on the same day, i.e., October 31, 2023 during market hours on 13:57 PM.

UPSI

8.2. In this regard, reference is drawn to the regulation 2(1)(n) of PIT Regulations:

"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;

(ii) dividends;

(iii) change in capital structure;

(iv) mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions;

(v) changes in key managerial personnel

....." (Emphasis supplied)

8.3. In view of the above, it is mentioned in the IR that the intimation dated October 31, 2023 to NSE relating to consideration of the quarterly financial result ending

September 2023 along with the interim dividend was an UPSI till the time it was disclosed by the company on the exchange platform.

Period of UPSI

- 8.4. It is stated in the IR that the first submission of data by the finance team of IOCL began on October 20, 2023. Accordingly, October 20, 2023 has been considered the date on which UPSI came into existence.
- 8.5. Further, it is stated that the intimation to NSE relating to quarterly financial results ending September 2023 along with the interim dividend was made on October 31, 2023, at 13:57 Hrs.
- 8.6. In view of the above, the pre-UPSI period, UPSI period and post-UPSI period have been considered as under.

Pre-UPSI Period	October 03,2023 to October 19,2023
UPSI Period	October 20,2023 to October 31,2023
Post-UPSI Period	November 01,2023 to November 15,2023

- 8.7. In this context, the period from October 03, 2023, to November 15, 2023 has been taken as the investigation period (hereinafter referred to as 'IP').

Access to UPSI

- 8.8. IR states that Noticee No. 1 is an employee of the company since 2009. Noticee No. 1 was posted as Senior Finance Manager at IOCL, Gurgaon during the UPSI period. In this regard, it is mentioned in the IR that Noticee No. 1 was a designated employee of IOCL and he has been considered an insider as per the chronology of events provided by the company. It is further observed that Noticee No. 1 became privy to the UPSI on October 21,2023.
- 8.9. Accordingly, Noticee No. 1 is alleged to be an 'insider' as per PIT Regulations.
- 8.10. In this context, it is, *inter alia*, stated in IR with regard to the Noticees:

Family Relationship

- i. Noticee Nos. 2 and 3 are the family members of Noticee No. 1. The relationship amongst Noticees is tabulated below:

Name	Relationship with Noticee No. 1
Noticee No.2	Son in law
Noticee No.3	

Common Address

- ii. Noticees share the same address, albeit different floor numbers. The relevant details in this regard are tabulated below:

Name	Relationship with Noticee No. 1
Noticee No. 1	N-176,4th Floor, South City1, Gurgaon – 122 001
Noticee No.2	N-176, 1st Floor, South City1, Gurgaon – 122 001
Noticee No.3	

Analysis of call detail record and Geolocation

iii. There were frequent calls between Noticee Nos. 1 and 2 during the IP. During the recording of statement, Noticee Nos. 1 and 2 have admitted that they are related. Further, it is stated that both, Noticee Nos. 1 and 2, were residing in the same residential building at different floors, i.e., 1st floor and 4th floor, respectively, as per geo-location analysis.

Operation of Trading Account

iv. During the statement recording, Noticee No. 2 submitted that he manages his and Noticee No. 3's trading account through his iPhone. Noticee No. 3 in her statement dated July 22, 2024 confirmed that her trading account was operated by her husband, i.e., Noticee No. 2 and the trades in her account were executed by Noticee No. 2. It is stated that the brokers for Noticee Nos. 2 and 3 were Nuvama Wealth & Investment Ltd. and Zerodha Broking Ltd., respectively.

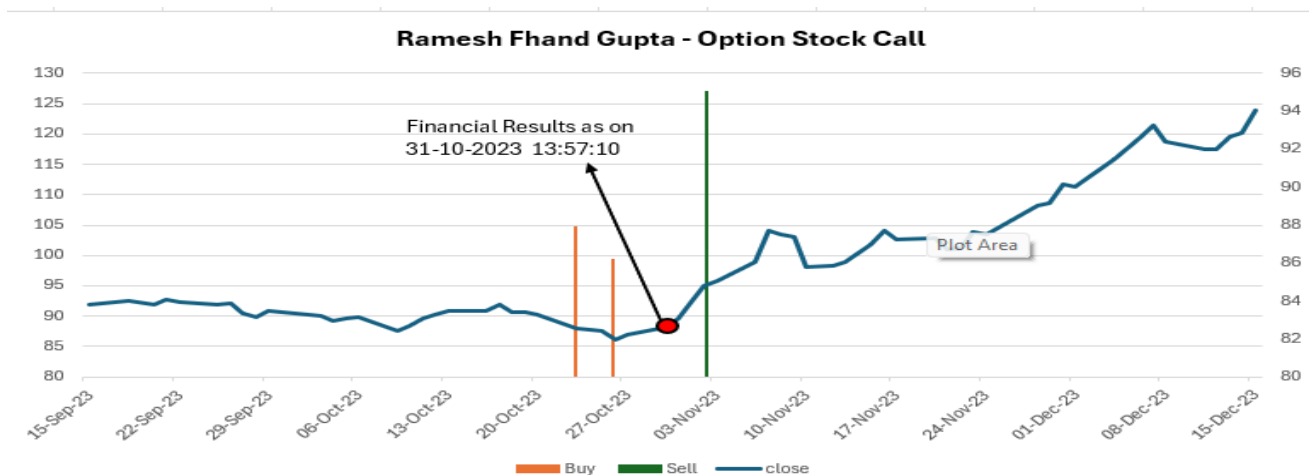
v. Noticee Nos. 2 and 3 had executed trades only on NSE during IP.

Trades executed by Noticee No. 2

vi. The day wise activity of Noticee No. 2 in Options CE during the IP is tabulated below:

Table A

Date	Period	Trade d in	Strike Price (in Rs.)	Client Name	Expiry Date	Days Buy Qty	Days Sell Qty	Buy Avg Price (in Rs.)	Sell Avg Price
23-Oct-23	UPSI	CE	88	Ramesh Chand Gupta	30-Nov-23	39,000	0	2.75	
23-Oct-23		CE	90	Ramesh Chand Gupta	30-Nov-23	78,000	0	2.15	
26-Oct-23		CE	87	Ramesh Chand Gupta	30-Nov-23	78,000	0	1.7	
26-Oct-23		CE	88	Ramesh Chand Gupta	30-Nov-23	78,000	0	1.55	
26-Oct-23		CE	90	Ramesh Chand Gupta	30-Nov-23	19,500	0	0.8	
02-Nov-23	Post announcement	CE	87	Ramesh Chand Gupta	30-Nov-23	0	78,000		8.9
02-Nov-23		CE	88	Ramesh Chand Gupta	30-Nov-23	0	1,17,000		7.95
02-Nov-23		CE	90	Ramesh Chand Gupta	30-Nov-23	0	97,500		6.05



Graph 1

vii. No trades of Noticee No. 2 were observed in Futures Contract and Cash segment during the IP.

viii. The summary of trades executed by Noticee No. 2 in the scrip of IOCL during the IP is tabulated below:

Table B

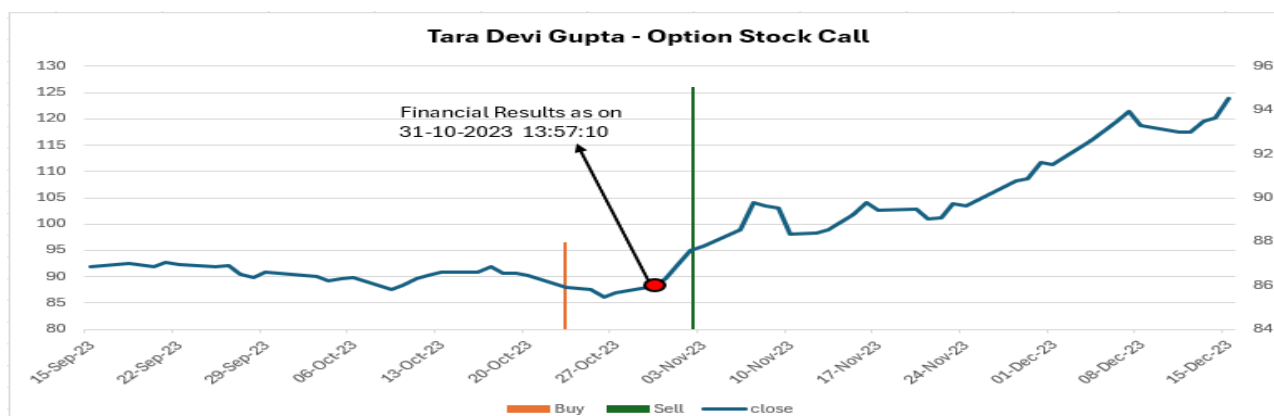
Period	IOC		Other Scrips			Total Gross traded Value (in Rs. lakh)
	Gross traded Value (in Rs. lakh)	% activity in this scrip to gross traded value	Gross traded Value (in Rs. lakh)	% activity in these scrips to gross traded value	No of Scrips (including IOC)	
Pre-UPSI Period	-	0%	20	100%	1	19.90
UPSI Period	5	100%	-	0%	1	5.44
Post UPSI Period	42	100%	-	0%	1	41.97
Total						67.31

Trades executed by Noticee No. 3

ix. The day wise activity of Noticee No. 3 in Options CE during the IP is tabulated below:

Table C

Date	Period	Traded in	Strike Price (in Rs.)	Client Name	Expiry Date	Days Buy Qty	Days Sell Qty	Buy Avg Price (in Rs.)	Sell Avg Price
23-Oct-23	UPSI	CE	90	Tara Devi Gupta	30-Nov-23	1,56,000	0	2.15	
02-Nov-23	Post announcement	CE	90	Tara Devi Gupta	30-Nov-23	0	1,56,000		5.98

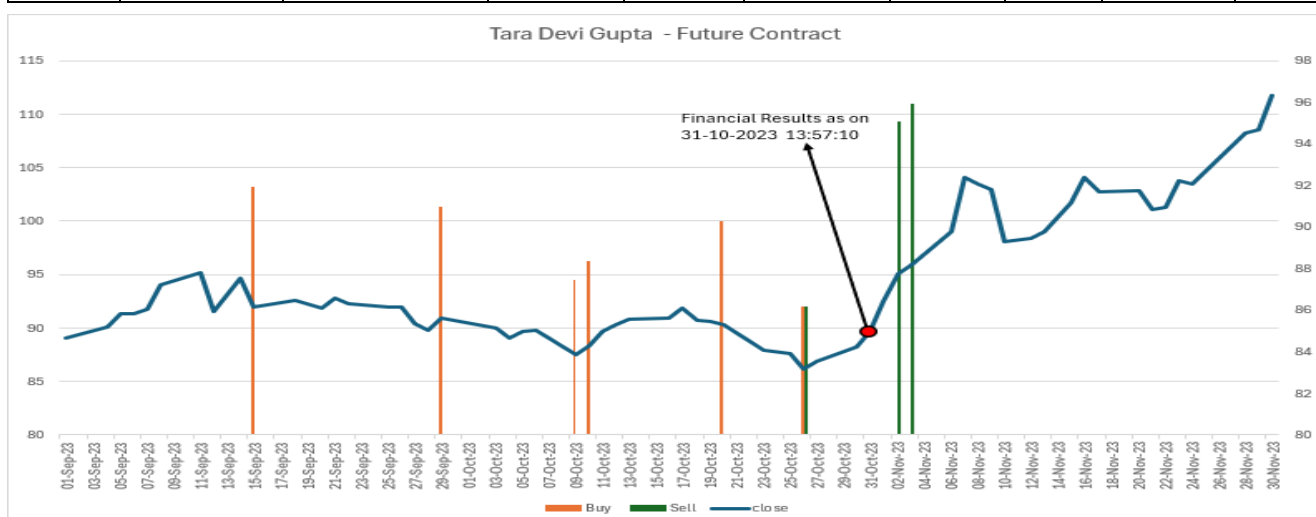


Graph 2

x. The day wise activity of Noticee No. 3 in Futures Contract during the IP is tabulated below:

Table D

Expiry Date	Day Date	Period	Brght Forward Long Qty	Days Buy Qty	Days Sell Qty	Buy Avg Price (in Rs.)	Sell Avg Price (in Rs.)	Days Buy Value (in Rs. lakh)	Days Sell Value (in Rs. lakh)
26-Oct-23	15-Sep-23	Pre UPSI Period	0	19,500	0	92.55		18.04	0
	29-Sep-23		19,500	39,000	0	91.05		35.50	0
	9-Oct-23		58,500	19,500	0	87.60		17.08	0
	26-Oct-23	UPSI	78,000	0	78,000		85.60	0	66.76
30-Nov-23	10-Oct-23	Pre UPSI	0	39,000	0	88.69		34.58	0
	20-Oct-23	UPSI	39,000	19,500	0	90.90		17.72	0
	26-Oct-23		58,500	39,000	0	86.20		33.61	0
	2-Nov-23	Post announcement	97,500	0	48,750		96.55	0	47.06
	3-Nov-23		48,750	0	48,750		96.95	0	47.26



Graph 3

xi. The summary of trades executed by Noticee No. 3 in the scrip of IOCL during the IP is tabulated below:

Period	IOC		Other Scrips			Total Gross traded Value (in Rs. lakh)
	Gross traded Value (in Rs. Lakh)	% activity in this scrip to gross traded value	Gross traded Value (in Rs. lakh)	% activity in these scrips to gross traded value	No of Scrips (including IOC)	
Pre-UPSI Period	105.23	76.93%	31.55	23.07%	2	136.78
UPSI Period	121.47	100.00%	-	0.00%	1	121.47
Post UPSI Period	710.08	94.91%	38.10	5.09%	4	748.19
Total						67.31

xii. In this context, it was alleged that Noticee Nos. 2 and 3 had bought derivatives of IOCL during the UPSI period, i.e., from October 20, 2023 to October 31, 2023 and squared off during post-UPSI period.

Common Location

xiii. It was alleged that Noticees were traveling together to Ahmedabad during October 20-24, 2023, when Noticee Nos. 2 and 3 had placed the trades in the scrip of IOCL. During the statement recording, both Noticee Nos. 1 and 2 have confirmed the fact that Noticees were traveling together to Ahmedabad during October 20-24, 2023. It has been submitted by Noticee Nos. 2 and 3 that it was a family vacation during the time of Navratri/Garba in Gujarat. Further, the IP logs provided by stock brokers also confirm the location of Noticees.

Profit

xiv. Noticee Nos. 2 and 3 had earned a profit of Rs.16. 70 lakh and Rs.10. 48 lakh respectively from the trades during IP.

Flow of information

xv. As stated in the preceding paragraphs, it was alleged in the IR that Noticee No. 1 became privy to the UPSI on October 21, 2023. Thereafter, Noticee No. 2, allegedly, executed trades in his and Noticee No. 3's trading account on the very next trading day, i.e., October 23, 2023 and continued till October 26, 2023. (October 22, 2023 was a trading holiday on the occasion of Dussehra)

Being Senior Finance Manager in IOCL Noticee No. 1 received UPSI on October 21,2023(Saturday) on email at 15:43Hrs while travelling together with other Noticees.

October 22, 2023 was a Trading holiday.

The very next trading day i.e. October 23, 2023 (Monday) Noticee No. 2 started trading in IOCL which continued till October 26, 2020

**Arun Kumar Somani
(Noticee No. 1)**

**Ramesh Chand Gupta
(Noticee No. 2)**

Allegation

- 8.11. In view of the above, it was alleged that Noticee No. 1 became privy to the UPSI regarding the quarterly financial result ending September 2023 of IOCL along with the interim dividend on October 21, 2023 (Saturday) at 15:43 Hrs. It was further alleged that Noticee No. 1 communicated the said UPSI to Noticee No. 2. It is alleged that Noticee No. 2, on the basis of UPSI received from Noticee No. 1, started trading the very next day, i.e., October 23, 2023 (Monday), through his and Noticee No. 3's account in the scrip of the IOCL which continued till October 26, 2023 (Thursday).
- 8.12. It was alleged that Noticee No. 1 by sharing UPSI with Noticee No. 2 allegedly violated regulation 3(1) of the PIT Regulations and section 12A(e) of the SEBI Act. Further, it was alleged that Noticee Nos. 2 and 3 traded in the scrip of IOCL while in possession of the UPSI which is in violation of regulation 4(1) of the PIT Regulations and sections 12A(d) and (e) of the SEBI Act.
9. The SCN along with annexures was duly served upon the Noticees.
10. Vide email dated November 12, 2024, Noticees requested for further time to submit reply to the SCN. The request of the Noticees was considered by the erstwhile AO and the Noticees were advised to submit their reply by November 22, 2024. Accordingly, Noticees submitted their reply on November 15, 2024.
11. In consonance with the Rules, an opportunity of personal hearing on January 09, 2025 was granted to the Noticee by the erstwhile AO. Noticee Nos. 1 and 2 attended the hearing on behalf of the Noticees. As requested by the Noticees, additional time was given to the Noticees to make further submissions and they filed additional submissions vide email dated January 21, 2025.
12. Consequent to the appointment of the undersigned as AO, another opportunity of personal hearing was given to the Noticees on May 16, 2025. Noticee Nos. 1 and 2 attended the hearing on May 16, 2025 and made submissions in line with their letter dated November 15, 2024 and email dated January 21, 2025.

REPLY OF THE NOTICEES

13. Noticee No. 1 in his replies submitted as under:

“
...

- a. *I am fully aware of the Insider Trading Code of the company and have adhered to the same in letter and spirit after joining of the department and till date has not violated the same knowingly or otherwise. As a matter of practice, the undersigned Noticee do not discuss the matters of IOCL with anybody in family or relatives, friends or anyone else. This principle has been followed without any exception.*
- b. *At various times since joining the IOCL I have excess to the UPSI in discharge of my official duties. Till date I have not shared/communicated/divulged the UPSI in my knowledge or possession. It is respectfully submitted that the decision of the company to declare dividend was not communicated or shared to the undersigned Noticee No. 1 by the Company. The annexure 13 of the SCN is testament to this factual situation. The mail forwarded to the Noticee No. 1 by the department dated 21.10.2023 is confined to 'tax computation and posting'. As a matter of fact, such information was never shared or forwarded by the company with the Noticee No. 1. As per the delegation of powers in the company IOCL the Noticee No. 1 is not involved in the process of accounts finalisation. The Noticee No. 1 is posted as Senior Manager (Taxation) in the department of corporate Taxation in IOCL. The department finalising the accounts of IOCL is Corporate Finance which has separate office and is located in different building. Therefore, the Noticee No. 1 has no concern whatsoever with the process of accounts finalisation of IOCL or the declaration of dividend by the IOCL.*
- c. *The Noticee No. 2 and 3 are my father-in-law /mother-in-law respectively. I have been residing in close proximity with them since my marriage in November, 2011. I am enjoying cordial relations with them. At present also I am residing in the fourth floor of the same building wherein the Noticee No. 2 and 3 are residing in first floor. The Noticee No. 2 is a practicing Chartered Accountant. The Noticee No. 2 and 3 are not financially dependent on me or my spouse. This material fact was also duly stated before the Investigating Officer.*
- d. *After my marriage I came to know that the Noticee No. 2 and 3 are regularly transacting in securities. Besides that, I have no knowledge or discussion with them since 2011 with respect to their financial status/matters, financial transactions or their trading in securities etc. I had never enquired or discussed with them (Noticee No. 2 and 3) with respect to their investments/transactions. I am also not aware of*

what scripts they invest or transacts in the securities and what is their volume /size of their exposure/investments etc. I reiterate that I never had any discussion with them on any financial matter /securities etc. Till the time I received the Notice from SEBI I was not even aware of their transactions in the scrip of IOCL.

- e. A perusal of the SCN will show that the same is based on the Investigation Report annexed therewith as annexure. It is submitted that the observations of the Investigation Report and its conclusion is based on the inference drawn by the Investigating authority without considering the material facts and circumstances of the matter which goes into the roots of the matter.*
- f. The following material which are evident for consideration and adjudication of the matter in hand:*
 - i. Despite being the designated officer of the IOCL since June,2009, prior to October, 2023 there has never been any allegation of sharing/ monetisation of UPSI against the undersigned noticee no. 1.*
 - ii. Despite having been married and being the son-in-law of noticee no. 2 and 3 since 2011, while being the designated officer of IOCL throughout all this time, prior to October, 2023 there has never been any allegation of sharing/ communicating UPSI with the noticee no. 2 and 3 against the undersigned noticee no. 1.*
 - iii. After the receipt of notice from the SEBI when the undersigned noticee no. 1 inquired from the noticee no. 2 and 3, he was informed that since the last more than 3-4 years on various occasions the said noticee no. 2 and 3 had transacted in the scrip of IOCL and that the said noticee no. 2 and 3 had profited on various occasions and had also suffered losses on many other occasions. It was also further informed that their decision to purchase shares was based on positive environment with respect to the oil companies in the country considering the fact that there was substantial procurement of cheaper Russian crude oil by the oil companies and corresponding profit accumulated over a period of time on account of not corresponding reduction in the oil prices in the retail sector. Various newspapers published during that period of time which also included humongous growth in the profits of subsidiary companies of the IOCL and also material fact that the price of the scrip of IOCL was trading at comparative lower price during September-October 2023 as compared to*

the price of the scrip in the month of July-August of 2023. It was informed that the price of the scrip was traded at about Rs. 10 /- less than July-August price range.

- iv. The noticee no. 2 and 3 had booked substantial losses in January and February, 2024 in their transactions in the scrip of IOCL. Similar losses were also booked by them in their earlier transactions in the month of February-March, 2023. It was also informed by them that they had also had some losses in some of the transactions in October 2023 itself. The said losses are also duly reflected in the present SCN under reply.*
- v. As already stated above, the undersigned noticee no. 1 lives in close proximity to the noticee no. 2 and 3 as the undersigned noticee resides on the 4th floor of the same building wherein the noticee no. 2 and 3 reside in the 1st floor. The noticee no. 2 and 3 living in such close proximity and also being the relatives of the undersigned noticee no. 1, a trip to Ahmedabad, Gujarat for attending Navratri function and sundry rites and rituals of Navratri was planned by the family of noticee no. 1 and noticee no. 2 and 3 together. The said trip was planned in early October, 2023 itself and the bookings were done on 4.10.2023 much before the 21.10.2023. It is ex facie evident that the undersigned did not go to Ahmedabad with the noticee no. 2 and 3 for any ulterior purpose as alleged i.e. to divulge and share UPSI which in any case was never done. Moreover, since the Noticees are residing in such close proximity there is no need to travel outside for having a meeting.*
- vi. The Investigation Report of the SEBI will demonstrate that the same is not objective and is based on inference, surmises and conjectures and is apparently oblivious of material and facts that goes into the root of the matter.*
- vii. The Investigating Officer has blissfully put under carpet facts and circumstances readily available with SEBI such as the trading history of the Noticee No. 2 and 3. In the long history of transactions entered into by the Noticees, they have executed numerous transactions of purchase and sale, however, for some strange reason, the majority of the transactions entered into by the notices No. 2 and 3 were kept out of the purview of the SEBI investigation whereas the same is of substantial value in determining whether the alleged transactions in the scrip of IOCL was natural transactions or were*

based upon some influence as alleged. The purpose of any investigation is to unearth the true facts and circumstances and not the conceal material facts and circumstances to falsely implicate people as has been apparently done in the present case.

- viii. I have always adhered to and followed strict professional ethics, and discharged my duties with utmost care, sincerity and as per the rules. The investigation by SEBI and the SCN issued thereof is a very serious matter which seriously affects my personal as well as professional life. Your esteemed office has arbitrarily without any cause and reason has fixed the UPSI period from 20.10.2023 to 31.10.2023 whereas the subject UPSI came to be forwarded to the Noticee No. 1 only in the afternoon of 21.10.2023 while I was traveling. It is also worth mentioning that since I was on leave and traveling the subject email was not even opened till 31.10.2023 when the said information was submitted to the BSE/NSE. This information could be procured by your esteemed office from the service provider.*

g. PARA-WISE REPLY TO THE SCN

- i. No reply is required to Para No. 1.*
- ii. No reply is required to Para No. 2 being a matter of record.*
- iii. The contents of Para No. 3 although are a matter of record. The growth in the price of the scrip was apparently on account of normal fluctuations in the price of the scrip.*
- iv. The allegations levelled in Para No. 4 that noticee no. 1 communicated or shared any UPSI with regard to quarterly financial results ending September 2023 of IOCL along with the interim dividend to noticee no. 2 is absolutely false, concocted and is contrary to record. No such information was ever shared/ communicated by noticee no.1 with noticee no. 2 or noticee no. 3 for that matter. It is reiterated that no UPSI with respect to IOCL was ever shared or transferred by noticee No. 1 to noticee no. 2 and noticee no. 3 or anybody else unauthorised during the period from 03.10.2023 to 15.11.2023 in particular and ever in general.*
- v. The allegations levelled in para-No. 5 of the SCN is absolutely false, frivolous and is based on presumptions, assumptions and surmises.*

- vi. *Noticee no. 1 had not shared or communicated any UPSI with noticee no. 2 and 3. It is therefore specifically denied that noticee no. 2 and 3 had violated the provisions of regulation 3(1) of PIT Regulations and section 12A (e) of the SEBI Act.*
- vii. *The present adjudication proceedings are misuse and abuse of process of law and also arbitrary misuse of the powers vested in a public servant.*
- viii. *That the answering noticee no. 1 is not privy to the procedure adopted for the appointment of adjudicating officer by the SEBI and deny for want of knowledge the validity, correctness and absence of any defect in the appointment of the Adjudicating Officer in accordance with the SEBI Act and Inquiry Rules. It is specifically denied that any violation has been committed by the noticee No. 1.*
- ix. *Reply to chronology of events: The contention that the UPSI came into existence from 20.10.2023 has no application vis-a-vis the Noticee of the present SCN are concerned. As a matter of fact and as reflected in Para No. 18.8.1 of the SCN the Noticee no. 1 became privy to the UPSI on 21.10.2023 at 1543 Hrs while travelling. The said email was also neither opened by Noticee No. 1 till 31.10.2023 nor Communicated/forwarded/shared with anybody.*
- x. *No reply is required for Para No. 9 of the SCN as the same is reproduction of excerpt of PIT Regulations.*
- xi. *No reply is required for Para No. 10 as the same is a matter of record.*
- xii. *It is stated in reply to para no. 11 that the information in question/ data submitted by the finance team of IOCL on 20.10.2023 is confidential information and there is nothing on record to remotely suggest that the same was shared with noticee no. 1 on 20.10.2023. Perusal of the sequence of events appended with Annexure -13 will demonstrate that no mail was forwarded to the noticee no. 1 on 20.10.2023 and it was only on 21.10.2023 that the mail was forwarded to the noticee no.1.*
- xiii. *No reply is required for Para No. 12 as the same is matter of record. However, it is worth mentioning that though the information was put on the NSE on 31.10.2023 at 1357 Hrs there was not much of growth in the equity despite 31.10.2024 being a trading day and there was sufficient time for immediate*

reaction on the specific information furnished to the NSE by the IOCL. As stated earlier the upward swing in the scrip of IOCL was in continuation of the upward trend commencing from 27.10.2023. It is also worth mentioning that the decision of interim dividend is not shared by the management of the company with subordinate staff and officers and is directly submitted with exchange. The information submitted by IOCL is testament to that factual position.

- xiv. The discretion to fix the pre-UPSI period or post-UPSI period is of substantial consideration. However, it has not been done objectively in the present case because the material on record itself demonstrates that the intimation of UPSI was communicated to noticee no. 1 in the afternoon of 21.10.2023. Therefore, there is no justification or rationale in fixing the UPSI period from 20.10.2023. It is also worth mentioning that there is no record or document placed along with the Present SCN to remotely suggest that the UPSI was put to the noticee no. 1 on any dated prior to 21.10.2023.*
- xv. Reply to para no. 13 of the Present SCN may be read as part and parcel of the reply to para no. 14 of the Present SCN.*
- xvi. No reply is required for Para No. 15 as it is only a reproduction of earlier allegations.*
- xvii. The allegations that noticee no. 1 became privy to UPSI on 21.10.2023 is unsubstantiated and has no cogent proof attached thereof. There is no evidence placed on record to show when and where the subject email was open and perused by noticee no. 1. This is a material fact considering that the noticee no. 1 was already on leave on 21.10.2023 and was traveling to Ahmedabad as put forth by the SEBI itself in the Present SCN.*
- xviii. Contents of Para No. 17 are denied for want of knowledge.*
- xix. In this context it is inter alia stated that it is admitted fact that noticee no. 1 is son-in-law of noticee no. 2 and 3. However, the noticee no. 2 and 3 are not dependent financially or otherwise on noticee no. 1.*
- xx. Reply to Para No. 18.2.1: The contention in Para no. 18.2.1 is absolutely wrong because though it is the same building, the floors are different. The Noticee no. 1 has altogether different address than noticee no. 2 and 3. They are living separately and on different floors.*

- xxi. *Reply to Para No. 18.3.1: It is admitted fact that they are related and residing in near proximity. The phone calls are not only during the investigation period, there are any number of calls between the noticees as the said noticees are relatives and also there are children in the families who call the noticee no. 2 and 3 from the phone of the noticee no. 1 and vice versa. These calls are only on account of being relatives and not on account of any financial communications or sharing of any information regarding scrips, etc.*
- xxii. *Reply to Para No. 18.4.1: No reply is required.*
- xxiii. *Reply to Para No. 18.5.1: No reply is required.*
- xxiv. *Reply to Para No.18.5.2: Information furnished in “Table 4” is nothing but a selective pick-and-choose policy adopted by SEBI to implicate the Noticees in a frivolous proceedings. The contents of Table 4 are only short part of the long list of transactions entered into by notice no. 2 for himself and on behalf of noticee no. 3 in the securities market.*
- xxv. *Reply to Para No. 18.5.3: No reply is required.*
- xxvi. *Reply to Para No. 18.5.4: Table 5 is misleading and does not demonstrate the true and correct picture of the trading activities of Noticee no. 2. A perusal of the Annexure-A will demonstrate that the noticee no. 2 and 3 do trading in particular scrips only and the trading volumes of the various periods will demonstrate that they do trading in a particular manner which is in consonance with the data disclosed in Table 5. Reasons for the purchase of these equities are already mentioned in earlier paras because the price of the scrip has fallen by the time 23.10.2023 and thus was good time to trade.*
- xxvii. *Reply to Para 18.5.6: Reply to Para No. 18.5.2 may also be read in reply to Para No. 18.5.6. However, it is further submitted that the Table 7 is self-explanatory and demonstrates that the Noticee no. 2 and 3 are bona fide traders in the securities market. It will show that substantial amount of shares were procured and purchased by the noticees no. 2 and 3 in period from 15.09.2023 to 20.10.2023. It is also worth mentioning that on 26.10.2023 about 78,000 shares came to be sold by the noticee no.3 which were in substantial loss. It is also worth mentioning that the nature of transactions will show that they sold off their equity on 02.11.2023 and 03.11.2023 when the impact of the results and interim dividend declared was only marginal. The chart itself shows*

- that on subsequent days immediately thereafter the price of the scrip had further grown exponentially.*
- xxviii. *Reply to Para No. 18.5.7: Reply to para 18.5.4 may also be read in reply to Para No. 18.5.7.*
- xxix. *Reply to Para No.18.5.8: The allegations are absolutely false and frivolous.*
- xxx. *Reply to Para No. 18.6.1: No reply is required to Para No. 18.6.1.*
- xxxi. *Reply to Para No. 18.7.1: The allegations are absolutely false and frivolous. This is a selective pick-and-choose policy adopted by SEBI to implicate the Noticee No. 1 in a frivolous proceeding.*
- xxxii. *Reply to Para No. 18.8.1: As already explained above, allegations that Noticee no. 1 became privy to UPSI on 21.10.2023 is unsubstantiated and has no cogent proof attached thereof. Further, it has already been explained above that the noticee no. 2 and 3 did not receive any UPSI from the noticee no. 1 but made their own independent decisions in executing their trades based on generally available information.*
- xxxiii. *As already explained in the preceding paragraphs, the allegations contained in Para No. 19 are absolutely false and frivolous and are as such vehemently denied. The allegations levelled are based on surmises and conjectures and are not substantiated by the material on record and contrary to the facts and circumstances of the case.*
- xxxiv. *As already explained above, it is specifically and vehemently denied that the undersigned Noticee No. 1 have violated Regulation 3(1) of the PIT Regulations and Section 12A(e) of the SEBI Act.*
- xxxv. *As already explained above, no allegations are made out against the undersigned Noticee No1.*
- xxxvi. *The contents of Para No. 22 are a reproduction of the text of the legal provisions and as such require no reply.*
- h. *The allegations levelled against the undersigned noticee no. 1 is absolutely wrong and there does not exist any material on record to remotely suggest any act of insider trading on the part of the undersigned noticee particularly in the light of the transaction history of the noticee no. 2 and 3. The said noticees are bona fide traders and investors who have acted upon generally available information: i.e. the price movement of the scrip over the period of time, the overall economic scenario of the*

sector and also the financial position of the noticee no.2 and 3. Both prior and subsequent to the trades in question, the noticee no. 2 and 3 have carried out similar trades and suffered losses despite all variables remaining equal. Even earlier and after the trades subject matter of the Present SCN, the noticee no. 2 and 3 have carried out trading in the scrip of IOCL and suffered losses and at those times as well the noticee no. 1 was a designated employee of the IOCL and the undersigned and noticees no. 2 and 3 lived in close proximity. The noticee no. 1 has been a son-in-law of the undersigned noticees no. 2 and 3 at all these times. The volumes of these other trades in both IOCL and other scrips has been more or less similar. Also, the noticee no. 2 and 3 have a past pattern of making most of their trades in particular scrips at a time. It is worth mentioning that the noticee no. 2 and 3 are not financially dependent on the noticee no.1 and never consult the noticee no.1 for their financial matters or trading. In these facts and circumstances, there is absolutely no cause for an inquiry against the undersigned noticees no. 2 and 3 in terms of Rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act, 1992 and no liability under the provisions of section 15G is made out. Hence, the proposed proceedings against the noticees are liable to be dropped.

- i. The Present Reply along with the relevant annexures is being submitted as per the stated terms in Para No. 24 of the SCN.
- j. The contents of Para No. 25 to 28 deal with incidental and procedural matters that require no reply.
- k. The abovementioned facts and circumstances as explained hereinabove ex facie demonstrates that the undersigned noticee No. 1 has not committed any contravention of the provisions of Regulation 3(1) of PIT Regulations and Section 12A(e) of the SEBI Act and as such there is no cause of holding inquiry under rule 4 of the SEBI (Procedure of holding inquiry and Imposing Penalties) Rules, 1995 and the same is liable to be dropped....”

14. Noticee Nos. 2 and 3, in their replies, contended as under:

“ ...

- a. Ex facie the Show Cause Notice under reply (hereinafter “SCN”) is nothing but based on the investigation report and which itself is based on inference, surmises and conjectures and certain presumption by investigating officer without any cause

or reason. The Investigating Officer has made insinuations about bona fide transactions made by undersigned noticees no. 2 and 3 without considering more than 25 years of transaction history of trading in the securities market by the Noticees No. 2 and 3.

- b. The Investigating Officer has blissfully brushed under the carpet, relevant and material documents, facts and circumstances that will ex facie prove the fact that the subject transactions carried out by the undersigned noticees were bona fide transactions of the scrip of IOCL that were in the normal course of trading pattern followed by the noticees in the long period of trading in the securities market. In the long history of transactions entered into by the Noticees, they have executed numerous transactions of purchase and sale, however, for some strange reason, the majority of the transactions entered into by the undersigned noticees were not taken note of and were kept out of the purview of the investigation, which demonstrates that the investigation was carried out in a preconceived manner and oblivious of material facts and circumstances which absolve the noticees of any wrongdoing as alleged in the instant SCN. It is further submitted that the information furnished by the NSE annexed as Annexure-1 to the SCN is containing absolutely false information with respect to Noticee No. 2 and 3, wherein noticee no. 2 and 3 are stated to be in relationship with the company whereas as a matter of fact they are not in relationship with the company neither as employee nor as consultant/ director/ promoter/ auditor/ advisor as prescribed under the regulations.
- c. The undersigned Noticee No. 2 is a chartered accountant by profession having vast knowledge and information in financial matters. Besides that he has a good understanding of financial matters and securities markets – both domestic and international and also the undersigned keeps an eye on changing economic, commercial, and international affairs. In spare time, the noticee devotes much of time and energy in reading various articles and analysing the financial position of various entities, sectors, etc. Furthermore, the Noticee No. 2 takes his financial decisions independently purely on the basis of his own research, understanding and calculations. At the outside the Noticees No. 2 and 3 state that Noticee No. 1 who is their son in law had never shared, disclosed or communicated any information of IOCL. Furthermore, he did not share, communicate or discuss with them anything with respect to the subject UPSI during the relevant times from 3.10.2023 to

31.10.2023 or thereafter. These facts were duly narrated to the investigating officer during the course of our interaction with him. However, the same do not find place anywhere in the investigation report appended to the SCN forwarded by your esteemed office. There are material facts and documents to prove that the noticee has been transacting in securities market for last more than 25 years and had unblemished history of trading wherein the undersigned had never entered into any mala fide transaction not only in securities market, but also in day-to-day life interactions and professional services rendered.

- d. The undersigned noticee no. 2 had always adhered to and followed strict professional ethics, and is a law abiding citizen. Both noticees are well settled and satisfied in their personal life and leading a very peaceful enjoyable and disciplined lifestyle. Though the above mentioned narration may sound out of place, but the undersigned noticee no. 2 takes this opportunity to bring to your kind notice that in more than 25 years of trading, on many occasions undersigned noticee no. 2 and 3 have earned profit, but on more occasions they have suffered losses, however, never in their life the undersigned noticee no. 2 and 3 have adopted any unscrupulous act or procedure to gain any untoward position, profit, gain, revenue.
- e. Issuance of SCN by your esteemed department is a very serious matter which seriously affects the psychology of the undersigned noticee no. 2 and 3 and also affects their career and has detrimental effect on day to day activities.
- f. In the SCN your esteemed office has arbitrarily without any cause and reason has fixed the UPSI period from 20.10.2023 to 31.10.2023 as reflected in "Table 1" at Para No. 13 of the SCN whereas in Para No. 16 of the SCN it is stated that the noticee no. 1 became privy to the UPSI on 21.10.2023. Apparently, there is some mistake in fixing the UPSI period in the present SCN otherwise your own notice is reflecting the knowledge of UPSI of noticee no. 1 with effect from 21.10.2023. Why and how UPSI period is fixed from 20.10.2023 is beyond our understanding and comprehension. The date of 20.10.2023 is also relevant as noticee no. 3 has purchased 19,500 shares of the scrip of IOCL on 20.10.2023. The very fact that these shares were purchased by the noticee no. 3 in continuance of the earlier purchases of the scrip of IOCL on 10.10.2023, 09.10.2023, 29.09.2023, 15.09.2023 will demonstrate that the purchases of the scrip were bona fide and without any ulterior purposes. The total number of shares of the scrip of IOCL purchased by the

noticee no. 3 during the period from 15.09.2023 till 20.10.2023 is 1,36,500 which is in itself ex facie proof that the transactions entered into by the noticee no. 3 were bona fide and without any ulterior purposes. It is also worth mentioning that the said factual position is duly reflected in "Table 7" in Para No. 18.5.6 of the SCN. It is also worth mentioning that 78,000 shares were sold on 26.10.2023 at a loss which in itself is a proof of the fact that there was no UPSI available or supplied by the noticee no. 1 to the noticees no. 2 or 3. 8.

- g. The relevant facts for the kind consideration of the present matter are as under:
- i. As stated above the undersigned noticees are regularly doing trading in the securities for the last more than 25 years and also the scrip of iocl the subject matter of the present SCN. The excel sheets inter alia demonstrating the transactions in the securities market entered into by the noticees no. 2 and 3 in the last 4-5 years are enclosed herewith for perusal and record. Consolidated trading summary of noticee no. 2 and 3 for the last 5 years are enclosed herewith as Annexure-A. A perusal of the trading summary of Ms. Tara Devi Gupta will demonstrate that she suffered a loss of Rs. 3,87,075/- in transactions of IOCL scrip in segment of F&O in the year 2023 itself. There are corresponding profits and losses in the transactions of the Noticees which is natural in transactions in the securities market. The Profit & Loss summary received from the broker is enclosed herewith as Annexure-B. The perusal of the same will ex facie show the nature of transactions entered into by the noticee no. 2 and 3 over a period of time and also the fact that the noticee no. 2 and 3 had dealt with only few scrips over the years besides IOCL. The Profit-and-Loss Summary also demonstrates the losses suffered and the profit gained in individual transactions over a period of 4-5 years immediately preceding the investigation period and the period immediately thereafter.
 - ii. The chart of the scrip from 01.07.2023 to 01.11.2023 is enclosed herewith for kind consideration of your esteemed office as Annexure -C. A perusal of the said chart will demonstrate that the price of the scrip was hovering between Rs.90/- to Rs. 100/- during the period from 01.07.2023 to 17.10.2023. The price of the scrip was at its minimum on 26.10.2023. The price of the scrip was at about Rs.92/- on 17.10.2023 and it fell to less than Rs.88/- on 23.10.2023 when the Noticee no. 2 purchased the shares of IOCL as reflected in the "Table 4" in

Para No. 18.5.2 of the SCN. The price of the scrip further fell to Rs. 86/- on 26.10.2023.

- iii. As indicated above, since the price of the scrip had fallen below Rs.90/- during the said period from 23.10.2023 and to the lowest on 26.10.2023 to Rs.86/- when the same was purchased by the noticee no. 2 and 3.*
- iv. As a matter of fact, M/s. Chennai Petroleum Corporation a subsidiary of IOCL and also in the same sector as IOCL declared its quarterly financial results on 25.10.2023 duly intimated to exchanges and also published in all major News Papers showed humongous growth in profits. The profit of the Chennai Petroleum Corporation for the quarter rose to Rs. 1190 Crores against a reported profit of Rs. 28 crores during the preceding year of 2022 in the same quarter. Copy of the financial results of Chennai Petroleum Corporation Limited are enclosed herewith as Annexure- D. There was overall positive environment for the oil sector. The news article titled "Russia made up 40% of Indian Oil Imports in H1" dated 21.10.2023 published in the Business Standard, Delhi is enclosed herewith as Annexure -E. The news article titled "Crude Bill down 23% in H1" dated 21.10.2023 published in the Financial Express, Delhi is enclosed herewith as Annexure -F. The news article titled "Chennai Petroleum Corporation Q2 profit zooms to Rs, 1,191 Crore" dated 26.10.2023 published in the Business Line, Delhi is enclosed herewith as Annexure -G.*
- v. The noticee no. 1 is working in the IOCL since 2009 as reflected in his statement under section 11C of the SEBI Act which is appended with the SCN. The noticee no. 2 and 3 though are the father-in-law and mother-in-law of noticee no. 1 however they are not dependent on him financially or otherwise. The noticee no. 1 never ever discusses his official work or any other relevant or irrelevant information of IOCL with noticee no. 2 and 3. Noticee no. 2 and 3 take their own financial decisions independently and without any consultation or influence of noticee no. 1 or anybody for that matter. The noticee no. 2 is a well-qualified Chartered Accountant and has absolutely all necessary qualifications, knowledge and understanding of financial matters to take the necessary decisions with respect to investments in property/ securities market. The noticees no. 2 and 3 had never taken any inputs from noticee no. 1 or from his immediate family members, though the noticee no. 1 is son-in-law and is also*

residing in the same building on the fourth floor whereas the noticee no. 2 and 3 are residing on the first floor.

- vi. The Noticee no. 2 and 3 were travelling from 20.10.2023 to 24.10.2023 however, they had no discussion with noticee no. 1 with respect to any financial matter or any official work of noticee no. 1. The travelling plans were already scheduled much before and it was only for the purpose of attending navratri functions and rituals that the noticee no. 2 and 3 and the family of noticee no. 1 were travelling to Ahmedabad, Gujarat.*
- vii. The noticee no. 2 and 3 are not privy to the material fact when and how the noticee no. 1 was served with the UPSI as they had no discussion with respect to any such information with noticee no. 1 or any other person for that matter. Apparently an inference has been drawn by SEBI that noticee no. 1 was travelling with noticee no. 2 and 3 during that relevant time thus he had shared the confidential UPSI with noticee no. 2 and 3. Whereas as a matter of fact there was no such information shared by noticee no. 1 with noticee no. 2 and 3.*
- viii. It is also worth mentioning that as stated above the noticee no. 1 is residing in the same building as noticee no. 2 and 3 and had been married to the daughter of noticee no. 2 and 3 since 2011 and no confidential/ otherwise UPSI had ever been shared by the noticee no. 1 with noticee no. 2 and 3. The inference drawn by SEBI is untenable and purely and squarely based on presumptions and surmises. It goes without saying that if any such information was to be supplied/ shared it could have been supplied/ shared by the noticee no. 1 at any time since 2011. There has never been any such information shared by noticee no. 1 to noticee no. 2 and 3.*
- ix. As stated above the decision to buy the scrip by noticee no. 2 and 3 was squarely and only taken by the noticee no. 2 and that too on the basis of generally available information i.e. the price movement of the scrip over the period of time, the overall economic scenario of the sector and also the financial position of the noticee no.2 and 3. The shares purchased by the noticee no.2 in his name on 23.10.2023 were only on the basis of the material fact that the price of the scrip which was hovering around Rs.92/- - Rs. 100/- in the preceding months and considering the fact that it had further reduced to Rs. 90/- and even lower on 23.10.2023 as reflected in the "Table 4" of the SCN.*

- x. *Further shares were purchased on 26.10.2023 considering the fact that besides as stated above the subsidiary of the IOCL had also shown humongous growth in its quarterly profit to Rs. 1190 crores as compared to Rs.28 crores in the same quarter. The said information was generally available being so furnished to the exchanges by company on 25.10.2023 and also published in all major newspapers and as stated above it had nothing to do with any share information UPSI available with noticee no. 1 which was in any case not shared with the noticee no. 2 and 3.*

h. PARA-WISE REPLY TO THE SCN

- i. *No reply is required to Para No. 1.*
- ii. *No reply is required to Para No. 2 being a matter of record.*
- iii. *The contents of Para No. 3 although are a matter of record, however, it is worth mentioning that price of the scrip of the IOCL was Rs. 86.2/- on 26.10.2023. It increased to Rs. 86.9/- on 27.10.2023 and further rose to Rs. 88.25/- on 30.10.2023. The comparison of the price growth of scrip of IOCL on 30.10.2023 is about 1.55% on one trading day and that too when no such financial results or interim dividend was declared by the IOCL. The growth in the price of the scrip was apparently on account of normal fluctuations in the price of the scrip.*
- iv. *The allegations levelled in Para No. 4 that noticee no. 1 communicated or shared any UPSI with regard to quarterly financial results ending September 2023 of IOCL along with the interim dividend to noticee no. 2 is absolutely false and contrary to record. No such information was ever shared/ communicated by noticee no.1 with noticee no. 2 or noticee no. 3 for that matter. It is specifically and vehemently denied by undersigned noticees no. 2 and 3 that they traded in the scrip of IOCL during the period from 03.10.2023 to 15.11.2023 while in possession of UPSI. It is restated and reiterated that no UPSI with respect to IOCL was ever in knowledge or possession of noticee no. 2 and 3 while they transacted in the scrip of IOCL during the period from 03.10.2023 to 15.11.2023 in particular and ever in general.*
- v. *The allegations levelled in para No. 5 of the SCN is absolutely false, frivolous and is based on presumptions, assumptions and surmises. Noticee no. 1 had not shared or communicated any UPSI with noticee no. 2 and 3. It is specifically and vehemently denied by undersigned noticees no. 2 and 3 that they traded in*

the scrip of IOCL during the period from 03.10.2023 to 15.11.2023 while in possession of UPSI. It is therefore specifically denied that noticee no. 2 and 3 had violated the provisions of regulation 4(1) of PIT Regulations and section 12A(d) and (e) of the SEBI Act.

- vi. The present adjudication proceedings are misuse and abuse of process of law and also arbitrary misuse of the powers vested in a public servant. The present proceedings tantamount to harassment of bona fide and honest investors/traders into the securities market.*
- vii. That the answering noticee no. 2 and 3 are not privy to the procedure adopted for the appointment of adjudicating officer by the SEBI and deny for want of knowledge the validity, correctness and absence of any defect in the appointment of the the Ld. Adjudicating Officer in accordance with the SEBI Act and Inquiry Rules. It is specifically denied that any violation has been committed by the noticees.*
- viii. Reply to chronology of events: The contention that the UPSI came into existence from 20.10.2023 has no application vis-a-vis the noticees of the present SCN are concerned. As a matter of fact and as reflected in Para No. 18.8.1 of the SCN the noticee no. 1 became privy to the UPSI on 21.10.2023 at 1543 Hrs while travelling.*
- ix. No reply is required for Para No. 9 of the SCN as the same is reproduction of excerpt of PIT Regulations.*
- x. No reply is required for Para No. 10 as the same is a matter of record.*
- xi. It is stated in reply to para No. 11 that the information in question/ data submitted by the finance team of IOCL on 20.10.2023 is confidential information and there is nothing on record to remotely suggest that the same was shared with noticee no. 1 on 20.10.2023. Perusal of the sequence of events appended with Annexure -13 will demonstrate that no mail was forwarded to the noticee no. 1 on 20.10.2023 and it was only on 21.10.2023 that the mail was forwarded to the noticee no.1.*
- xii. No reply is required for Para No. 12 as the same is matter of record. However, it is worth mentioning that though the information was put on the NSE on 31.10.2023 at 1357 Hrs there was not much of growth in the equity despite 31.10.2024 being a trading day and there was sufficient time for immediate*

reaction on the specific information furnished to the NSE by the IOCL. As stated earlier the upward swing in the scrip of IOCL was in continuation of the upward trend commencing from 27.10.2023. It is also worth mentioning that the decision of interim dividend is not shared by the management of the company with subordinate staff and officers and is directly submitted with exchange. The information submitted by IOCL is testament to that factual position. In any case the IOCL has a long history of paying dividends and the same is enclosed herewith as Annexure G.

- xiii. The discretion to fix the pre-UPSI period or post-UPSI period is of substantial consideration. However, it has not been done objectively in the present case because the material on record itself demonstrates that the intimation of UPSI was communicated to noticee no. 1 in the afternoon of 21.10.2023. Therefore, there is no justification or rationale in fixing the UPSI period from 20.10.2023. It is also worth mentioning that there is no record or document placed along with the Present SCN to remotely suggest that the UPSI was put to the noticee no. 1 on any date prior to 21.10.2023.
- xiv. Reply to para no. 13 of the Present SCN may be read as part and parcel of the reply to para no. 14 of the Present SCN.
- xv. No reply is required for Para No. 15 as it is only a reproduction of earlier allegations.
- xvi. The allegations that noticee no. 1 became privy to UPSI on 21.10.2023 is unsubstantiated and has no cogent proof attached thereof. There is no evidence placed on record to show when and where the subject email was open and perused by noticee no. 1. This is a material fact considering that the noticee no. 1 was already on leave on 21.10.2023 and was traveling to Ahmedabad as put forth by the SEBI itself in the Present SCN.
- xvii. Contents of Para No. 17 are denied for want of knowledge. 9.18. In this context it is inter alia stated that it is admitted fact that noticee no. 1 is son-in-law of noticee no. 2 and 3. However, the noticee no. 2 and 3 are not dependent financially or otherwise on noticee no. 1.
- xviii. Reply to Para No. 18.2.1: The contention in Para no. 18.2.1 is absolutely wrong because though it is the same building, the floors are different. The Noticee no.

1 has altogether different address than noticee no. 2 and 3. They are living separately and on different floors.

- xix. Reply to Para No. 18.3.1: It is admitted fact that they are related and residing in near proximity. The phone calls are not only during the investigation period, there are any number of calls between the noticees as the said noticees are relatives and also there are children in the families who call the noticee no. 2 and 3 from the phone of the noticee no. 1 and vice versa. These calls are only on account of being relatives and not on account of any financial communications or sharing of any information regarding scrips, etc.*

Reply to Para No. 18.4.1 : No reply is required

Reply to Para No. 18.5.1: No reply is required.

Reply to Para No.18.5.2: Information furnished in "Table 4" is nothing but a selective pick-and-choose policy adopted by SEBI to implicate the noticees in a frivolous proceedings. The contents of Table 4 are only short part of the long list of transactions entered into by notice no. 2 for himself and on behalf of noticee no. 3 in the securities market. As stated above, the noticee no. 2 and 3 are regular, continuous and bona fide traders and investors into the securities market dealing with various scrips. The noticee no. 2 and 3 do not wish to burden your esteemed office with huge number of transactions. However, the transactions entered into by them in last 4-5 years are enclosed herewith in form of excel sheets inter alia demonstrating the sale and purchase of various shares, equity/ transactions in the various scrips including IOCL. A perusal of the data will demonstrate that the noticee no. 2 and 3 had acquired shares of IOCL in 2019,2020,2021,2022,2023. On Perusal of annexed trading summary of noticee no. 2 and 3 in the scrip of IOCL during the financial year 2023-2024 will demonstrate that they have incurred a net loss of Rs. 14,82,496/-. The noticee no. 2 and 3 being regular, continuous and bona fide traders and investors understand that there are days when there are losses and days when there is profit and hence they are not agitating the issue, however, SEBI is looking at things in isolation for whatever reason which is very unfortunate especially when the SEBI is taking action based on unsubstantiated allegations without an iota of proof attached thereof then the losses become more painful and agonizing to bona fide investors like the noticees no. 2 and 3. It is further submitted that in

similar circumstances the quarterly results of the quarter ending December 2023 were released and published on 24.01.2024. During that intervening period, the noticee no. 2 and 3 suffered a loss of Rs. 20,90,571/- in January 2024.

Reply to Para No. 18.5.3: *No reply is required.*

Reply to Para No. 18.5.4: *Table 5 is misleading and does not demonstrate the true and correct picture of the trading activities of Noticee no. 2. A perusal of the Annexure-A will demonstrate that the noticee no. 2 and 3 do trading in particular scrips only and the trading volumes of the various periods will demonstrate that they do trading in a particular manner which is in consonance with the data disclosed in Table 5. Reasons for the purchase of these equities are already mentioned in earlier paras because the price of the scrip has fallen by the time 23.10.2023 and thus was good time to trade.*

Reply to Para 18.5.6: *Reply to Para No. 18.5.2 may also be read in reply to Para No. 18.5.6. However, it is further submitted that the Table 7 is self-explanatory and demonstrates that the noticee no. 2 and 3 are bona fide traders in the securities market. It will show that substantial amount of shares were procured and purchased by the noticees no. 2 and 3 in period from 15.09.2023 to 20.10.2023. It is also worth mentioning that on 26.10.2023 about 78,000 shares came to be sold by the noticee no.3 which were in substantial loss. It is also worth mentioning that the nature of transactions will show that they sold off their equity on 02.11.2023 and 03.11.2023 when the impact of the results and interim dividend declared was only marginal. The chart itself shows that on subsequent days immediately thereafter the price of the scrip had further grown exponentially.*

Reply to Para No. 18.5.7: *Reply to para 18.5.4 may also be read in reply to Para No. 18.5.7.*

Reply to Para No.18.5.8: *The allegations are absolutely false and frivolous and the transactions are bona fide and entered into by the noticee no. 2 and 3 in normal trading activities in the scrip entered into by them over the years. There can not be any motive or mala fide attributed to them as in similar facts and circumstances the noticee no. 2 and 3 had suffered losses on a regular basis in the scrip and had also on few occasions also earned profit in the transactions in the scrips of IOCL and other shares.*

Reply to Para No. 18.6.1: No reply is required to Para No. 18.6.1.

Reply to Para No. 18.7.1: The allegations are absolutely false and frivolous. This is a selective pick-and-choose policy adopted by SEBI to implicate the noticees in a frivolous proceedings. On Perusal of annexed trading summary of noticee no. 2 and 3 in the scrip of IOCL during the financial year 2023-2024 will demonstrate that they have incurred a net loss of Rs. 14,82,496/-. the noticee no. 2 and 3 being regular, continuous and bona fide traders and investors understand that there are days when there are losses and days when there is profit and hence they are not agitating the issue, however, SEBI is looking at things in isolation for whatever reason which is very unfortunate especially when the SEBI is taking action based on unsubstantiated allegations without an iota of proof attached thereof. The selective picking up of a few transactions and not considering the other transactions in the securities market is very unfortunate and does not disclose the true and correct nature of transactions and will cause great injustice and prejudice to the noticee no. 2 and 3. It is thus requested that instead of looking at a one off instance and not considering at all the various transactions entered into the same scrip and other transactions entered into by the noticee no. 2 and 3 in other scrips regularly and consistently will be unfortunate more so the allegations are unsubstantiated and ex facie based on presumptions and surmises.

Reply to Para No. 18.8.1: As already explained above, allegations that noticee no. 1 became privy to UPSI on 21.10.2023 is unsubstantiated and has no cogent proof attached thereof. Further, it has already been explained above that the noticee no. 2 and 3 did not receive any UPSI from the noticee no. 1 but made their own independent decisions in executing their trades based on the generally available information. 9.19. As already explained in the preceding paragraphs, the allegations contained in Para No. 19 are absolutely false and frivolous and are as such vehemently denied. The allegations leveled are based on surmises and conjectures and are not substantiated by the material on record and contrary to the facts and circumstances of the case also considering the transaction history of the undersigned noticee no. 2 and 3.

- i. As already explained above, the undersigned notices no. 2 and 3 are bona fide traders in the securities market and it is specifically and vehemently denied that they

have violated Regulation 4(1) of the PIT Regulations and Section 12A(d) and (e) of the SEBI Act.

- j. As already explained above, no allegations are made out against the undersigned notices no. 2 and 3.*
- k. The contents of Para No. 22 are a reproduction of the text of the legal provisions and as such require no reply.*
- l. The allegations leveled against the undersigned noticee no. 2 and 3 are absolutely wrong and there does not exist any material on record to remotely suggest any act of insider trading on the part of the undersigned noticee no. 2 and 3 particularly in the light of the transaction history of the undersigned noticee no. 2 and 3. The said noticees are bona fide traders and investors who have acted upon generally available information: i.e. the price movement of the scrip over the period of time, the overall economic scenario of the sector and also the financial position of the noticee no.2 and 3. Both prior and subsequent to the trades in question, the undersigned noticee no. 2 and 3 have carried out similar trades and suffered losses despite all variables remaining equal. Even earlier and after the trades subject matter of the Present SCN, the undersigned noticee no. 2 and 3 have carried out trading in the scrip of IOCL and suffered losses and at those times as well the noticee no. 1 was a designated employee of the IOCL and the undersigned noticees no. 2 and 3 lived in close proximity with noticee no. 1 and the noticee no. 1 has been a son-in-law of the undersigned noticees no. 2 and 3 at all these times. The volumes of these other trades in both IOCL and other scrips has been more or less similar. Also, the undersigned noticee no. 2 and 3 have a past pattern of making most of their trades in particular scrips at a time. It is worth mentioning that the undersigned noticee no. 2 and 3 cannot be deemed to be insiders as they are not financially dependent on the noticee no.1 and never consult the noticee no.1 for their financial matters or trading. In these facts and circumstances, there is absolutely no cause for an inquiry against the undersigned noticees no. 2 and 3 in terms of Rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act, 1992 and no liability under the provisions of section 15G is made out. Hence, the proposed proceedings against the noticee no.2 and 3 are liable to be dropped.*

....”

CONSIDERATION OF ISSUES AND FINDINGS

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

- I. Whether Noticee No. 1 communicated the UPSI regarding the quarterly financial result ending September 2023 of IOCL along with the interim dividend to Noticee No. 2 and thereby violated regulation 3(1) of PIT Regulations and section 12A (e) of the SEBI Act?
- II. Whether Noticee Nos. 2 and 3 traded in the scrip of IOCL while in possession of the UPSI regarding the quarterly financial result ending September 2023 of IOCL along with the interim dividend and thereby violated regulation 4(1) of the PIT Regulations and sections 12A(d) and (e) of the SEBI Act.?
- III. Does the violation, if any, on the part of Noticees attract monetary penalty under section 15G of the SEBI Act?
- IV. If so, what would be the monetary penalty that can be imposed upon Noticees taking into consideration the factors stipulated in section 15J of the SEBI Act?

16. The relevant extracts of the provisions of law, allegedly violated by Noticees, are mentioned as under:

PIT Regulations

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

....

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

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

....”

SEBI Act, 1992

“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;”

CONSIDERATION

- I. Whether Noticee No. 1 communicated the UPSI regarding the quarterly financial result ending September 2023 of IOCL along with the interim dividend to Noticee No. 2 and thereby violated regulation 3(1) of PIT Regulations and section 12A (e) of the SEBI Act?**
- II. Whether Noticee Nos. 2 and 3 traded in the scrip of IOCL while in possession of the UPSI regarding the quarterly financial result ending September 2023 of IOCL along with the interim dividend and thereby violated regulation 4(1) of the PIT Regulations and sections 12A(d) and (e) of the SEBI Act.?**

17. In the SCN, it was alleged that Noticee No. 1 had communicated the UPSI regarding the quarterly financial result ending September 2023 of IOCL along with the interim dividend to Noticee No. 2. Thereafter, Noticee Nos. 2 and 3 are alleged to have traded in the scrip of IOCL based on the said UPSI.

UPSI

18. It is noted that pursuant to the disclosure of information relating to the quarterly financial result ending September 2023 along with the interim dividend, the price of the scrip of IOCL increased by 1.64% on close to close basis on the date of announcement, i.e., on October 31, 2023. Subsequently, the price of IOCL increased by 7.71% till November 02, 2023 from the date of announcement and there was a cumulative increase of 17.90% till November 07, 2023 from the date of announcement. Thus, the said information materially affected the price of the scrip of IOCL when it was disclosed in the public domain.

19. In this regard, I take note of regulation 2(1)(n) of PIT Regulations which reads 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;

(ii) dividends; ..."

20. Further, as the information pertaining to financial results and dividends are not generally available, they are deemed to be an UPSI in terms of regulations 2(1)(n)(i) and (ii) of the PIT Regulations.

21. Accordingly, it is established that the information regarding the quarterly financial result ending September 2023 of IOCL along with the interim dividend was UPSI.

Period of UPSI

22. The SCN considered the period of UPSI from October 20, 2023 to October 31, 2023. However, Noticee No. 1 has argued that the UPSI period should commence from October 21, 2023 instead of October 20, 2023 as Noticee No. 1 came in possession of the email containing the UPSI only in the afternoon of October 21, 2023.

23. I note that the main gist of the Noticees contention for considering the UPSI period from October 21, 2023 instead of October 20, 2023 is based on the fact that Noticee No. 1 became privy to the unpublished information only on October 21, 2023. Here, I note that the period of UPSI commences from the date when the information alleged to be UPSI had obtained a certain degree of certainty or had crystallized and not from the date it is subsequently communicated. In the course of the investigation, IOCL had provided the sequence of events(hereinafter referred to as 'SOE') related to the announcement of quarterly financial results for the quarter ending September, 2023. In the SOE, IOCL stated that *"the UPSI came into existence from October 20, 2023 when the Division of Finance submitted the financial statements to Corporate Finance Team"*. Therefore, I conclude that the information regarding the financial results of the IOCL had crystallized, i.e., had reached a reasonable degree of crystallization on October 20, 2023. Consequently, the UPSI period, in the present case, commenced on October 20, 2023, upon the submission of the financial results to the Corporate Finance Team of IOCL.

24. Therefore, the contention of the Noticees cannot be accepted. Accordingly, the UPSI period has been considered from October 20, 2023 to October 31, 2023 as identified in the SCN.

Insider

25. I note that regulations 2(1)(d) and (g) of the PIT Regulations, *inter alia*, defines 'insider' and 'connected person' as under:

"insider" means any person who is:

i) a connected person; or

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

"connected person"

"any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access."

26. It is not in dispute that Noticee No. 1 is an employee of the IOCL since 2009. He was posted as Senior Finance Manager, Taxation at IOCL, Gurgaon during the UPSI period. From the submission of the IOCL, it is noted that Noticee No. 1 was a designated employee of IOCL during the UPSI period.

27. Noticee No. 1 was one of the recipient of the email on October 21, 2023 at 15:43 hrs. which contained the UPSI regarding the quarterly financial result ending September 2023 of IOCL. The receipt of the said email dated October 21, 2023 has not been contested by Noticee No. 1.

28. In this regard, Noticee No. 1 has raised various contentions. The said contentions are discussed as under:

Decision of the company to declare dividend was not communicated or shared to the Noticee No. 1

- a. Noticee No. 1 contended that the decision of the company to declare a dividend was not communicated or shared with him by IOCL. He contended that the said email dated October 21, 2023 was confined to 'tax computation and posting'.

- b. I note that it has been alleged in the SCN that the UPSI regarding the financial results and the interim dividend was communicated to Noticee No. 1 through the email dated October 21, 2023. However, from the perusal of the said email dated October 21, 2023, I note that the said email only contained unpublished information relating to the financial results of the IOCL. The said email did not mention or refer to any interim dividend, which was subsequently announced.
- c. Furthermore, I find the SOE provided by IOCL as well as the list of designated employees, specifically pertain to the financial statements of IOCL and not interim dividend.
- d. In view of above, in my opinion, Noticee No. 1 was not privy to the UPSI regarding the announcement of the interim dividend.

Noticee No. 1 is not involved in the process of accounts finalization

- e. Noticee No. 1 submitted that he was not involved in the process of finalization of the accounts of IOCL. He stated that he was posted as Senior Manager (Taxation) in the Department of Corporate Taxation in IOCL, whereas the department responsible for the finalization of the accounts of IOCL was Corporate Finance, which has a separate office in a different building. Therefore, Noticee No. 1 asserted that he had no concern whatsoever with the process of accounts finalization of IOCL and thus he had no access to UPSI.
- f. In this regard, it is noted that Noticee No. 1 appears as a designated person in the SOE and the list of designated persons adduced by the IOCL. Further, Noticee No. 1 did not dispute the receipt of the email dated October 21, 2023 containing the UPSI regarding the financial results of IOCL. Thus, undoubtedly, Noticee No. 1 was in possession of UPSI regarding the financial results of IOCL.
- g. Hence, it is evident that Noticee No. 1 squarely falls within the ambit of the 'insider' under PIT Regulations by virtue of being a connected person as well as a person being in possession of UPSI. Therefore, this contention of Noticee No. 1 is bereft of any merit and cannot be accepted.

Noticee No. 1 did not open the email

- h. Noticee No. 1 contended that he was on leave and was traveling during the period October 20-24, 2023, and he did not open the concerned email until October 31, 2023. Noticee No. 1 further stated that there is no evidence to show when and where the said email was opened and accessed by Noticee No. 1.
- i. I note that regulation 2(1)(g) of the PIT Regulations defines 'insider' as under:
 - "i) a connected person; or
 - ii) in possession of or having access to unpublished price sensitive information" (Emphasis supplied)
- j. As noted above, the receipt of the email dated October 21, 2023 is not disputed by the Noticee No. 1. Further, it has been established that Noticee No. 1 was an insider in terms of regulation 2(1)(g) of the PIT Regulations by virtue of being connected person and being a person in possession of UPSI. That being so, once Noticee No. 1 asserts that he did not open the email, the onus to prove that email was not opened until October 31, 2023 is on Noticee No. 1.
- k. I further note that apart from a bare denial of the allegation in general terms, Noticee No. 1 could not adduce any material in support of his contention that he had not accessed the said email dated October 21, 2023 until October 31, 2023. Therefore, in the absence of any supporting evidence, the contention of the Noticee cannot be accepted.
- l. Accordingly, I find this contention of the Noticee No. 1 is an afterthought and lacks merit.

29. In view of the above, I conclude that Noticee No. 1 was an insider with respect to the quarterly financial result ending September 2023 of IOCL, not merely by virtue of being in possession of UPSI but also as a connected person, being an employee of IOCL having access to UPSI.

Communication of UPSI to Noticee Nos. 2 and 3

30. In the SCN, it is alleged that Noticee No. 1 had communicated UPSI to Noticee Nos. 2 and 3 during their trip to Ahmedabad between October 20-24, 2023.

31. I note that Noticee No. 1 is the son-in-law of Noticee Nos. 2 and 3 since 2011. In this regard, I note that there is no evidence on record to indicate that Noticee Nos. 2 and 3 were financially dependent on Noticee No. 1 or that they sought advice or consulted Noticee No. 1 before making investment decisions. Further, there were no financial transactions observed between Noticees during the IP, as noted from the analysis of their bank account statements. Therefore, Noticee Nos. 2 and 3 cannot be considered as 'immediate relative' of Noticee No. 1 as per the PIT Regulations.
32. Adding to that, I note that the parents of the spouse were included in the ambit of 'relative' under regulation 2(hc) of the PIT Regulations vide Securities and Exchange Board of India (Prohibition of Insider Trading) (Third Amendment) Regulations, 2024 with effect from December 06, 2024. As the said amendment was made effective post the IP and does not operate retrospectively, the amendment has no bearing in the present proceedings.
33. Furthermore, there is no direct evidence available on record *qua* the communication of UPSI by Noticee No. 1 to Noticee Nos. 2 and 3.
34. In this background, I note that the SCN alleged certain basic facts, which have been admitted directly or indirectly by the Noticees. The said facts are mentioned below:
- a. Noticees share the same address, albeit different floor numbers;
 - b. There were frequent phone calls between Noticee Nos. 1 and 2 during the IP;
 - c. Noticees travelled together to Ahmedabad during the period October 20-24, 2023, which falls within the UPSI period;
 - d. Noticee No. 2 used to operate the trading account of Noticee No. 3.
35. Therefore, considering the close proximity of their residential addresses, the relationship shared, frequent communications, the statement of Noticee No. 2 and the fact that they undertook a joint trip to Ahmedabad during the UPSI period, it is apparent that the Noticees shared a cordial relationship with each other.
36. Here, I note that the SCN placed emphasis on the family trip to Ahmadabad by the Noticees between October 20 and 24, 2023. The SCN alleged that communication of UPSI from Noticee No. 1 to Noticee No. 2 took place in the course of this trip. In this

regard, I note that Noticees were residing at the same address, although on different floors and maintained regular contact with each other in the period preceding and subsequent to the IP. In these circumstances, it would not be proper to make an adverse inference against the Noticees merely on the ground that Noticees went to Ahmedabad together, particularly when they live close by in the same building, frequent communication remains established and the trip was to celebrate a religious festival. Consequently, relying solely on the fact that Noticees went on the Ahmedabad trip together in the UPSI period, in the face of their established proximity and communication, without any other supporting material, would be unjust to conclude that the causation for the communication of UPSI by Noticee No.1 to Noticee No.2 was the said trip to Ahmedabad. In this background, I proceed to analyze the other circumstantial evidence available on record, including the trading data.

37. From the material on record, including the replies of the Noticees and the data received from NSE, it is apparent that Noticee Nos. 2 and 3 used to regularly trade in the scrip of IOCL. It is not disputed that Noticee Nos. 2 and 3 had executed trades in the scrip of IOCL during the UPSI period. However, it is also a fact that Noticee Nos. 2 and 3 had traded in the scrip of IOCL in the period having close proximity to the UPSI period. The relevant details regarding the trading activity of Noticee No. 3 (whose trading account was operated by Noticee No. 2) in the scrip of IOCL in the period immediately preceding the UPSI period are given below:

Table 1

Expiry Date	Date	Period	Brought Forward Long Qty.	Days Buy Qty.	Days Sell Qty.	Buy Avg. Price (in Rs.)	Sell Avg. Price (in Rs.)	Days Buy Value (in Rs. lakh)
26-Oct-23	15-Sep-23	Prior to IP	0	19,500	0	92.55	-	18.04
	29-Sep-23		19,500	39,000	0	91.05	-	35.50
	9-Oct-23	Pre UPSI	58,500	19,500	0	87.60	-	17.08
30-Nov-23	10-Oct-23	Pre UPSI	0	39,000	0	88.69	-	34.58
	20-Oct-23	UPSI	39,000	19,500	0	90.90	-	17.72

38. From the above table, it is noted that Noticee No. 3, whose trading account was operated by Noticee No. 2, was maintaining substantial positions in IOCL future contracts well before the UPSI had crystallized and Noticee No.1 became privy to the UPSI. The exposure of Noticee No. 3 in the pre UPSI period and the pre IP was in no manner insignificant and most importantly, the said exposure was established even before the

UPSI had crystallized. These positions *prima facie* exhibit a continuing trading strategy independent of any subsequently developed UPSI. Here, I note that the Hon'ble Supreme Court in the matter of *Balram Garg v. SEBI*¹ had analysed the trading pattern and avowed that:

"...37. Phase-II [22.06.2018 to 06.07.2018 i.e. Pre- UPSI-II Period]:

PCJ had requested SBI to issue a NOC for the proposed buy-back offer on 07.07.2018 and the said request was rejected on the same day by the SBI. However, even before the said refusal by the SBI, the appellant Mrs. Shivani Gupta had sold 1,00,000 shares on 06.07.2018 at a much lower price than the price at which the shares were sold earlier. On the date on which these shares were sold, the UPSI-2 had not even come into existence. If the arguments of the respondent hold any water, the Appellants should have waited till UPSI-2 and would only have subsequently offloaded maximum number of shares during the said period to avoid any notional loss. However, the records undercut the logic adopted by the respondent/SEBI for the reason that the appellants were not in possession of the UPSI-2 and hence the appellants started selling the shares even before the UPSI-2 came into existence.

38. Phase-III [07.07.2018 to 13.07.2018 i.e. UPSI-II Period]: The Appellant Mrs. Shivani Gupta sold only 15,00,000 shares during this period as opposed to the 74,35,071 shares that were sold at an earlier point of time (Pre-UPSI-1 Period). Importantly, notwithstanding the fact that the appellant Mrs. Shivani Gupta sold 15,00,000 shares, she continued to hold 12,84,111 shares of the company, out of the total that were transferred to her by way of the family arrangement. These above factors undercut the argument of SEBI that the appellants sold huge number of shares during UPSI-2 period because they had the information that once the information of withdrawal of buy-back offer by PCJ was made public, the price of the shares would drastically fall. Moreover, the data reveals that the share price of the PCJ shares consistently fell during the investigation period and therefore it would be incorrect to say that the price of the shares fell only upon announcement of the withdrawal of the buyback offer. In fact, the records reveal that even after the announcement of the buy-back offer, there was no increase in the share prices of the company. Resultantly, the appellants stopped selling shares on 13.07.2018 because they believed that the market price continued to fall so badly that the shares possessed by them were not being valued accurately in the market. Hence, the appellants decided to constitute to hold their shareholdings.

39. In such view of the matter, we are of the opinion that there is no correlation between the UPSI and the sale of shares undertaken by the appellants in C.A. No.7590 of 2021. The said decisions of selling the shares and the timings thereof were purely a personal and commercial decision undertaken by them and nothing more can be read into those decisions."(Emphasis supplied)

39. In this background, I proceed to analyse the overall trading activities of Noticee Nos. 2 and 3 in the futures and options (hereinafter referred to as '**F&O**') segments in the period both during and beyond the IP so as to determine whether the trading pattern of Noticee Nos. 2 and 3 evidences any unusual deviation during the UPSI period. The trading activity of the Noticee Nos. 2 and 3 in the F&O segment in the period from December

¹(2022) 9 SCC 425.

2022 to February 2024, i.e., the period of IP and the period preceding and succeeding the IP, is mentioned below:

Table 2: Trading pattern of Noticee No. 2 in F&O segment in the period from December 2022 to February 2024

Trading Period	Instrument Type and Date of Trade	Scrip Name
December 2022	Futures and Options (19/12/2022, 21/12/2022, 22/12/2022, 23/12/2022 and 29/12/2022)	IOCL
	Futures (21/12/2022 and 30/12/2023)	IDEA
January 2023	Futures (09/01/2023, 11/01/2023 and 25/01/2023)	IDEA
	Options (11/01/2023)	IOCL
February 2023	Futures (06/02/2023, 21/02/2023 and 23/02/2023)	IDEA
	Options (03/02/2023 and 24/02/2023)	IOCL
March 2023	Futures (29/03/2023)	IDEA
	Options (23/03/2023, 24/03/2023 and 27/03/2023)	IOCL
April 2023	Futures (27/04/2023)	IDEA
	Futures and Options (05/04/2023, 13/04/2023 and 27/04/2023)	IOCL
October 2023*	Options (23/10/2023 and 26/10/2023)	IOCL
November 2023*	Options (02/11/2023)	IOCL
January 2024	Options (03/01/2024, 05/01/2024, 29/01/2024 and 30/01/2024)	IOCL
February 2024	Options (02/02/2024)	IOCL

*Trades executed during IP

Table 3: Trading pattern of Noticee No. 3 in F&O segment in the period from December 2022 to February 2024

Trading Period	Instrument Type and Date of Trade	Scrip Name
December 2022	Futures and Options (21/12/2022 and 23/12/2022)	IOCL
January 2023	Futures (09/01/2023, 16/01/2023 and 25/01/2023)	IDEA
	Futures and Options (11/01/2023)	IOCL
February 2023	Futures (08/02/2023)	IDEA
March 2023	Options (24/03/2023)	IOCL
September 2023	Futures (15/09/2023 and 29/09/2023)	IOCL
October 2023*	Futures and Options (09/10/2023, 10/10/2023, 20/10/2023, 23/10/2023 and 26/10/2023)	IOCL
November 2023*	Futures and Options (02/11/2023 and 03/11/2023)	IOCL
December 2023	Futures and Options (15/12/2023, 20/12/2023, 26/12/2023 and 28/12/2023)	IOCL
January 2024	Futures (10/01/2024 and 25/01/2024)	IOCL
February 2024	Futures and Options (02/02/2024, 05/02/2024, 08/02/2024 and 09/02/2024)	IOCL
	Futures (28/02/2024)	IDEA

*Trades executed during IP

40. From the aforesaid tables, it is apparent that Noticee Nos. 2 and 3 were frequently trading in the scrip of IOCL during the period from December 2022 to February 2024, i.e., both in the IP and in period beyond the IP. It is also evident that Noticee No. 2 and Noticee No. 3 had maintained a similar trading pattern during the IP, including the UPSI period. Thus, the trading activity of Noticee Nos. 2 and 3 in the scrip of IOCL indicates a sustained pattern characterized by consistent intensity and volume both in the UPSI period and the period beyond the UPSI period.

41. Further, it is also manifest that Noticee Nos. 2 and 3 had traded in the F&O segment of IOCL in the years 2020 and 2021 in a similar manner. The details of the said trades in the years 2020 and 2021 are as under:

Table 4: Trading Details of Noticee No. 2 in the scrip of IOCL in the years 2020 and 2021

Month	Trading Date	Segment
March 2021	17/03/2021, 18/03/2021, 24/03/2021, 25/03/2021 and 26/03/2021	Options
January 2021	11/01/2021 and 12/01/2021	Futures
December 2020	02/12/2020, 21/12/2020 and 31/12/2020	Futures and Options
November 2020	27/11/2020	Futures
October 2020	28/10/2020	Options
September 2020	01/09/2020, 16/09/2020, 17/09/2020, 21/09/2020 and 24/09/2020	Futures and Options
August 2020	03/08/2020, 07/08/2020, 11/08/2020, 12/08/2020, 13/08/2020, 14/08/2020, 20/08/2020, 25/08/2020, 27/08/2020, 31/08/2020	Futures and Options
July 2020	02/07/2020, 07/07/2020, 08/07/2020, 10/07/2020, 15/07/2020, 16/07/2020, 20/07/2020, 21/07/2020, 30/07/2020 and 31/07/2020	Futures and Options
June 2020	16/06/2020, 22/06/2020, 25/06/2020, 26/06/2020 and 30/06/2020	Futures and Options
May 2020	04/05/2020, 05/05/2020, 06/05/2020, 18/05/2020, 19/05/2020, 22/05/2020, 26/05/2020, 27/05/2020 and 29/05/2020	Futures and Options
April 2020	28/04/2020 and 30/04/2020	Futures and Options

Table 5: Trading Details of Noticee No. 3 in the scrip of IOCL in the years 2020 and 2021

Month	Trading Date	Segment
April 2021	05/04/2021, 12/04/2021, 26/04/2021, 28/04/2021 and 29/04/2021	Futures and Options
March 2021	09/03/2021, 19/03/2021, 25/03/2021 and 26/03/2021	Options
December 2020	21/12/2020, 22/12/2020, 24/12/2020, 28/12/2020 and 31/12/2020	Futures and Options
October 2020	23/10/2020 and 28/10/2020	Options
September 2020	07/09/2020, 09/09/2020 and 24/09/2020	Futures and Options

42. Based on the discussions in the preceding paragraphs, it is evident that the trading pattern of the Noticee Nos. 2 and 3 during the UPSI period, which aligns with their overall trading activity, denotes a sustained engagement in the scrip of IOCL rather than sporadic or opportunistic trades limited to the IP. I note that there is nothing on record that points to any infirmity in these trades that do not fall within the UPSI period. Therefore, I find the trading pattern of Noticee Nos. 2 and 3 appears to be reminiscent of seasoned market participants engaging in regular market activity rather than isolated or strange investment linked solely to possession of UPSI.
43. In this context, I note that the Noticees have stated that they had decided to purchase shares because of a generally positive environment for oil companies in India, mainly due to the procurement of cheaper Russian crude oil and improved profits for oil companies, including Chennai Petroleum Corporation Limited. In support of its contention, Noticees adduced newspaper articles dated October 20, 2023 that the sector outlook was favorable. Noticees also pointed out that the price of IOCL shares was already low before their purchase (hovering around Rs. 90 - 92), and that it continued to fall, dropping further to Rs. 86 by October 26, 2023. Noticees stated that since the price of the scrip had fallen below Rs.90 during the said period from October 23, 2023 and to the lowest on October 26, 2023 to Rs.86 when it was purchased by the Noticee Nos. 2 and 3.
44. Upon perusal of the material adduced by Noticees, I note that the newspaper articles in the relevant period had indeed reported on the decrease in the crude oil bills on account of increased import of cheap crude oil from Russia and on the positive results of Chennai Petroleum Corporation Limited. Further, I note that Chennai Petroleum Corporation Limited, a subsidiary of IOCL, declared the quarter and half year ended September 30, 2023 results on October 25, 2023 after the market hours. The profit of the Chennai Petroleum Corporation Limited for the quarter rose to Rs. 1190 crore against a reported profit of around Rs. 28 crore during the preceding year of 2022 in the same quarter. It is also noted that the profit of the Chennai Petroleum Corporation Limited in the immediate preceding quarter was about Rs. 548 crore. Therefore, it is evident that there was a substantial increase in the profit of the subsidiary of IOCL in this period. In this context,

I take note of the trading pattern of Noticee Nos. 2 and 3 with the price movement of the IOCL as follows:

Table 6: Trades of Noticee Nos. 2 and 3 and price of IOCL in the pre UPSI and UPSI period

Date	Open (in Rs.)	High(in Rs.)	Low (in Rs.)	Close(in Rs.)	Observation/ Remarks
Noticee No. 3 executed trades in the options contract of IOCL on September 15, 2023 and September 29, 2023					
October 3, 2023	91.40	91.40	89.80	90.00	No trades were executed.
October 4, 2023	90.00	90.15	88.70	89.10	
October 5, 2023	90.45	90.75	89.20	89.65	
October 6, 2023	90.00	90.00	89.35	89.75	
October 9, 2023	88.45	88.6	87.00	87.45	Noticee No. 3 executed trades in the futures contract of IOCL.
October 10, 2023	87.45	88.55	87.30	88.35	Noticee No. 3 executed trades in the futures contract of IOCL.
October 11, 2023	89.00	90.25	89.85	89.70	No trades executed.
October 12, 2023	89.85	90.70	89.85	90.30	
October 13, 2023	90.30	91.25	90.05	90.85	
October 16, 2023	91.00	91.15	90.20	90.90	
October 17, 2023	91.00	92.30	90.75	91.85	
October 18, 2023	92.50	92.50	90.50	90.75	
October 19, 2023	90.15	90.90	90.10	90.65	
UPSI came into existence on October 20, 2023					
October 20, 2023	90.55	90.85	89.50	90.30	Noticee No. 3 executed trades in the futures contract of IOCL.
Noticee No. 1 came in possession of UPSI on October 21, 2023 and newspapers carried articles regarding import of cheap crude oil from Russia on October 21, 2023. Further, October 21 and 22, 2023 were market holidays.					
October 23, 2023	90.30	90.30	87.65	87.95	Noticee Nos. 2 and 3 executed trades in the F&O segment of IOCL.
October 25, 2023	88.45	89.20	86.80	87.6	No trades executed. Half yearly and quarterly results of Chennai Petroleum Corporation Limited was declared after-market hours.
October 26, 2023	87.55	87.80	85.50	86.20	Noticee Nos. 2 and 3 executed trades in the futures and options contract of IOCL.
October 27, 2023	86.55	87.50	86.55	86.90	No trades executed.
October 30, 2023	87.45	88.60	86.75	88.25	

45. From the aforesaid table, it is apparent that the price of the IOCL was on a downward trend in the pre UPSI and UPSI period. Moreover, Noticee Nos. 2 and 3 was dealing in the scrip of IOCL before the UPSI had come into existence. It is noted that sans October

20, 2023, the Noticee Nos. 2 and 3 had mostly purchased the scrip of IOCL when the price of the IOCL was in the lower price range for the pre UPSI and UPSI period. Notably, the price of the scrip of IOCL had fallen to its lowest price on October 26, 2023 during the pre UPSI and UPSI period which coincided with Noticee Nos. 2 and 3's last tranche of purchase in the F&O segment of IOCL. It is important to mention here that Chennai Petroleum Corporation Limited, a subsidiary of IOCL had declared its results on October 25, 2023 aftermarket hours. Therefore, on perusing the trading of the Noticee Nos. 2 and 3 which was active from September 15, 2023 alongside the trading rationale of Noticee Nos. 2 and 3, it seems that the trades were executed in the ordinary course of business.

46. Moreover, the impugned trades executed in the scrip of IOCL in the UPSI period were not the sole trades which were executed in the close proximity of the declaration of financial results of IOCL. For instance, the financial results for the quarter and year ended December 31, 2022 were declared on January 31, 2023 and the trading window was closed from January 01, 2023. In this regard, it is noted that Noticee Nos. 2 and 3 had executed the following trades in the scrip of IOCL in the month of January 2023:

Table 7: Trades of Noticee No. 2

Trade Date	Scrip Name	Instrument Type	Traded Quantity
11/01/2023	IOCL	OPTSTK	9750
11/01/2023	IOCL	OPTSTK	9750
11/01/2023	IOCL	OPTSTK	39000
11/01/2023	IOCL	OPTSTK	9750
11/01/2023	IOCL	OPTSTK	9750
11/01/2023	IOCL	OPTSTK	9750
11/01/2023	IOCL	FUTSTK	19500

Table 8: Trades of Noticee No. 3

Trade Date	Scrip Name	Instrument Type	Traded Quantity
11/01/2023	IOCL	OPTSTK	9750
11/01/2023	IOCL	FUTSTK	29250

47. In this regard, I note that Hon'ble SAT in the matter of *Mr. Maneesh Kumar Jain v. SEBI*² emphasized the importance of evaluating trading patterns in the context of overall trading patterns and not isolated events. The relevant extract of the said order is provided under:

"...We have perused the above table. Shri Katariya is right in contending that Mr. Jain has traded in various sectors. Canfin Home, Can Bank, Union Bank are the banking sectors. Coal India, Hind Copper are mining sectors. SCL is shipping sector. ITC is hotel

²Appeal No. 712 of 2024.

sector. ZEEL is entertainment sector. The buy value of Canfin Home is Rs.4.23 Crores, the buy value of Coal India is Rs.3.73 Crores, the buy value of SCI shares is Rs.2.47 Crores and the buy value of the scrip in question i.e. Jagsonpal Pharmaceuticals is Rs.2.14 Crores. It is noted in para No.38 of the impugned order that all trades in table 8 extracted above are in the UPSI period i.e. December 20, 2021 and February 21, 2022. But, the above table shows that Mr. Jain was investing in different sectors and the highest value of shares that he has purchased during the period in question is Rs.4.23 Crores. This leads to an inference that the purchase of 91,000 JPL shares for Rs.2.14 Crores was not an isolated or a strange investment.

16. Now the question that remains is, whether any UPSI was conveyed by Mr. Rao to Mr. Jain. It is relevant to note that the WhatsApp message stating that they had not talked or met for a long time was sent by the Mr. Jain on February 20, 2022 at 9.44 a.m. The telephonic conversation between the appellants took place at 9:45:59 a.m. for 530 seconds. It is SEBI's case that on the very next day Mr. Jain has purchased 92,000 shares which probabalises that the purchase is based on the UPSI. In our view, the explanation by Mr. Jain (that he was a sector agnostic trader by profession and he had invested huge money in various sectors during the UPSI period), coupled with exchange of normal and formal WhatsApp messages (between the parents of a bride and a groom), leads us to an irresistible inference that Mr. Jain's investment in JPL is in the normal course of his business."

48. Thus, the trading activity of Noticee Nos. 2 and 3 in the UPSI period cannot be assessed in isolation without taking note of their overall trading activities in the scrip of IOCL. In the present case, as noted from the discussions in the abovementioned paragraphs, the trades of the Noticee Nos. 2 and 3 in the scrip of IOCL during the UPSI period were not isolated trades or outliers considering their overall trading profile. Neither the manner nor the volume of trades executed by the Noticee Nos. 2 and 3 stands out against the backdrop of their trading pattern as noted from the discussions in the preceding paragraphs. Therefore, I find that the trading pattern of Noticee Nos. 2 and 3 in the UPSI period was consistent and unvarying with their overall trading pattern in scrip of IOCL. Moreover, it is also a fact that the Noticee Nos. 2 and 3 had started taking positions in the scrip of IOCL much before the UPSI had come into existence and Noticee No. 1 became privy to it. These facts significantly undermine the allegation that the trades of Noticee Nos. 2 and 3 in the scrip of IOCL stemmed from the possession of UPSI.

49. Here, it is important to underscore that Noticee No. 1 has been considered as an insider in terms of the PIT Regulations since 2009 as per the email dated July 24, 2024 of IOCL. Further, Noticee No. 1 was working in the Corporate Taxation Department of IOCL from June 2017 onwards. As noted from the tables above, Noticee Nos. 2 and 3 were routinely undertaking trades in the scrip of IOCL in a similar manner as undertaken by them in the UPSI period, even at that point in time too. Besides, Noticees shared the

same cordial bond. However, as mentioned above, there is no material on record indicating any impropriety or irregularity in the trades executed by Noticee Nos. 2 and 3 in the scrip of IOCL in the period that has not been included in the IP.

50. Lastly, it is also not the case that the Noticee Nos. 2 and 3 had made a profit every time they traded in the scrip of IOCL. The analysis of the trading data of Noticee Nos. 2 and 3, as adduced by Noticees, rather reveals a mixed picture. In this regard, FY-wise data for the Noticee Nos. 2 and 3 *qua* their profit and loss while trading in the scrip of IOCL in the F&O segment is tabulated below:

Table 9

FY	Net Profit/Loss of Noticee Nos. 2 and 3 (In Rs.)	Remarks
FY 24	-14,82,498	Loss
FY 23	5,22,703	Profit
FY 22	-7,43,795	Loss
FY 21	-10,88,322	Loss
FY 20	-14,67,720	Loss

51. From the said table, it is evident that the trading performance of the Noticee Nos. 2 and 3 in the scrip of IOCL has been inconsistent over the years. It is noted that the profitability has been sporadic rather than assured or guaranteed for the Noticee Nos. 2 and 3. Notably, Noticee Nos. 2 and 3 had incurred overall losses amounting to Rs. 14,82,498/- in FY 24 which includes the IP. This shows that the outcome of the trading by Noticee Nos. 2 and 3 was unpredictable and was subject to the usual risks and fluctuations that are inherent in the F&O segment.

52. In this background, I take note of the decision of the Hon'ble SAT in the matter of *Ameen Khwaja & Ors. v. SEBI*³ wherein it was held as under:

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

53. In view of the above observations and findings, I conclude that the material available on record is not sufficient on the scale of preponderance of probability for sustaining the allegation that Noticee No. 1 had communicated the UPSI to Noticee Nos. 2 and 3. There is nothing unusual in the trading pattern of Noticee Nos. 2 and 3 who were

³ Appeal No. 584 of 2019.

continuously trading in the derivatives segment of IOCL since 2020 in considerable volume as per records. Once the allegation against Noticee Nos. 2 and 3 that they had access to UPSI fails, the allegation that Noticee Nos. 2 and 3 traded in possession of UPSI cannot be sustained.

54. As the violations alleged against the Noticees are not established, issues III and IV do not merit consideration.

ORDER

55. In view of the above, after considering all the facts and circumstances of the case and the factors mentioned in the provisions of section 15J of the SEBI Act, I, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Adjudication Rules, conclude that the adjudication proceedings initiated against the Noticees vide SCN dated October 31, 2024, are disposed of without imposition of any monetary penalty.

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

Date: August 26, 2025
Place: Mumbai

JAI SEBASTIAN
ADJUDICATING OFFICER