

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA**

ADJUDICATION ORDER No. Order/GR/PU/2022-23/28059-28064

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

In respect of:

S.No.	Name of Noticee	PAN
1	Anjali Krishnadev Bahuguna	ALUPB0633K
2	Inderdev Harshdev Bahuguna	ALRPB8311R
3	Krishandev Harshdev Bahunguna	ALTPB4849G
4	Asha Mohan Kala	AANPK7350C
5	Mohan Prasad Kala	ABAPK5505H
6	Savita Satish Gowda	AAOPM0195Q

Sharon Bio-Medicine Ltd.,

(The aforesaid entities are hereinafter individually referred to by their respective names/
Noticee numbers and collectively as “**Noticees**”, unless the context specifies otherwise).

A. BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”), conducted an investigation into the trading activities in the scrip of Sharon Bio-Medicine Limited., (hereinafter referred to as “**Company/Sharon**”), a company listed at Bombay Stock Exchange Limited (“**BSE**”) and National Stock Exchange India Limited (“**NSE**”), in order to ascertain whether there is a possibility of certain entities having traded on the basis of unpublished price sensitive information (“**UPSI**”) with regard to financial results of the company for the quarter ended December 31, 2014, in violation of the provisions of the

Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the “**SEBI Act**”) and SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred as “**PIT Regulations**”) during the period September 01, 2014 (date when the price sensitive information came into existence) to February 15, 2015 (date when unpublished price sensitive information became public on February 16, 2015 before market hours), (hereinafter referred to as the **Investigation Period/IP/UPSI period**). However, whenever deemed necessary, reference has been made to outside this period.

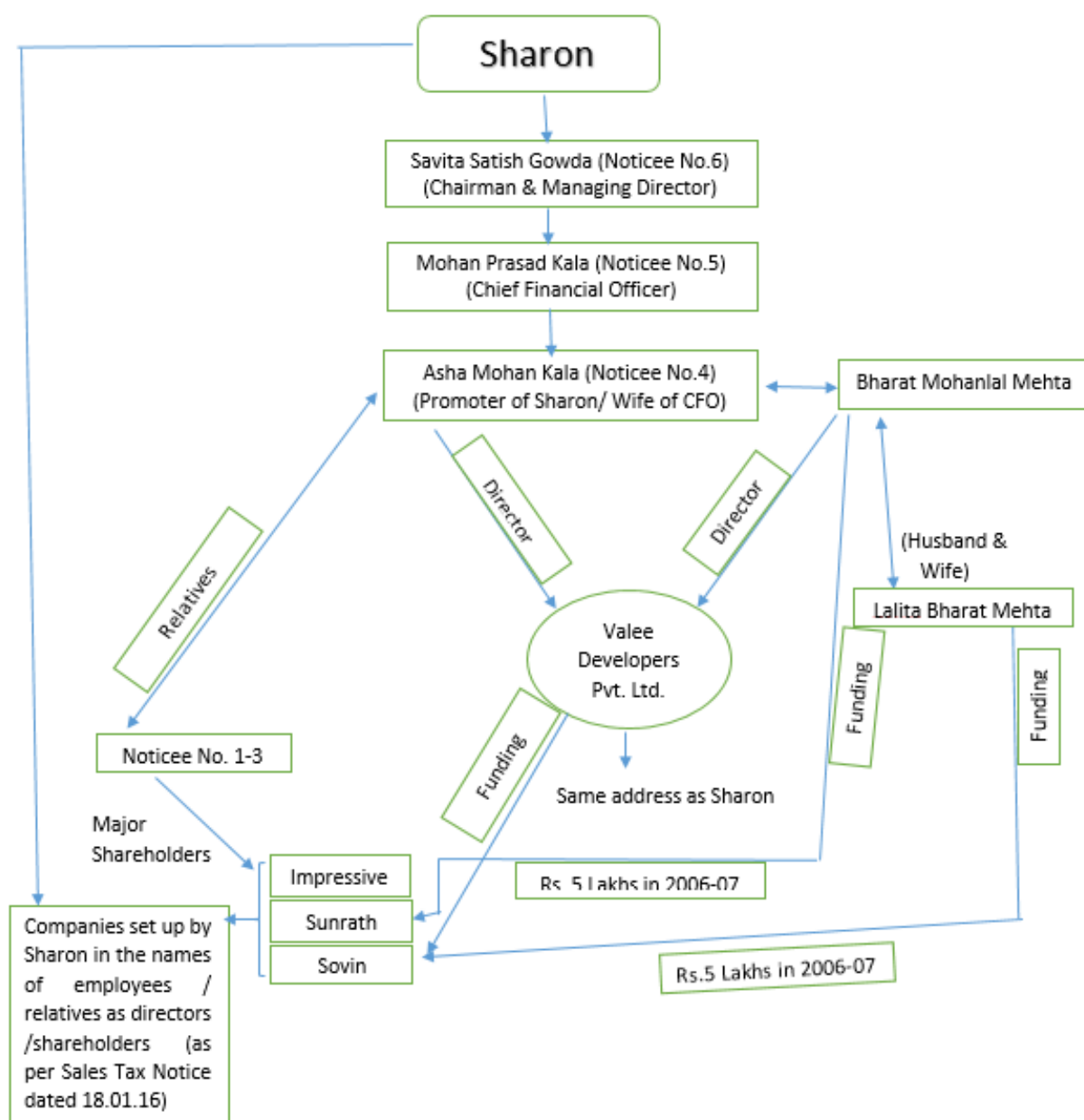
2. During the investigation, SEBI observed that the standalone and consolidated financial results of Sharon for the quarter ending December 31, 2014 was approved by its Board of Directors on February 14, 2015. Subsequently, the said quarterly result was published on BSE and NSE on February 16, 2015 at 09:03 am and 8:51 am respectively wherein the company reported a loss of Rs.103.37 crore for the December 2014 quarter as compared to the profit of Rs.18.11 crore for the September 2014 quarter.
3. Accordingly, the investigation observed and alleged the followings:
 - a. On February 16, 2015, Sharon announced the financial results for the December 2014 quarter, wherein it was observed that the NPAT decreased to a loss of Rs.103.37 crores from profit of Rs.18.11 crores for the September 2014 quarter.
 - b. Prior to announcement of results, between December 01, 2014 to February 16, 2015, the price of the scrip had moved from Rs.57.45 to Rs.21.75, i.e. it registered a fall by 62.14% in 54 trading days. There was no major news or announcements for the price of the scrip to fall by 62%.
 - c. Post the announcement i.e. between February 18, 2015 to February 26, 2015, the price of the scrip moved from Rs.20.70 to Rs.16.15, i.e. it registered a fall of 21.98% in 7 trading days.
 - d. During the investigation, from the trading details of Impressive Trading Private Limited (“Impressive”), Sunrath Trading Private Limited (“Sunrath”) and Sovin Trading Private Limited (“Sovin”), it was observed that their major concentration was in the scrip of Sharon and they averted a loss of Rs.7,19,07,235.65,

Rs.3,34,08,562.50 and Rs.7,02,36,712 by selling, 30,61,185 shares, 26,72,685 shares and 54,02,824 shares of Sharon, respectively, during the UPSI period. Thus, their trading pattern in the scrip of Sharon was found to be suspicious.

- e. It was also observed from the trading details of two entities, i.e., Lalita Bharat Mehta (“Lalita”) and Bharat Mohanlal Mehta (“Bharat”) that during the UPSI period, their 100% concentration was in the scrip of Sharon while they had not traded in the scrip of Sharon 6 months prior to or after the UPSI period. Further, it was observed that Lalita had averted a loss of Rs.11,55,699.50 by selling 3,16,630 shares of Sharon during the UPSI period and Bharat had averted a loss of Rs.8,08,596.24 by selling 2,91,912 shares of Sharon also during the UPSI period. Therefore, their trading pattern was also found to be suspicious.
- f. Lalita and Bharat are spouses. Bharat and Ms. Asha Mohan Kala (Noticee No.4) (promoter of Sharon during FY 2014-15) were directors of the same company namely Valee Developers Limited (Valee), during the IP. As per MCA website, Valee Developers Ltd. has its registered address at “*Sharon House, Plot No. 163, Park Street, Smt. Janakidevi Public School Road, SVP Nagar, Andheri, Mumbai*,” which is same as the address of the corporate office of Sharon as mentioned in its annual report for FY 2014-15. Valee has had fund transfer with Sovin. Further, as per their submission, Bharat had lent a sum of Rs.5 lakh in 2006-07 to Sunrath, while Lalita had lent a sum of Rs.5 lakh to Sovin in 2006-07.
- g. Accordingly, the investigation was done in the trading activities of 5 suspected entities namely, Impressive, Sovin, Sunrath, Lalita, Bharat, who sold heavily in the scrip of Sharon during the UPSI period.
- h. Further, it was observed that the relatives of Ms.Asha Mohan Kala (Noticee No. 4) were major shareholders of Impressive, Sovin and Sunrath. Ms. Asha Mohan Kala (Noticee No.4) is the wife of Mr. Mohan Kala (Noticee No.5), who was Non-Executive Director and CFO of Sharon during the IP. Also, directors of Impressive, Sovin and Sunrath were employees of Sharon.

- i. In above facts and circumstances , it was inferred that Noticee No. 4 had access to UPSI of the company through Noticee No. 5, her husband and CFO of Sharon during IP, which he would have received from Chairman and MD of the company i.e. Ms. Savita Satish Gowda (Noticee No.6). Further, considering the close connection of Noticee No. 4 with Lalita, Bharat, major shareholders of Impressive, Sunrath and Sovin, there would be no written communication of UPSI. Hence, it was inferred that Impressive, Sovin, Sunrath, Lalita, Bharat had access to the UPSI of the company through Noticee No.4. Thus, Noticee No. 4-6 being insiders it was alleged that they have communicated the UPSI based on which Impressive, Sovin, Sunrath, Lalita, Bharat traded in the scrip of Sharon. Accordingly, adjudication proceedings have been initiated against Noticee No. 4-6 for the alleged violation of Section 12A(d) & (e) of SEBI Act, 1992 and Regulation 3(ii) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015.
- j. Further, Noticee No 1 -3, being major shareholders of Impressive, Sovin, Sunrath, they were insiders, and allegedly communicated the UPSI to persons authorized for trading in the scrip of Sharon during the IP (i.e. Sachin Sudam Choudhary [director of both Impressive & Sovin] and Pankaj Kamlesh Chandola [Director of Sunrath]), who then traded on behalf of Impressive, Sovin and Sunrath respectively, while in possession of UPSI. Accordingly, adjudication proceedings have been initiated against, Noticee No. 1-3 for the alleged violation of Section 12A(d) & (e) of SEBI Act, 1992 and Regulation 3(ii) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015 for communicating the UPSI.
- k. It was also observed that Axis Bank invoked pledge on 10,00,000 shares of Noticee No.4 (promoter of Sharon) in December 2014 and an incorrect disclosure (i.e. 3,68,871 shares) in this regard was made to the company and exchanges in December 2014. Thereafter, the correct number of shares invoked (i.e.10,00,000 shares) was disclosed to the company and exchanges in the month of July 2015 only. Accordingly, it was alleged that Noticee No. 4 has violated Regulation 13(4A) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015, by making incorrect disclosure.

1. The aforesaid connections between the entities can be depicted from the chart below:



B. APPOINTMENT OF ADJUDICATING OFFICER

4. Shri Amit Pradhan was appointed as Adjudicating Officer, vide order dated May 25, 2021 under Section 19 read with sub-section (1) of Section 15-I of the SEBI Act and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995

(hereinafter referred to as “SEBI Adjudication Rules”) to inquire into and adjudge the alleged violations of the Noticees under Sections 15G and 15 HB of the SEBI Act. Pursuant to the deputation of the erstwhile AO, the undersigned has been appointed as the Adjudicating Officer vide order dated June 21, 2021.

C. SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

5. A common Show Cause Notice (hereinafter referred to as “SCN”) bearing no. EAD-4/GR/PU/46939/1/2020 dated September 05, 2022 was served upon the Noticees under Rule 4(1) of the SEBI Adjudication Rules to show cause as to why an inquiry should not be held and penalty not be imposed against them under Sections 15G and 15HB of the SEBI Act for the alleged violation of Section 12A(d) & (e) of SEBI Act, 1992, Regulation 3(ii) read with Regulation 12 of PIT Regulations and Regulation 13(4A) read with Regulation 12 of PIT Regulations as applicable as specified in the SCN. The said SCN was served through SPAD to the Noticees and duly delivered.
6. An Authorised Representative (AR) appointed by the Noticees sought for the inspection of investigation report, which was provided vide e-mail dated October 20, 2022 and also an opportunity of personal hearing was granted to the Noticees on November 10, 2022 which was communicated vide the same e-mail. The Noticees vide a common e-mail dated November 10, 2022, had sought for a short adjournment on the said personal hearing. Accordingly, another opportunity of personal hearing was granted to them on November 11, 2022. Further, vide e-mail dated November 10, 2022, the Authorized Representative (AR) had submitted a common reply on behalf of Noticee No. 4 & 5 and also separately on behalf of Noticee No.6 vide e-mail dated November 11, 2022.
7. Subsequently, the hearing was conducted on November 11, 2022 *via* video conferencing on WebEx platform and AR of the Noticees had appeared and reiterated the submissions made vide letter dated November 10 & 11, 2022, on behalf of Noticee No 4, 5 and 6 respectively. Further, during the personal hearing the said AR had sought time of one week to file the written submissions in the matter, on behalf of Noticee No. 1 to 3. Thereafter, vide letter dated November 18, 2022, the AR had submitted the reply for the

Noticee No. 1 to 3. The summary of the above mentioned replies with respect to Noticees are as under;

Noticee No.1 to 3 reply dated November 18, 2022

- Noticee No. 1-3 have submitted that they do not dispute their relationship with Noticee No.4&5, however, it was not enough to establish that Noticee Nos. 4 & 5 communicated the UPSI to them which was in turn communicated to the 3 companies. They also stated that the 3 suspected companies sold their shares during the investigation period as the price of the scrip was falling and also denied that they were related to or connected to Mr. Bharat Mohanlal Mehta and Ms. Lalita Bharat Mehta. One of the companies had merely taken a loan of Rs.5,00,000/- from Mr. Bharat Mehta in the year 2006-07 which was later repaid in March 2015.
- It is submitted that Noticee No.5 was not the CFO of the company during the quarter ended on December 2014 and came to know about the financial results only when it was placed before the Audit Committee on 13th February 2015. Noticee No. 5 was the CFO of the company only till F.Y. 2012-13 and not thereafter.
- As regards Noticee No.4 it is submitted that merely the fact that she was a common director of Valee developers with Mr. Bharat Mehta would not mean that she had disseminated information regarding the financials to him. Whether or not she had access to UPSI is a different question.
- The fund transfer between Noticee No.4 and Mr. Bharat was nothing but friendly which was later repaid in September 2015.
- With regards to the common address of Valee Developers Pvt. Ltd. and with corporate office of Sharon, the said fact only means that Valee Developers Pvt. Ltd. and Sharon had their offices in a common premise and nothing else.
- With respect to connection of Mrs. Asha Kala with Impressive Trading Ltd., Sovin Trading Pvt. Ltd., Sunrath Trading Pvt. Ltd. It is stated that the major shareholders of these companies are admittedly relatives of Mrs. Asha Kala and that there is inter se some connection between these entities. However, it is important to note that Mrs. Asha Kala herself was not in a possession of any alleged UPSI and therefore the question of transmitting or communicating such UPSI does not even arise.
- As regards the violation of Regulation 13(4A) of the PIT Regulations by Noticee No.4, it is stated that the moment she came to know about the correct number of shares after reconciliation, the same was disclosed to the company and stock exchange. Therefore our client cannot be alleged to have violated Regulation 13(4A) of PIT Regulations. Further, for making/filing incorrect disclosure with the Company or stock exchange penalty cannot be levied under Section 15HB of the SEBI Act. The penalty for the same (if at all violation is established) can only be levied under 15 A(a) of the SEBI Act.
- The SCN has been issue with a delay of 7 years and therefore is liable to be disposed of

- The finalization (limited review) of the financial results on the basis of the audit observations was done on 12Th February 2015 which was later placed before the audit committee of Sharon on 13th February 2015. In view of the above, it is clear that the UPSI relating to the unaudited standalone and consolidated financial results of the company for the quarter ending December 2014 began only on 13th February 2015 and not on 1st September 2014 as mentioned in the SCN, therefore the said assumption is incorrect.
- With respect to the large fire that had occurred in one of the API and intermediate plant of Sharon on 3rd June 2014, it is submitted that, there were huge losses for stock, material and capital because of the said incident and therefore it was publicly known that the company might report a loss in the next quarter.
- The Noticees submitted that they did not have much idea as to how much impact such return of products will have on the business of the company for the quarter ending December 2014. It is denied that he had any access to the financial results of Sharon for the quarter ending December 2014 till 13 February 2015, therefore the charge of communicating the UPSI does not arise.
- As regards communication of UPSI, it is stated that if Noticee No. 4, 5 & 6 were in possession of any UPSI, they themselves would have sold shares of Sharon during the alleged UPSI period when the prevailing price of shares of Sharon was around Rs.90. However, they did not sell any shares of Sharon during the alleged UPSI period.
- The present SCN further fails to show that as to how the Noticees had access to the alleged UPSI or were in possession of the alleged UPSI or how such alleged UPSI was transmitted or communicated by them.
- It is stated that they did not make any gain or receive any consideration from the 5 suspected entities, from sale proceeds of the shares of Sharon.

Submissions from common reply dated November 10, 2022 by Noticee No. 4 & 5

- It is submitted that Noticee No.5 was not the CFO of the company during the quarter ended on December 2014 and came to know about the financial results only when it was placed before the Audit Committee on 13th February 2015. Noticee No. 5 was the CFO of the company only till F.Y. 2012-13 and not thereafter.
- As regards Noticee No.4 it is submitted that merely the fact that she was a common director of Valee developers with Mr. Bharat Mehta would not mean that she had disseminated information regarding the financials to him. Whether or not she had access to UPSI is a different question. The fund transfer between Noticee No.4 and Mr. Bharat was nothing but friendly which was later repaid in September 2015.
- With regards to the common address of Valee developers Pvt. Ltd. and with corporate office of Sharon, the said fact only means that Valee Developers Pvt. Ltd. and Sharon had their offices in a common premise and nothing else.

- With respect to connection of Mrs. Asha Kala with Impressive Trading Ltd., Sovin Trading Pvt. Ltd., Sunrath Trading Pvt. Ltd. It is stated that the major shareholders of these companies are admittedly relatives of Mrs. Asha Kala and that there is inter se some connection between these entities. However, it is important to note that Mrs. Asha Kala herself was not in a possession of any alleged UPSI and therefore the question of transmitting or communicating such UPSI does not even arise.
- As regards the violation of Regulation 13(4A) of the PIT Regulations by Noticee No.4, it is stated that the moment she came to know about the correct number of shares after reconciliation, the same was disclosed to the company and stock exchange. Therefore our client cannot be alleged to have violated Regulation 13(4A) of PIT Regulations. Further, for making/filing incorrect disclosure with the Company or stock exchange penalty cannot be levied under Section 15HB of the SEBI Act. The penalty for the same (if at all violation is established) can only be levied under 15 A(a) of the SEBI Act.
- The SCN has been issue with a delay of 7 years and therefore is liable to be disposed of
- The finalization (limited review) of the financial results on the basis of the audit observations was done on 12Th February 2015 which was later placed before the audit committee of Sharon on 13th February 2015. In view of the above, it is clear that the PSI relating to the unaudited standalone and consolidated financial results of the company for the quarter ending December 2014 began only on 13th February 2015 and not on 1st September 2014 as mentioned in the SCN, therefore the said assumption is incorrect.
- With respect to the large fire that had occurred in one of the API and intermediate plant of Sharon on 3rd June 2014, it is submitted that, there were huge losses for stock, material and capital because of the said incident and therefore it was publicly known that the company might report a loss in the next quarter.
- The Noticees submitted that they did not have much idea as to how much impact such return of products will have on the business of the company for the quarter ending December 2014. It is denied that he had any access to the financial results of Sharon for the quarter ending December 2014 till 13 February 2015, therefore the charge of communicating the UPSI does not arise.
- As regards communication of UPSI, it is stated that if Noticee No. 4, 5 & 6 were in possession of any UPSI, they themselves would have sold shares of Sharon during the alleged UPSI period when the prevailing price of shares of Sharon was around Rs.90. However, they did not sell any shares of Sharon during the alleged UPSI period.
- The present SCN further fails to show that as to how the Noticees had access to the alleged UPSI or were in possession of the alleged UPSI or how such alleged UPSI was transmitted or communicated by them.
- It is stated that they did not make any gain or receive any consideration from the 5 suspected entities, from sale proceeds of the shares of Sharon.

Individual reply dated November 11, 2022 by Noticee No. 6

- The Noticee came to know about the financial results only when it was placed before the Board of Directors on 13th February 2015.
 - As regards Noticee No.6 it is submitted that merely the fact that she was a CMD of Sharon would not mean that she had disseminated information regarding the financials.
 - The SCN has been issue with a delay of 7 years and therefore is liable to be disposed of
 - The finalization (limited review) of the financial results on the basis of the audit observations was done on 12Th February 2015 which was later placed before the audit committee of Sharon on 13th February 2015. In view of the above, it is clear that the PSI relating to the unaudited standalone and consolidated financial results of the company for the quarter ending December 2014 began only on 13th February 2015 and not on 1st September 2014 as mentioned in the SCN, therefore the said assumption is incorrect.
 - With respect to the large fire that had occurred in one of the API and intermediate plant of Sharon on 3rd June 2014, it is submitted that, there were huge losses for stock, material and capital because of the said incident and therefore it was publicly known that the company might report a loss in the next quarter.
 - The Noticees submitted that they did not have much idea as to how much impact such return of products will have on the business of the company for the quarter ending December 2014. It is denied that he had any access to the financial results of Sharon for the quarter ending December 2014 till 13 February 2015, therefore the charge of communicating the UPSI does not arise.
 - As regards communication of UPSI, it is stated that if Noticee No. 4, 5 & 6 were in possession of any UPSI, they themselves would have sold shares of Sharon during the alleged UPSI period when the prevailing price of shares of Sharon was around Rs.90. However, they did not sell any shares of Sharon during the alleged UPSI period.
 - The present SCN further fails to show that as to how the Noticees had access to the alleged UPSI or were in possession of the alleged UPSI or how such alleged UPSI was transmitted or communicated by them.
 - It is stated that they did not make any gain or receive any consideration from the 5 suspected entities, from sale proceeds of the shares of Sharon.
8. Thereafter, vide e-mail dated June 20, 2023, the AR of the Noticees was advised to file additional submissions, if any, within 7 days from the receipt of the said e-mail. Despite the e-mail being duly delivered, no response has been received in the matter till date.

D. ISSUES FOR CONSIDERATION

9. I have carefully perused the submissions made, the documents available on record and the issues that arise for consideration in the present case are:
- Whether Noticee No. 1 to 6 have violated the provisions of Section 12A(d) & (e) of SEBI Act, 1992 and Regulation 3(ii) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations and whether Noticee No.4 has violated the provisions of Regulation 13(4A) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015?*
 - Does the violation, if any, on the part of the Noticees attract monetary penalty under Section 15G and 15 HB of the SEBI Act, as applicable, respectively?*
 - If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15 J of the SEBI Act?*
10. Before proceeding with the matter on merits, I first deal with the preliminary issues raised by the Noticees regarding delay in proceedings. I note that the most preliminary and common objection raised by the Noticees is that there is an inordinate delay of 7 years in issuing the SCN and there is no justifiable reason for the said delay, therefore the proceeding is liable to be disposed of on this ground itself. In this regard I note that after completion of the investigation, the SCN was issued to the Noticees on September 05, 2022. It is also to be noted that the investigations relating to the PIT Regulations are complex and time consuming process, which may require detailed analysis of the case facts. In this regard, I note that the Hon'ble SAT in the matter of **Pooja Vinay Jain vs SEBI** (Appeal No. 152 of 2019 decided on March 17, 2020) held that, *"The record would show that all the documents concerning the defence of the appellant were filed by her before the AO. Therefore, for want of any prejudice the proceedings cannot be quashed simply on the ground of delay in launching the same"*.
11. I also want to rely on the Hon'ble SAT in the matter of **Bipin R Vora vs SEBI** (decided on March 22, 2006) held that, *"As regards the plea of delay and laches and submission that the show cause notice is barred by limitation, I do not find any merit in these contentions as the time and efforts involved in an investigation though may vary from*

case to case, generally investigations per-se is a time consuming process which invariably involve collection, scrutiny and careful examination of voluminous records/ order-trade details of all the concerned including the exchanges/recording of statements etc. and therefore no time limit can be fixed in this regard to enable a regulator to take appropriate disciplinary action for the safeguard and improvement of the system/market”.

12. In view of the above, and considering the facts and circumstances, I note that there was no inordinate delay in the issuance of SCN in the matter as argued by the Noticees, so the said contention in this regard is without merits.
13. Before moving forward, it is pertinent to refer to the relevant provisions of SEBI Act and PIT Regulations, which reads as under:

SEBI Act, 1992

12A(d) No person shall directly or indirectly engage in insider trading

12A(e) No person shall directly or indirectly deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder

PIT Regulations, 1992

Prohibition on dealing, communicating or counselling on matters relating to insider trading.

3. No insider shall—

(i)

(ii) communicate or counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities :

Provided that nothing contained above shall be applicable to any communication required in the ordinary course of business or profession or employment or under any law.

....

Disclosure of interest or holding by directors and officers and substantial shareholders in a listed company - Initial Disclosure.

13 (4A). *Any person who is a promoter or part of promoter group of a listed company, shall disclose to the company and the stock exchange where the securities are listed in Form D, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings of such person from the last disclosure made under Listing Agreement or under sub-regulation (2A) or under this sub-regulation, and the change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.*

PIT Regulations, 2015

Repeal and Savings.

12.(1)*The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 are hereby repealed.*

(2) *Notwithstanding such repeal,—*

(a) *the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, forfeiture or punishment incurred in respect of any offence committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid, shall remain unaffected as if the repealed regulations had never been repealed; and*

(b) *anything done or any action taken or purported to have been done or taken including any adjudication, enquiry or investigation commenced or show-cause notice issued under the repealed regulations prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations;*

(3) *After the repeal of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Board shall be deemed to be a reference to the corresponding provisions of these regulations.*

E. CONSIDERATIONS AND FINDINGS

Issue I - Whether Noticee No. 1 to 6 have violated the provisions of Section 12A(d) & (e) of SEBI Act, 1992 and Regulation 3(ii) of PIT Regulations read with Regulation 12 of SEBI(PIT) Regulations and whether Noticee No.4 has also violated the provisions of Regulation 13(4A) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015?

14. The sequence of events based on which the charges have been levelled against the Noticees are as follows:

14. 1. I note from the SCN dated September 05, 2022 that the main allegation against the Noticees was that they being “insiders” communicated the UPSI, based on which the 5 suspected entities had traded in the shares of the Company while in possession of UPSI, which is in violation of Section 12A (d) & (e) of the SEBI Act, 1992 and Regulation 3(ii) of the PIT Regulations, 1992 read with Regulation 12 of PIT Regulations, 2015. Further, I also note that there was an allegation against the Noticee No.4 that she had made incorrect disclosure with regards to invocation of pledge of 10,00,000 shares by Axis Bank both to the Company and the Stock Exchanges, which is in violation of the provisions of Regulation 13(4A) of the PIT Regulations, 1992 read with the Regulation 12 of the PIT Regulations, 2015. While attributing the aforesaid charges, the SCN also allegedly records that unaudited, standalone and consolidated financial result for loss of Rs.103.37 crores of the company for the quarter ended December 31, 2014 was an UPSI and the period of UPSI was observed to be from September 01, 2014 to February 15, 2015.

14.2. In this regard, I note that the PIT Regulations have been formulated under Section 30 read with Section 11(2) (g) and Sections 12A (d) and (e) of the SEBI Act, 1992. Therefore, to ascertain as to whether the Noticees have violated the provisions, as alleged in the SCN, it has to be determined whether the Noticees have violated Regulation 3(ii) of the PIT Regulations, 1992 and if it is so, whether it will also amount to violation of Section 12A(d) and (e) of the SEBI Act, 1992.

14. 3. As noted above, a perusal of the provisions governing insider trading activities reveals that Regulation 3(ii) of the PIT Regulations, 1992 pre-supposes the following essential

ingredients to be present and to be satisfied to allege and establish the allegation of insider trading. These essential ingredients or preconditions are as under:

- a. Noticee must be an insider;
- b. There must be an UPSI in existence;
- c. There must be a communication of UPSI and trading must have happened based on such communication.

However, proviso to Regulation 3(ii) states No insider shall *communicate or counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities:*

Provided that nothing contained above shall be applicable to any communication required in the ordinary course of business or profession or employment or under any law.

15. Noticees need to be insiders:

15.1. The first ingredient of Regulation 3(ii) is that the *Noticee* must be an “insider”. In this regard, the term “insider” has been defined in Regulation 2(e) of the PIT Regulation, 1992, as follows:

(e) “insider” means any person who,

(i) is or was connected with the company or is deemed to have been connected with the company and is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or

(ii) has received or has had access to such unpublished price sensitive information;

15. 2. Therefore, in order to hold that the *Noticees* are insiders it becomes imperative to find out as to whether they are connected persons and/or have had access to UPSI. In this regard, I note that as the company reported huge loss of Rs.103.37 crores for the quarter ended December 2014 as compared to profit of Rs.18.15 crores for the quarter ended September 2014, SEBI sought the report from NSE on the possibility of entities, if any, traded on the basis of UPSI with regard to the

financial result of the said loss. Accordingly, NSE submitted the examination report suspecting that certain entities had traded on the basis of UPSI and also mentioned that they were in receipt of two complaints alleging the promoters /directors of Sharon and their sham companies being involved in the insider trading in the scrip.

15.3. I further note that SEBI vide summons dated May 25, 2016, had sought for certain information from the company for which vide its letter dated July 27, 2016, provided the details of all promoters/directors/KMP/employees associated for arriving at financial results, before announcement of financial results and limited review for quarter ended December 31, 2014, the details of persons/ entities as per Regulation 2 (c) and (e) of PIT Regulations, taken from the above list of promoters/directors/KMP/employees and the list of officials who attended the meeting held on February 14, 2015, wherein Board of Directors adopted unaudited financial results for the quarter ended December 31, 2014.

15.4. Further, from the information submitted by the company to MCA as well as to SEBI vide company email dated January 15, 2021, I note that Ms. Savita Satish Gowda (Noticee No.6) was Chairman and Managing Director (CMD) and Noticee No.5 was Chief Financial Officer (CFO) of Sharon for the period August 28, 2014-May 22, 2015 as well as non-executive director of Sharon during the investigation period. By virtue of being the Key Managerial Personnel (KMP) of the company, Noticee No.5 and 6 were aware of the developments relating to the rejection/return of product of the company due to quality and accumulation of huge losses to the extent of Rs.103.37 crores within the period of three months which the company has not observed in the past as per the available financial statements of the company, that had significant impact on the company is indeed an UPSI as detailed in the succeeding paras. The said facts was also acknowledged in their statements recorded by SEBI. This apart, Noticee No.5 & 6 were involved in finalisation of financial result of Sharon for the quarter ended December, 2014. Accordingly, it can be inferred that both of them were connected to the company by virtue of their positions as CFO and CMD and had reasonable access to the UPSI regarding the

financial performance of Sharon. Therefore, as per Regulation 2 (c) of the PIT Regulations, 1992, they are qualified to be connected persons who had access to UPSI. Consequently, they are insiders in terms of Regulation 2 (e) of PIT Regulations 1992. Further, as regards to Noticee No.4, I note that she was promoter of Sharon, and was in-charge of the administrative work of Sharon at its corporate office. Besides that, she was the wife of CFO of Sharon i.e. Noticee No.5. It is therefore by being a relative of an insider, she is deemed to be connected to the company as per Regulation 2(h)(viii) of PIT Regulations.

15.5. Similarly, as regards to Anjali Krishnadev Bahuguna (Noticee No.1), Inderdev Harshdev Bahuguna (Noticee No.2) and Krishnadev Harshdev Bahuguna (Noticee No. 3), I note that they are the relatives of Ms. Asha Mohan Kala (Noticee No. 4) and Mohan Prasad Kala (Noticee No.5), who are connected persons in the matter. Therefore, by virtue of being relatives of the connected person as per 2(h)(viii) of PIT Regulations, the Noticee No. 1 to 3 are deemed to be connected persons. Further I also note that Noticee No. 1 - 3 are the major shareholders of Impressive, Sovin and Sunrath who had traded heavily during the UPSI and averted huge losses by selling shares during the UPSI which is dealt with in the subsequent paras.

15.6. In view of the above, all these facts coupled with the trading pattern of the 5 suspected entities as detailed in the subsequent para on preponderance of probability would establish that both Noticee No. 5 & 6 can reasonably be expected to have access to the UPSI. Further, it can be reasonably presumed that the UPSI was passed on by them and more particularly by Noticee No. 5, he being the husband of Noticee No. 4 and the rest of the Noticee No. 1 to 3 being relatives of Noticee No.4, are reasonably expected to have imparted the said UPSI which resulted in trade by the 5 suspected entities in the said scrip during the UPSI.

15.7. I note that Noticee 5 has contended that he was not the CFO of Sharon during the IP since he was the CFO of the company only till F.Y. 2012-13 and not thereafter. The said fact has also been reiterated by Noticee No. 1- 4. In this regard, upon perusal of e-mail dated 15.01.2021 as submitted by the company secretary of

Sharon to SEBI, I note that the following documents were attached which clearly indicates that Noticee No. 5 was in fact the CFO of Sharon during the IP and more particularly during the UPSI period;

- a) Form No. MR-1 for return of appointment of key managerial personnel, submitted by Noticee No. 5 himself, as the CFO providing the date of board resolution as 28.08.2014 and effective date of appointment as 28.08.2014.
- b) Board resolution dated 28.08.2014 appointing Noticee No. 5 as the CFO of Sharon.
- c) Consent letter dated 28.08.2014, of Noticee No. 5 to act as CFO of Sharon
- d) Form DIR -12 with particulars of appointment of directors and key managerial personnel and the changes among them.
- e) Resignation as CFO, letter dated 15.05.2015 of Noticee No. 5.
- f) Letter dated 23.05.2015 of Sharon accepting the resignation of Noticee No. 5's letter dated 15.05.2014.
- g) Consent letter dated 23.05.2015, of Mr. Lalit Mishra to act as CFO of Sharon.
- h) Board resolution dated 23.05.2015 appointing Mr. Lalit Mishra as CFO of Sharon upon the resignation of Noticee No. 5.

Therefore the arguments of Noticee Nos. 1-5 in this regard is without any merit.

15.9. In view of the above, I note that considering the connected persons and deemed to be connected person, the Noticee No. 1 to 6 were insiders as per PIT Regulations.

16. There must be an UPSI:

16.1. The next ingredient of Regulation 3(ii) is that there must be an UPSI. In this regard, I note that PSI has been defined under Regulation 2 (ha) of the PIT Regulations, 1992 as under:

“price sensitive information” means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company.

*Explanation.—The following shall be deemed to be price sensitive information:—
(vii) and significant changes in policies, plans or operations of the company”*

16.2. Further, Regulation 2(k) of the PIT Regulations, 1992 states that the term “unpublished” means *information which is not published by the company or its agents and is not specific in nature.”*

16.3. The conjoint reading of the above two provisions inter alia provides that UPSI means any information, relating to a company, directly or indirectly, that is not published by the company or its agents and is not specific in nature and which, if published is likely to materially affect the price of securities of company and shall be including, information relating to significant changes in policies, plans or operations of the company.

16.4. In this regard, I note that Unaudited Standalone & Consolidated Financial Results for the loss of Rs.103.37 crores to the company for the quarter ended December 31, 2014 was published on BSE and NSE on February 16, 2015 at 09:03 am and 8:51 am respectively.

16.5. The said financial results of Sharon for QE December 2014 is deemed to be price sensitive information ('PSI') in terms of the definition of price sensitive information as per Regulation 2(ha) of PIT Regulations, as it was directly related to Sharon and if published is likely to materially affect the price of the scrip of the company. Further, in terms of Regulation 2(k) of PIT Regulations, till the time it was announced on exchanges on February 16, 2015, it was considered as UPSI.

Chronology of events related to announcement of financial results for the quarter ended December 2014:

16.6. I note that SEBI vide summons dated May 25, 2016 had sought the details regarding trading window closure and the chronology of events w.r.t announcement of financial result for QE December 2014, from the company. Accordingly, the company vide its reply letter dated July 27, 2016, inter-alia submitted the following information: -

Chronology of events:

Sl. No.	Date	Event
1	28/01/2015	Collection of accounting data from various units by accounts department for compilation

Sl. No.	Date	Event
2	03/02/2015 to 16/02/2015	Trading window was closed
3	07/02/2015	Data compiled by the accounts department and ready for being sent to the auditor for limited review
4	09/02/2015 to 11/02/2015	Limited review carried out by auditor
5	12/02/2015	Finalisation of results on the basis of audit observations
6	13/02/2015	Results placed before audit committee
7	14/02/2015	Audit committee approves the quarterly result
8	14/02/2015	Board of Directors approved the quarterly result and sent to stock exchanges
9	16/02/2015	Result published on exchange website

16.8. I further note that the company inter alia mentioned in its annual report for FY 2014-15 that Sharon has lost big business due to fire in the plant (that erupted in one of its plants on June 03, 2014 due to which there was stock, material and capital loss). Subsequently, Sharon had outsourced the manufacturing of its products, which resulted in several quality issues leading to rejection of sales and therefore the standalone sales went down from Rs.131,544.53 lacs to Rs.83,658.66 lacs during the FY 2014-15 in comparison to FY 2013-14 which resulted in accumulation of huge loss to the company.

16.9. Further, I also note that the information was sought from the company and its KMPs on several occasions vide various letters but, the company, vide its replies had stated that the said documents/information sought could not be provided indicating several reasons such as being located at an alternate promotor office, company being under insolvency process etc., Subsequently, also for SEBI Summons dated October 21, 2020, issued under Section 11(C)(3) of the SEBI Act, 1992, the company could not provide sufficient information on account of undergoing insolvency process under the provisions of IBC.

16.10. Thereafter, from the statement recording of Noticee No. 6 i.e. CMD on December 05, 2020, during investigation, regarding the return of products, it was observed that around September 2014, Sharon had started to receive the products back. Similarly, while recording the statement of Noticee No. 5 on February 22, 2021, it was observed that he also stated that the products started getting rejected after

around 3 months of fire incident from some customers of the company citing poor quality (i.e. from September 2014 onwards).

16.11. In this regard, the facts elucidated in para 15.4 above may be referred. In line with the said facts, Noticees 5 & 6 are expected to be aware of issues related to rejection/ return of products of the company which started from September 2014 resulting in accumulation of huge losses that have significant impact on the financial results of the company. Therefore, I hold that anyone in possession of material information about any such part would have reasonably known/understood the possible impact of such action on the company. The same fact was also acknowledged by them during the investigation while recording of their statement, as stated above. Accordingly, they have access to UPSI regarding financial results of Sharon for QE December 2014, from September 01, 2014 itself (when the company started facing rejection/ return of its products and accumulation of losses). It is, therefore, evident that information with regard to rejection/ return of products on quality issues and accumulation of huge losses to the extent of Rs.103.37 crores within the period of three months which the company has not observed in the past as per the available financial statements of the company, is indeed an UPSI within the meaning of Regulation 2(ha) and 2(k) of the PIT Regulation which came into existence for the first time in September 2014 and the Noticee No. 5 and 6 had access to the same.

16.12. During the hearing the Noticee no.4 – 6 contented that the losses incurred by the company cannot be an UPSI stating the reason that the losses for stock, material and capital on account of fire occurred in one of the API and intermediate plant of Sharon on 3rd June 2014 was known to the public and the company might reported a loss in the next quarter. The said contention of the aforesaid Noticees cannot be accepted, as I note that the loss incurred by the company on account of fire was not considered as UPSI as it was adequately insured as disclosed in the corporate announcement on BSE by the company on June 04, 2014. Instead, the fact that after the fire incident, Sharon had outsourced the manufacturing of its products, which resulted in several quality issues leading to rejection of sales and the sales

declined from Rs.131,544.53 lacs to Rs.83,658.66 lacs, that accumulated the huge losses to the extent of Rs.103.37 crores which is considered as the UPSI. The reason being that the rejection of sale resulted in accumulation of huge loss to the company which has reflected in the standalone financial statements of the company and impacted the price of the scrip on disclosure of the same. In this regard, I note that Regulation 2(ha) of the PIT Regulation also states that “*price sensitive information*” means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company.” The said facts also been confirmed by the CFO and Chairman/MD as specified before. Also, the fact that all the 5 connected entities have only sold large volume of shares of Sharon in piecemeal in the market, during the UPSI period, without any reasonable explanation and averted loss worth crores of rupees, confirms that the Noticees were certain of the loss the company was going to undergo in the December 2014 quarter. In view of the above, I do not find any merit in the Noticees’s contention in this regard.

17. UPSI Period

17.1. Further, I note that the said UPSI continued to be in existence till February 15, 2015 aftermarket hours i.e. date and time of public disclosure of the unaudited standalone and consolidated financial results announced through the stock exchanges as the board of directors of Sharon approved the quarterly results and sent it to stock exchanges on February 14, 2015 and the information was published on NSE Website at 08:51 AM and on BSE website at 09:03 AM on February 16, 2015. Hence, September 01, 2014 has been taken as the date when PSI is assumed to have come into existence and February 16, 2015 has been taken as the date when the aforesaid PSI was made public and the period from September 01, 2014 to February 15, 2015 is taken as the UPSI period.

17.2. Thus, it becomes abundantly evident that the *Company* was fully aware about the severity of the losses incurred because of the return/rejection of products. Therefore, in the absence of any justifiable explanation with any verifiable supporting evidence to the contrary, I hold that the said information relating to

severity of the losses incurred and accumulated quarter ending December 31, 2014 because of the return/rejection of products was certainly a PSI in terms of the PIT Regulations with the corresponding period i.e. September 01, 2014 to February 15, 2015 being the UPSI period.

17.3. In this regard I note that the Noticees contended that the finalization (limited review) of the financial results on the basis of the audit observations was done on 12th February 2015 which was later placed before the audit committee of Sharon on 13th February 2015, therefore, it is clear that the PSI relating to the unaudited standalone and consolidated financial results of the company for the quarter ending December 2014 began only on 13th February 2015 and not on 1st September 2014 as mentioned in the SCN, therefore the said assumption is incorrect.

17.4. In respect of the above contention, I note that none other than the CFO and CMD (Noticee 5 and 6) confirmed that the outsourced products had started to return around September 2014 and accordingly September 01, 2014 has been considered as the start of the UPSI period as also detailed in the preceding paragraphs. Therefore, the Noticees's contention in this regard is without any merits

18. There must be a communication of UPSI and trading must have happened based on such communication:

18.1. The next pre-condition of Regulation 3(ii) is that an insider must have communicated or counselled or procured directly or indirectly any UPSI to any person who while in possession of such UPSI have dealt in securities. To attract violation of Regulation 3(ii), it needs to be established that Noticees being insiders, were in possession of UPSI and communicated the same to the 5 suspected entities who have sold the shares of the company based on such UPSI and in the process averted loss. In this context, it is already established in the preceding paragraphs that the Noticees are insiders.

18.2. Now, I move on to establish the connection between the insiders and the 5 suspected entities namely Impressive, Sovin, Sunrath, Lalita and Bharat, who had traded in the shares of the company during the UPSI period and averted huge loss.

18.3. In this context, in order to understand the concept of “Connected Person”, reading the definition provided in Regulation 2(c) of PIT Regulations, which defines the term connected person as follows is important;

2 (c) “connected person” means any person who—

(i) is a director, as defined in clause (13) of section 2 of the Companies Act, 1956 (1 of 1956), of a company, or is deemed to be a director of that company by virtue of sub-clause (10) of section 307 of that Act or

(ii) occupies the position as an officer or an employee of the company or holds a position involving a professional or business relationship between himself and the company whether temporary or permanent and who may reasonably be expected to have an access to unpublished price sensitive information in relation to that company:

[Explanation :—For the purpose of clause (c), the words “connected person” shall mean any person who is a connected person six months prior to an act of insider trading.

18.4. In this regard, I note from the observation of investigation that Lalita and Bharat are spouses. Bharat and Ms. Asha Mohan Kala (Noticee No.4) were directors in a company namely Valee Developers Limited, during the IP. I also note that as per MCA website, Valee Developers Ltd. has its registered address as “*Sharon House, Plot No. 163, Park Street, Smt. Janakidevi Public School Road, SVP Nagar, Andheri, Mumbai*”, which is same as the address of the corporate office of Sharon as mentioned in Sharon’s annual report for FY 2014-15. Valee also had fund transfer with Sovin. Further, as per their submission, Bharat had lent a sum of Rs.5 lakh in 2006-07 to Sunrath, while Lalita had lent Rs.5 lakh to Sovin in 2006-07.

18.5. Further, I note that Mr. Nandkishore Chaitram Uniyal (“Uniyal”), was a director in Sharon from September 24, 2001 to April 24, 2005 as per company email dated March 16, 2020. He, along with Noticee No. 2 and 3 (relatives of Noticee No.4) are directors in another company called Alchemist Multitrade P Ltd.

18.6. Further, as mentioned above, the relatives of Ms. Asha Mohan Kala (Noticee No. 4) i.e. Anjali Krishnadev Bahuguna (Noticee No.1), Inderdev Harshdev bahuguna (Noticee No.2) and Krishnadev Harshdev Bahuguna (Noticee No. 3) are major shareholders of Impressive, Sovin and Sunrath (who had traded heavily in the scrip of the company during the UPSI period).

18.7. I further note that, directors of Impressive, Sovin and Sunrath were employees of Sharon. In this regard, I note that Sharon vide email dated January 14, 2021 inter-alia also submitted the following with regard to employment of directors of Impressive, Sovin and Sunrath, with Sharon:

Sl. No.	Full Name	Tenure of employment with Sharon Bio- Medicine Limited (From – To)	Designation	Activities required to do as part of his job
1	Sachin Choudhary (Director of Impressive and Sovin)	01 Dec 2007 - 30 Apr 2011	Accounts Executive	Finance & Accounts
2	Pankaj Chandola (Director of Sunrath)	01 May 2011 - 09 Aug 2018	Senior Executive	Marketing (API Domestic)
3	Hemant Chandola (Director of Sunrath)	01 May 2011 - 29 Feb 2012	Trainee Engineer	Production

18.8. On perusal of annual returns filed by Impressive, Sovin, Sunrath with MCA and their emails dated December 23, 2020, I note the following:

Sl. No.	Entity	Name of shareholders	Relation with promoters/ KMP of Sharon
1	Impressive	Anjalidevi Krishandev Bahuguna (Noticee No.1) Roshnidevi Harshdev Bahuguna Sachin Sudam Choudhary Manoj Harish Balsara	1. Roshanidevi Harshdev Bahuguna is mother of Ms. Asha Mohan Kala (Noticee No. 4 & promoter of Sharon for FY 2014-15 and wife of Mr. Mohan Kala, who was non-executive director of Sharon during investigation period (“IP”) and part of audit committee involved in arriving at financial results for QE December 31, 2014.) 2. Anjalidevi Krishandev Bahuguna (Noticee No. 1) is sister-in-law of Ms. Asha Mohan Kala (Noticee No.4). 3. Inderdev Harshdev Bahuguna (Noticee No.2) and Krishandev Harshdev Bahuguna (Noticee No.3)are brothers of Ms. Asha Mohan Kala (Noticee No.4) (Asha Mohan Kala’s email dated March 20, 2020 and January 22, 2021)
2	Sovin	Inderdev Harshdev Bahuguna (Noticee No.2) Roshnidevi Harshdev Bahuguna Sachin Sudam Choudhary Manoj Harish Balsara Kamlesh Kant Chandola	
3	Sunrath	Inderdev Harshdev Bahuguna (Noticee No.2) Krishandev Harshdev Bahuguna Noticee No.3)Pankaj Kamlesh Chandola Hemant Kamlesh Chandola	

18.8. Besides the above, I note that investigation observed that a sales tax notice was issued against Sharon on January 18, 2016, for engaging in fictitious trading activities. As per the said notice, companies were set up in the names of employees/relatives as Directors/Shareholders. Further, the stock statements submitted to lenders were also inflated. The Sales Tax Department had reported 18 such companies in their notice, which included names of Impressive, Sovin, Sunrath and Valee Developers Pvt. Limited. The summary of connections observed are as under;

Sl. No.	Name of entity	Connection
1	Impressive Trading Private Limited	a) Relatives of Noticee No.4 are major shareholders b) Employee of Sharon is the director c) Impressive and Sovin have common directors d) Referred in sales tax notice dated January 18, 2016 as party under Sharon's management control.
2	Sovin Trading Private Limited	a) Relatives of Noticee No.4 are major shareholders b) Employee of Sharon is the director c) Had Fund transfer with Bharat Mohanlal Mehta and Valee Developers P. Ltd., wherein he is a director d) Referred in sales tax notice dated January 18, 2016 as party under Sharon's management control.
3	Sunrath Trading Private Limited	a) Relatives of Noticee No.4 are major shareholders b) Employees of Sharon is the director c) Past director of Impressive and Sovin (Kamlesh Kant Chandola) is relative of the directors. d) Referred in sales tax notice dated January 18, 2016 as party under Sharon's management control.
4	Bharat Mohanlal Mehta	a) Bharat Mohanlal Mehta and Lalita Bharat Mehta are spouses. b) Bharat Mohanlal Mehta and Noticee No.4 were directors at Valee Developers Private Limited ("Valee") during IP. Registered address of Valee, as per MCA Website is Sharon House, Plot No. 163, Park Street, Smt. Janakidevi Public School Road, SVP Nagar, Andheri, Mumbai, which is same as the address of the corporate office of Sharon, as mentioned in Sharon's Annual Report for year 2014-15. c) Valee was referred in sales tax notice dated January 18, 2016 as party under Sharon's management control. d) Bharat Mohanlal Mehta lent a sum of Rs. 5 lakh to Sovin in the year 2006-07. e) Lalita Bharat Mehta lent a sum of Rs. 5 lakh to Sunrath in the year 2006-07.
5	Lalita Bharat Mehta	

18.10. Thus, Impressive, Sovin, Sunrath and Valee were therefore, found to be under the same management or group as Sharon and accordingly, were deemed to be connected to it, in terms of Regulation 2(h)(i) of the PIT Regulations. Also, Bharat and Ms. Asha Mohan Kala (Noticee No.4) (promoter of Sharon during FY 2014-15) were directors of the same company namely Valee Developers Limited (Valee), during the IP. As per MCA website, Valee Developers Ltd. has its registered address at “*Sharon House, Plot No. 163, Park Street, Smt. Janakidevi Public School Road, SVP Nagar, Andheri, Mumbai*, which is same as the address of the corporate office of Sharon as mentioned in it’s annual report for FY 2014-15 and Lalita and Bharat are spouses, they both are also deemed to be connected to it, in terms of Regulation 2(h)(i) of the PIT Regulations.

18.11. From the above mentioned facts, it is clearly established that all the five suspected entities i.e. Impressive, Sovin, Sunrath, Lalita and Bharat are connected to the Noticees (*hereinafter together referred to as the 5 connected entities*). In view of the aforesaid observation, it was evident that the 5 connected entities namely, Impressive, Sovin, Sunrath, Lalita and Bharat are insiders in terms of Regulation 2(e)(ii) of PIT Regulations, 1992 who had access to UPSI with respect to financial results of Sharon for the quarter ending December 2014 through the Noticees.

18.12. Further, the Noticee No. 4 to 6 contended that they did not have much idea as to how much impact such return of products will have on the business of the company for the quarter ending December 2014 and denied that they had any access to the financial results of Sharon for the quarter ending December 2014 till 13 February 2015, therefore the charge of communicating the UPSI does not arise. In this regard, based on the details explained in the paras 15.4 and 16.11 above, Noticee No. 4 - 6 cannot deny possessing the knowledge about the UPSI or the extent of impact it may be causing to the company as they would be aware of the same. Therefore, the aforesaid contention of the Noticees 4 - 6 cannot be accepted.

18.13. I note that Noticee No. 1 – 3 contended as follows;

- a. They do not dispute their relationship with Noticee No 4 & 5 however, it was not enough to establish that Noticee No. 4 & 5 communicated the UPSI to them which was in turn

communicated to the 3 suspected entities namely, Impressive, Sovin and Sunrath and their sale during the IP was due to fall in the price of the scrip.

- b. They denied that they were related to or connected to Mr. Bharat Mohanlal Mehta and Ms. Lalita Bharat Mehta. They further, stated that the companies i.e. suspected entities namely Impressive, Sovin and Sunrath, where they are Major shareholders had only taken a loan from Mr. Bharath Mohanlal Mehta and Lalita Bharat Mehta and not them, which was also later repaid.

18.14. I also note that Noticee No. 1-6 contended as follows;

- a. They denied being in possession of the UPSI and stated that they would have sold the shares of Sharon during the alleged UPSI period, if they were in possession of any UPSI, when the prevailing price of shares of Sharon was around Rs.90/-, however, they did not sell any shares of Sharon during the alleged UPSI period.
- b. The SCN fails to show the details regarding the access/possession and or transmission of the alleged UPSI by the Noticees.
- c. As regards connection, Noticee No. 4 had stated that the fund transfer with Mr. Bharat was friendly, which was later repaid and the common address of Valee with corporate office of Sharon only means that Valee and Sharon had their offices in a common premise and nothing else. Thereafter, she also stated that admitted that the major shareholders of Impressive Trading Ltd., Sovin Trading Pvt. Ltd., Sunrath Trading Pvt. Ltd. are her relatives. However, being connected to them does not mean that there has been communication of UPSI.

18.15. In this regard, I note that, as already established in the preceding paragraphs the Noticee No. 1- 6 were in possession of the UPSI and were “connected persons” as per Regulation 2 (c) of PIT Regulations as well as “insiders” as per Regulation 2 (e) of PIT Regulations. I also note from the sales tax notice and public domain searches that Impressive, Sovin, Sunrath and Valee were held under the directorship/shareholding of Sharon's employees, directors, promoters, their relatives and others. Therefore, they are deemed to be connected to Sharon as per Regulation 2(h)(i) of the PIT Regulations. Further, major shareholders of Impressive, Sovin and

Sunrath i.e. Noticee No.1 & 3 (are spouses) and Noticee No.2 are relatives of Noticee No.4 are relatives of Noticee No.4 and the same has been admitted by Noticee No.4. Similarly, Bharat and Ms. Asha Mohan Kala (Noticee No.4) were directors in a company namely Valee Developers Limited, during the IP and as per MCA website, Valee Developers Ltd. has its registered address as “*Sharon House, Plot No. 163, Park Street, Smt. Janakidevi Public School Road, SVP Nagar, Andheri, Mumbai*”, which is same as the address of the corporate office of Sharon as mentioned in Sharon’s annual report for FY 2014-15, which establishes the connection between the Noticees. Therefore, Bharat Mohanlal Mehta being director of Valee and Lalita Bharat Mehta (wife of Bharat) are deemed to be connected to Sharon. In addition to the above, as regards, Noticee No. 4’s connection with the 5 connected entities, I note that the fund transfer between Noticee No. 4 with Bharath may be friendly. However, I also note that there have been other fund transfers among Mr. Bharath and Sovin and Ms. Lalita and Sovin for which no explanation has been given, which further establishes the fact that they were all in frequent contact/communication. Therefore, owing to the above mentioned facts, in this case, it can be inferred on the basis of preponderance of probability that the communication of UPSI to the 5 connected entities have happened through the Noticees.

18. 16. The Hon’ble SAT vide its order dated 15.06.2022, in the matter of **Ameen Khwaja & ors Vs. SEBI**, stated that “34. *The burden of proof of having reasonable expectations of having access to UPSI is initially on respondent SEBI. Once the respondent SEBI placed 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.*

.....

Besides this professional and business relationship, personal relationship between these two personalities can also be inferred from the facts of these close business relations.

.....

41. In the facts and circumstances of the present case however as detailed (*supra*), we find that the respondent SEBI was able to show on preponderance of probabilities that appellant Ameen Khwaja and consequently other appellants are reasonable expected to have access to UPSI in relation to PTL.

.....

43. Both the appeals are hereby dismissed without any order as to costs.”

18. 17. In view of the above, I find that the onus of establishing that the Noticees were not in possession of UPSI is now cast on them. Further, amongst such close connection, generally, there will be no written communication of UPSI. Hence, it is observed that Impressive, Sovin, Sunrath, Lalita, Bharat had access to the UPSI of the company through Noticee No.4. Further, it is also observed that Noticee No.4 had access to UPSI of the company through her husband and CFO of Sharon during IP, i.e. Noticee No.5, which he would have received from CMD of the company i.e. Noticee No.6. Thus, the contention of the Noticees in this regard are without any merit as Noticee Nos 1 -6 being insiders, have communicated the UPSI based on which Impressive, Sovin, Sunrath, Lalita, Bharat traded in the scrip of Sharon. Therefore, I find that they have violated Section 12A(d) & (e) of SEBI Act, 1992 and Regulation 3(ii) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015.

19. Analysis of the trading of the 5 connected entities.

19.1. I note that during the investigation, the trading activity of all the 5 connected entities in the cash segment in the scrip of Sharon was analysed for pre-UPSI period (i.e. from August 01, 2014 to August 31, 2014), during UPSI period (i.e. from September 01, 2014 to February 15, 2015) and post-UPSI period (i.e. from February 16, 2015 to March 31, 2015). The Price Volume data of the scrip of Sharon on BSE for pre, during and post IP is given below:

Period	Dates	FV (Rs.2)	Opening Price & volume on first day of the period	Closing price & volume on last day of the period	Low price & volume during the period	High Price & volume during the period	Avg. no. of shares traded daily during the period
Before Investigation period	(01/08/2014-31/08/2014)	Price	₹ 75.3	₹ 70.55	₹ 68.9 (12/08/2014)	₹ 83.3 (06/08/2014)	1,82,081.7
		Vol	1,39,785	87,480	60,803 (19/08/2014)	6,07,812 (05/08/2014)	
	(01/09/2014-15/02/2015)	Price	₹ 74.95	₹ 22.95	₹ 22.55 (12/02/2015)	₹ 90.2 (15/09/2014)	3,02,017.5

During Investigation period		Vol	83,690	2,83,074	18,707 (23/10/2014)	11,41,433 (24/12/2014)	
After Investigation period	(16/02/2015-31/03/2015)	Price	₹ 22.1	₹ 17.95	₹ 15.4 (27/02/2015)	₹ 26.65 (13/03/2015)	3,59,318.1
		Vol	93,927	5,45,928	11,628 (04/03/2015)	18,42,267 (12/03/2015)	

19.2. The Price Volume data of the scrip of Sharon on NSE for pre, during and post IP is as follows:

Period	Dates	FV (Rs.2)	Opening Price & volume on first day of the period	Closing price & volume on last day of the period	Low price & volume during the period	High Price & volume during the period	Avg. no. of shares traded daily during the period
Before Investigation period	(01/08/2014-31/08/2014)	Price	₹ 75	₹ 70.9	₹ 68.6 (12/08/2014)	₹ 83.4 (05/08/2014)	5,18,928.6
		Vol	4,56,987	1,39,839	139839 (28/08/2014)	15,24,953 (05/08/2014)	
During Investigation period	(01/09/2014-15/02/2015)	Price	₹ 73.1	₹ 22.85	₹ 22.5 (12/02/2015) (13/02/2015)	₹ 90.35 (15/09/2014)	7,31,197.4
		Vol	2,27,180	7,65,412	61593 (23/10/2014)	26,58,539 (31/10/2014)	
After investigation period	(16/02/2015-31/03/2015)	Price	₹ 23	₹ 18	₹ 15.6 (27/02/2015)	₹ 26.45 (13/03/2015)	8,91,076.8
		Vol	3,38,920	11,36,082	45,721 (04/03/2015)	32,28,215 (30/03/2015)	

19.3. From the above tables it is observed that the scrip closed at ₹17.95 and ₹18 (FV ₹2) on March 31, 2015 at BSE and NSE respectively. During the IP, price of the scrip moved from ₹74.95 (opening price) to ₹22.95 (closing price) on BSE, registering a decrease of ₹52 (69.4%). Price of the scrip moved from ₹73.1 to ₹22.85 on NSE, registering a decrease of ₹50.25 (68.7%).

19.4. Further, details of trading activity of all the 5 connected entitles viz. Impressive, Sovin, Sunrath, Bharat and Lalita, in the scrip of Sharon, during the various periods of analysis is as follows:

a) Impressive:

BSE				NSE			
PRE-UPSI PERIOD (01/08/2014-31/08/2014)							
Trade Date	Buy/Sell	Traded Quantity	Trade Value	Trade Date	Buy/Sell	Traded Quantity	Trade Value
BSE Total : Buy during UPSI Period	Buy	0	0	NSE Total : Buy during UPSI Period	Buy	0	0
05/08/2014	Sell	200000	16,000,163.50	-	-	-	-

BSE: Sell During UPSI Period	Sell	2,00,000	16,000,163.50	NSE: Sell During UPSI Period	Sell	0	0
UPSI PERIOD (01/09/2014 to 15/02/2015)							
Trade Date	Buy/Sell	Traded Quantity	Trade Value	Trade Date	Buy/Sell	Traded Quantity	Trade Value
BSE Total : Buy during UPSI Period	Buy	0	0	NSE Total : Buy during UPSI Period	Buy	0	0
02/09/2014	Sell	125000	9,407,320.25	02/09/2014	Sell	125,000	9,406,444
09/09/2014	Sell	200000	16,602,344.90	05/09/2014	Sell	85,863	6,482,936
19/09/2014	Sell	25000	1,975,050.00	09/09/2014	Sell	150,000	12,455,738
31/10/2014	Sell	18110	1,141,807.00	19/09/2014	Sell	225,000	17,778,580
26/12/2014	Sell	1,04,416	26,54,841.55	31/10/2014	Sell	44,230	2,800,285
05/01/2015	Sell	75,000	3,060,000.00	26/12/2014	Sell	27,817	7,24,831
08/01/2015	Sell	1,50,000	5,235,040.65	05/01/2015	Sell	1,00,000	40,80,000
27/01/2015	Sell	1,50,085	4,014,778.00	08/01/2015	Sell	3,50,000	1,21,55,000
10/02/2015	Sell	40,000	936,000.00	12/01/2015	Sell	2,78,582	87,78,308
12/02/2015	Sell	1,02,476	2,321,038.90	27/01/2015	Sell	2,14,979	57,51,178
-	-	-	-	10/02/2015	Sell	1,10,000	25,74,000
-	-	-	-	12/02/2015	Sell	3,59,627	81,44,872
BSE: Sell During UPSI Period	Sell	9,90,087	4,73,48,221.25	NSE: Sell During UPSI Period	Sell	20,71,098	9,11,32,172
POST-UPSI PERIOD (16/02/2015 to 31/03/2015)							
Trade Date	Buy/Sell	Traded Quantity	Trade Value	Trade Date	Buy/Sell	Traded Quantity	Trade Value
-	-	-	-	23/02/2015	Buy	1,00,000	19,92,912
BSE Total : Buy during Post-UPSI Period	Buy	0	0	NSE Total : Buy during Post-UPSI Period	Buy	1,00,000	19,92,912
13/03/2015	Sell	74,862	1,745,756.20	13/03/2015	Sell	60,200	1,423,530
30/03/2015	Sell	55,000	987,855.00	17/03/2015	Sell	3,41,530	6,625,682
31/03/2015	Sell	1,00,000	1,825,420.00	19/03/2015	Sell	2,00,000	3,710,000
-	-	-	-	30/03/2015	Sell	7,50,000	13,777,312
-	-	-	-	31/03/2015	Sell	1,00,000	1,826,305

BSE: Sell During Post UPSI Period	Sell	2,29,862	45,59,031.20	NSE: Sell During Post UPSI Period	Sell	14,51,730	2,73,62,829
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b) Sovin:

BSE				NSE			
PRE-UPSI PERIOD (01/08/2014-31/08/2014)							
Trade Date	Buy/Sell	Traded Quantity	Trade Value	Trade Date	Buy/Sell	Traded Quantity	Trade Value
No trades observed							
UPSI PERIOD (01/09/2014 to 15/02/2015)							
Trade Date	Buy/Sell	Traded Quantity	Trade Value	Trade Date	Buy/Sell	Traded Quantity	Trade Value
18/12/2014	Buy	70,000	3,017,500.95	16/12/2014	Buy	2,00,000	8,399,980
-	-	-	-	17/12/2014	Buy	21,033	861,667
-	-	-	-	18/12/2014	Buy	1,30,000	5,603,663
NSE Total : Buy during Pre-UPSI Period	Buy	70,000	3,017,500.95	NSE Total : Buy during Pre-UPSI Period	Buy	3,51,033	1,48,65,311
09/12/2014	Sell	1,25,000	6,438,931.40	09/12/2014	Sell	3,75,000	19,313,247
10/12/2014	Sell	50,000	2,537,500.00	10/12/2014	Sell	2,00,000	10,150,814
11/12/2014	Sell	50,000	2,487,840.20	11/12/2014	Sell	4,50,000	2,23,90,086
18/12/2014	Sell	1,098	45,607.35	18/12/2014	Sell	8,000	3,33,171
19/12/2014	Sell	58,557	2,307,145.80	19/12/2014	Sell	90,000	35,46,105
22/12/2014	Sell	50,000	1,800,083.80	22/12/2014	Sell	1,50,000	54,00,761
23/12/2014	Sell	50,000	1,687,500.00	22/12/2014	Sell	20,000	720,000
24/12/2014	Sell	75,099	2,115,779.40	23/12/2014	Sell	4,50,000	1,51,87,515
08/01/2015	Sell	1,00,000	3,475,015.65	24/12/2014	Sell	1,97,283	55,59,111
12/01/2015	Sell	2,50,000	7,877,035.60	26/12/2014	Sell	3,50,000	88,90,172
20/01/2015	Sell	1,50,000	4,350,000.00	08/01/2015	Sell	4,00,000	1,38,85,225
22/01/2015	Sell	1,52,829	4,088,134.30	12/01/2015	Sell	2,50,000	78,80,750
02/02/2015	Sell	82,104	2,134,712.00	20/01/2015	Sell	3,50,000	1,01,50,453
11/02/2015	Sell	41,301	966,450.15	22/01/2015	Sell	3,56,569	95,38,143
12/02/2015	Sell	7,713	174,626.70	02/02/2015	Sell	1,83,727	47,76,905
-	-	-	-	11/02/2015	Sell	96,517	22,59,263
-	-	-	-	12/02/2015	Sell	15,069	3,40,636
-	-	-	-	13/02/2015	Sell	2,16,958	49,56,439

BSE: Sell During UPSI Period	Sell	12,43,701	4,24,86,362.35	NSE: Sell During UPSI Period	Sell	41,59,123	14,52,78,796
POST-UPSI PERIOD (16/02/2015 to 31/03/2015)							
Trade Date	Buy/Sell	Traded Quantity	Trade Value	Trade Date	Buy/Sell	Traded Quantity	Trade Value
-	-	-	-	23/02/2015	Buy	1,00,000	2,016,086
BSE Total : Buy during Post-UPSI Period	Buy	0	0	NSE Total : Buy during Post-UPSI Period	Buy	1,00,000	2,016,086
13/03/2015	Sell	40,516	963,484.70	13/03/2015	Sell	1,69,512	3,968,951
30/03/2015	Sell	2,00,000	3,702,112.05	17/03/2015	Sell	175,000	3,456,250
31/03/2015	Sell	75,000	1,353,750.00	18/03/2015	Sell	3,19,600	5,722,939
-	-	-	-	19/03/2015	Sell	2,00,000	3,710,000
-	-	-	-	31/03/2015	Sell	2,00,000	3,610,132
BSE: Sell During Post UPSI Period	Sell	3,15,516	60,19,346.75	NSE: Sell During Post UPSI Period	Sell	10,64,112	2,04,68,272

c) Sunrath:

BSE				NSE			
PRE-UPSI PERIOD (01/08/2014-31/08/2014)							
Trade Date	Buy/Sell	Traded Quantity	Trade Value	Trade Date	Buy/Sell	Traded Quantity	Trade Value
No trades observed							
UPSI PERIOD (01/09/2014 to 15/02/2015)							
Trade Date	Buy/Sell	Traded Quantity	Trade Value	Trade Date	Buy/Sell	Traded Quantity	Trade Value
BSE Total : Buy during Pre-UPSI Period	Buy	0	0	NSE Total : Buy during UPSI Period	Buy	0	0
08/09/2014	Sell	50,000	4,152,476.50	08/09/2014	Sell	50,000	41,51,554
23/12/2014	Sell	1,22,120	41,09,609.35	05/12/2014	Sell	200,000	10,451,524
24/12/2014	Sell	2,50,000	72,50,000.00	23/12/2014	Sell	26,600	891,775
26/12/2014	Sell	1,50,000	38,62,500.00	24/12/2014	Sell	425,000	12,150,235
31/12/2014	Sell	1,70,000	57,29,000.00	26/12/2014	Sell	350,000	9,012,500
08/01/2015	Sell	2,50,000	87,25,000.00	31/12/2014	Sell	150,000	5,055,000
-	-	-	-	05/01/2015	Sell	7,547	307,918
-	-	-	-	08/01/2015	Sell	250,000	8,725,000

-	-	-	-	12/01/2015	Sell	221,418	6,978,443
BSE: Sell During UPSI Period	Sell	9,92,120	3,38,28,585.85	NSE: Sell During UPSI Period	Sell	16,80,565	5,77,23,948
POST-UPSI PERIOD (16/02/2015 to 31/03/2015)							
Trade Date	Buy/Sell	Traded Quantity	Trade Value	Trade Date	Buy/Sell	Traded Quantity	Trade Value
BSE Total : Buy during Post-UPSI Period	Buy	0	0	NSE Total : Buy during Post-UPSI Period	Buy	0	0
30/03/2015	Sell	70,000	1,276,006.80	30/03/2015	Sell	2,25,000	4,076,472
BSE: Sell During Post UPSI Period	Sell	70,000	1,276,006.80	NSE: Sell During Post UPSI Period	Sell	2,25,000	4,076,472

d) Lalita

BSE				NSE			
PRE-UPSI PERIOD (01/08/2014-31/08/2014)							
No trades observed							
UPSI PERIOD (01/09/2014 to 15/02/2015)							
Trade Date	Buy/Sell	Traded Quantity	Trade Value	Trade Date	Buy/Sell	Traded Quantity	Trade Value
BSE Total : Buy during UPSI Period	Buy	0	0	NSE Total : Buy during UPSI Period	Buy	0	0
04/02/2015	Sell	60,000	1,535,049.30	04/02/2015	Sell	1,90,000	4,826,265
05/02/2015	Sell	16,630	419,907.50	05/02/2015	Sell	50,000	1,262,500
BSE: Sell During UPSI Period	Sell	76,630	19,54,956.80	NSE: Sell During UPSI Period	Sell	2,40,000	60,88,765
POST-UPSI PERIOD (16/02/2015 to 31/03/2015)							
No trades observed							

e) Bharat:

BSE	NSE
PRE-UPSI PERIOD (01/08/2014-31/08/2014)	
No trades observed	

UPSI PERIOD (01/09/2014 to 15/02/2015)							
Trade Date	Buy/Sell	Traded Quantity	Trade Value	Trade Date	Buy/Sell	Traded Quantity	Trade Value
BSE Total : Buy during UPSI Period	Buy	0	0	NSE Total : Buy during UPSI Period	Buy	0	0
05/02/2015	Sell	58,370	1,473,842.50	05/02/2015	Sell	1,25,000	31,56,250
09/02/2015	Sell	24,830	579,667.05	09/02/2015	Sell	83,712	19,50,515
BSE: Sell During UPSI Period	Sell	83,200	20,53,509.55	NSE: Sell During UPSI Period	Sell	2,08,712	51,06,765
POST-UPSI PERIOD (16/02/2015 to 31/03/2015)							
BSE: Buy During Post UPSI Period	Buy	0	0	NSE: Buy During Post UPSI Period	Buy	0	0
13/03/2015	Sell	92,026	24,47,551.85	13/03/2015	Sell	94,072	24,84,616
BSE: Sell During UPSI Period	Sell	92,026	24,47,551.85	NSE: Sell During UPSI Period	Sell	94,072	24,84,616

19.5. Also, I note that the trading of the 5 connected entities across the market was analysed for 6 months before UPSI period (i.e. from March 01, 2014 to August 31, 2014), during UPSI period (i.e. from September 01, 2014 to February 15, 2015) and 6 months after UPSI period (i.e. from February 16, 2015 to August 16, 2015). In this regard, I note that investigation observed the followings:

- a) Impressive had sold heavily in the scrip of Sharon during the UPSI period and as observed from the trading details of Impressive that during the period of investigation, its major concentration was in the scrip of Sharon.
- b) Similarly, Sovin also sold heavily in the scrip of Sharon during the UPSI period. Further it was observed that Sovin had bought 4,21,033 shares but sold 54,02,824 shares of Sharon during the UPSI period. It sold shares of Sharon in the post UPSI period but did not trade in the scrip of Sharon during pre-UPSI period. It is also observed from the trading details of Sovin that during the period of investigation its major concentration was in the scrip of Sharon.

- c) Further, Sunrath sold heavily in the scrip Sharon during the UPSI period. Thereafter, it was observed that, it sold shares of Sharon in the post UPSI period but did not trade in the scrip of Sharon during pre-UPSI period. It is also observed from the trading details of Sunrath that during the period of investigation its major concentration was in the scrip of Sharon.
- d) Lalita Bharat Mehta sold shares of Sharon during the UPSI period. Further, it was observed that she did not trade in the scrip of Sharon 6 months before or 6 months after UPSI period. It is also observed from the trading details of Ms. Lalita that during the period of investigation 100% concentration was in the scrip of Sharon. She did not trade in any scrip including Sharon in the period of 6 months before and after the UPSI period.
- e) Bharat Mohanlal Mehta sold shares of Sharon during the UPSI period and post UPSI period. It is also observed from the trading details of Mr. Bharat that during the period of investigation 100% concentration was in the scrip of Sharon. He did not trade in the scrip of Sharon in the period of 6 months before the UPSI period.

19.6. In view of the above facts and circumstances, I note that from the trading pattern of the 5 connected entities as given in para 19.4 above, it is observed that all the connected entities, barring one instance, have only sold during the UPSI period and more specifically in the month of December 2014 i.e. end of the quarter. Here, it is imperative to note that the products started returning since September 2014. Accordingly, by the end of December 2014 i.e. after 3 months from September 2014, the majority of the return of the products would have taken place. The said return over a period of 3 months is sufficient to assess the loss incurred by the company. Therefore, the Noticees would have knowledge on the losses on the said return of the products and its impact on the financial position of the company for the quarter ending December 2014. This coupled with the fact that most of the offloading was done by the 5 connected entities in the month of December 2014 which continued till February 2015 i.e. just before the public announcement of the financial of the company, makes it quite obvious that they traded based on the said price sensitive information of the huge losses to be reflected for the quarter ended December 2014 due to the returns of

products. It is therefore concluded that the Noticees being the insiders, imparted the UPSI for trading in the scrip by the 5 connected entities based on their close connection with them.

19.7. Further, it was observed that the corporate announcement pertaining to the financial results for quarter ended December 2014, was made by Sharon on February 16, 2015, at 08:51 AM on NSE and at 09:03 AM on BSE. The closing price of the scrip on the day of the UPSI becoming public was ₹21.85/- and ₹21.75/- on BSE and NSE, respectively. The news of the company reporting a loss of ₹103.370 crores for the quarter ended December 2014 as compared to profit of ₹18.105 crores for the quarter ended September 2014 can have a negative impact on the market which resulted in the price of the scrip going down. In view of the above facts, the 5 connected entities have dealt in the scrip in such a way to avoid losses and the same are detailed below:

- i) Impressive averted a loss of Rs.7,19,07,235.65 by selling 30,61,185 shares of Sharon during the UPSI period.
- ii) Sovin averted a loss of Rs.7,02,36,712 by selling 54,02,824 shares of Sharon during the UPSI period.
- iii) Sunrath averted a loss of Rs.3,34,08,562.50 by selling 26,72,685 shares of Sharon during the UPSI period.
- iv) Lalita averted a loss of Rs.11,55,699.50 by selling 3,16,630 shares of Sharon during the UPSI period.
- v) Bharat averted a loss of Rs.8,08,596.24 by selling 2,91,912 shares of Sharon during the UPSI period.

19.8. In view of the above, I note that the trading pattern of Impressive, Sovin, Sunrath, Bharat and Lalita vis-à-vis price/volume movement in the scrip prior to UPSI period, corporate announcements, financial results of Sharon, loss averted, reasons stated by them for trading in the scrip of Sharon and the close connection among Lalita, Bharat, major shareholders of Impressive, Sunrath, Sovin, and Noticee No.4, establishes the fact that the trading done by the 5 connected entities in the scrip of Sharon was done while in possession of UPSI. Hence, the entities are considered as having access to UPSI and thus qualify as insiders and the trading of the entities has been concluded as insider trading.

19.9. It is also observed from the annual reports of the company that this is the first loss Sharon has reported since its inception. Thereafter, I note that the investigation observed, a sales

tax notice was issued against Sharon on January 18, 2016, for engaging in fictitious trading activities and according to the said notice, companies were set up in the names of employees/relatives of Sharon as Directors/Shareholders. Further, the notice also mentioned that the stock statements submitted to lenders were also inflated. The Sales Tax Department had reported 18 such companies in their notice, which included names of Impressive, Sovin, Sunrath and Valee Developers Pvt. Limited. Then, I note that the investigation also observed that fund transfers between the 5 connected entities as under;

- i. Valee had fund transfer with Sovin.
- ii. Bharat had lent a sum of Rs. 5 lakh in 2006-07 to Sunrath and
- iii. Lalita had lent Rs. 5 lakh to Sovin in 2006-07.

19.10. I also note that it is already established above that Noticee No.4 was promoter of Sharon, and was in-charge of the administrative work of Sharon at its corporate office. Besides that, it is observed that she was the wife of CFO of Sharon ie Noticee No.5. It is therefore by being a relative of an insider, she is deemed to be connected to the company as per Regulation 2(h)(viii) of PIT Regulations and had access to UPSI of the company. Considering the above established close connection of Noticee No.4 with the 5 connected entities as well as the timing i.e. during the UPSI and huge number of shares of the company sold by Impressive, Sovin, Sunrath, Lalita and Bharat i.e. 30,61,185 shares, 26,72,685 share,s 54,02,824 shares, 3,16,630 shares and 2,91,912 shares resulting in averting loss of Rs.7,19,07,235.65, Rs.3,34,08,562.50, Rs.7,02,36,712, Rs.11,55,699.50 and Rs.8,08,596.24 respectively, it is evident that they had access to the UPSI of the company and traded on the basis of such UPSI.

19.11. The same has also been established in the course of proceedings before the Whole Time Member SEBI, vide Order No. WTM/ASB/IVD/ID4/27676/2023-24 dated 22.06.2023, the 5 Connected entities i.e. Bharat Mohanlal Mehta, Lalita Bharat Mehta, Impressive Trading Pvt. Ltd., Soving Trading Pvt. Ltd. and Sunrath Trading Pvt. Ltd., have been found to be guilty of trading on the basis of the UPSI and averting losses. Accordingly, the following directions were imposed on them;

- (a) restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, in any manner whatsoever, for a period of 3 years from the date of this order. The Noticees are allowed to settle the pay-in and pay-out obligations in respect of transactions, if any, executed by them before the closure of trading on the date of this Order. The Noticees are also permitted liquidate any open positions in exchange-traded derivative contracts that they might have, within 3 months from the date of this Order, or the expiry of such contracts, whichever is earlier.
- (b) directed to disgorge the amounts equivalent to the losses unlawfully averted by them, along with simple interest @9% per annum for the period from February 16, 2015 till the date of actual payment.
- (c) They are hereby imposed with monetary penalties of Rs. 10,00,000/- each, under Section 15G of the SEBI Act, 1992.

19.12. The Noticee No. 4 to 6 contended that they did not make any gain or received any consideration from the 5 connected entities, from sale proceeds of the shares of Sharon. With regard to the same, I note that, the 5 connected entities are also considered as insiders as per Regulations 2 (e) of the PIT Regulations and also as established above in the preceding paragraphs. Further, in this case the 5 connected entities have sold their shares, only during the UPSI period and not immediately after the fire accident i.e. July 2014 itself or even in August 2014, which resulted in averting loss of crores of rupees. In this regard, I note that the Supreme Court in the matter of **SEBI Vs. Abhijit Rajan** stated: “... *one cannot ignore human conduct. If a person enters into a transaction which is surely likely to result in loss, he cannot be accused of insider trading. In other words, the actual gain or loss is immaterial, but the motive for making a gain is essential*”. Therefore, I note that the 5 connected entities are connected to the Noticees and sold their shares during the UPSI period which resulted in averting loss of crores of rupees. Therefore, I find no merit in the contention of the Noticee No. 4 to 6 in this regard.

20. Non- Disclosure

20.1 As regards the violation of Regulation 13(4A) of the PIT Regulations by Noticee no. 4, it is argued that the moment she came to know about the correct number of shares after

reconciliation, the same was disclosed to the company and stock exchange. Therefore, she cannot be alleged to have violated Regulation 13(4A) of PIT Regulations. Further, for making/filing incorrect disclosure with the Company or stock exchange penalty cannot be levied under Section 15HB of the SEBI Act. The penalty for the same (if at all violation is established) can only be levied under 15 A(a) of the SEBI Act. In this regard, I note that as per Regulation 13(4A) of PIT Regulations, any person who is "promoter or part of promoter group" is required to disclose any change in his shareholding to the company and stock exchange when change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding, whichever is lower. Accordingly, pursuant to invocation of pledge on 10,00,000 shares on December 01, 2014, of Noticee No.4, an incorrect disclosure (i.e. 3,68,871 shares) in this regard was made to the company and exchanges in December 2014. This amounts to a wrongful disclosure by Noticee No. 4 under PIT Regulations. Subsequently, on July 17, 2015, Noticee No. 4 had submitted a revised disclosure to the company and the exchanges with regard to the said disclosure.

20.2. Further, as regards Noticee No. 4's submission that for making/filing incorrect disclosure with the Company or stock exchange penalty cannot be levied under Section 15HB of the SEBI Act and can only be levied under 15 A(a) of the SEBI Act, I note that the violation of incorrect disclosure in this case had occurred in December 2014 and that point in time there was no specific provision for imposition of monetary penalty in case of non-disclosure as the amendment to Section 15 A of SEBI Act, to include "or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents" was inserted by Finance Act, 2018 with effect from 08.03.2019. Therefore, Section 15 HB of SEBI Act has been taken as the penal provision since no separate penalty has been provided. Accordingly, the text of Section 15 A (a) prior to and after the amendment is reproduced as under;

After the 2019 amendment

Penalty for failure to furnish information, return, etc.

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

(a) to furnish any document, return or report to the Board, fails to furnish the same¹[or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to²[a penalty³[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]];

Before the 2019 amendment

Penalty for failure to furnish information, return, etc.

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

(a) to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to⁴[a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less];

20.3. In view of the above facts, I am of the view that the disclosures requirements under the respective regulations serve very important purposes. The stock exchange is informed via disclosures so that the investing public will come to know of the position enabling them to stick on with or exit from the company. Further, timely disclosures of the details of the shareholding of the persons acquiring substantial stake is of significant importance as such disclosures also enable the regulators to monitor such acquisitions. Further, Hon'ble Securities Appellate Tribunal ('SAT') in the matter of **Coimbatore Flavors & Fragrances Ltd. vs SEBI** (Appeal No. 209 of 2014 order dated August 11, 2014), has held that "*Undoubtedly, the purpose of these disclosures is to bring about more transparency in the affairs of the companies. True and timely disclosures by a company or its promoters are very essential from two angles. Firstly; investors can take a more informed decision to invest or not to invest in a particular scrip secondly; the Regulator can properly monitor the transactions in the capital market to effectively regulate the same.*"

20.4. Further, Hon'ble SAT in its judgement dated October 14, 2014 in the matter of Virendrakumar Jayantilal Patel vs. SEBI (Appeal No. 299 of 2014), has held that "..... obligation to make

¹ Inserted by the Finance Act, 2018 w.e.f. 08-03-2019.

² Substituted for "a penalty not exceeding one lakh and fifty thousand rupees for each such failure" by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

³ Substituted for the words "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.

⁴ Substituted for "a penalty not exceeding one lakh and fifty thousand rupees for each such failure" by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

disclosures within the stipulated time is a mandatory obligation and penalty is imposed for not complying with the mandatory obligation.” (Emphasis supplied).

20.5. Therefore, I find that by making wrongful disclosure of 3,68,871 shares instead of 10,00,000 shares between December 01, 2014 and July 17, 2015, Noticee No. 4 has violated Regulation 13(4A) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015.

Issue II - *The second issue for consideration is whether the violation, if any, on the part of the Noticees attract monetary penalty under Section 15 G and 15 HB of the SEBI Act, respectively?*

21. I further note that Hon’ble Supreme Court of India, in the matter of Chairman, SEBI vs. Shriram Mutual Fund {[2006] 5 SCC 361} held that "In our view, the penalty is attracted as soon as contravention of the statutory obligations as contemplated by the Act is established and, therefore, the intention of the parties committing such violation becomes immaterial. Hence, we are of the view that once the contravention is established, then the penalty has to follow and only the quantum of penalty is discretionary”.

22. I also note that in Appeal No. 66 of 2003 – **Milan Mahendra Securities Pvt. Ltd. Vs. SEBI** – the Hon’ble Securities Appellate Tribunal (SAT) has observed that, “*the purpose of these disclosures is to bring about transparency in the transactions and assist the Regulator to effectively monitor the transactions in the market*”.

23. In view of the foregoing, I am convinced that the Noticees are thus liable for monetary penalty under Section 15G and 15 HB of SEBI Act which, read as under:

Penalties and Adjudication

Penalty for insider trading.

15G. *If any insider who,—*

- (i) either on his own behalf or on behalf of any other person, deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price-sensitive information; or*
- (ii) communicates any unpublished price-sensitive information to any person, with or without his request for such information except as required in the ordinary course of business or under any law; or*

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

Penalty for contravention where no separate penalty has been provided.

15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

Issue III - What would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15 J of the SEBI Act?

24. While determining the quantum of penalty under Sections 15G and 15 HB of the SEBI Act, it is important to consider the factors relevantly as stipulated in Section 15J of the SEBI Act which reads as under: -

Factors to be taken into account by the adjudicating officer.

Section 15J - While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -

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

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

25. The material available on record has not quantified the amount of unfair advantage, if any, made by the Noticees and the loss, if any, and suffered by the investors as a result of the Noticees' failure. I also note that PIT regulations prohibits the trading in the shares of the company by the insiders while in possession of UPSI. Such regulation of trades by the insider is necessary to protect the interest of the investors in the securities market and also for the development of the market. If insider trading is not contained, prohibited and dealt with firmly, it will hamper and jeopardize the interest of a normal shareholders and that protection of the interests of the investors is the prime objective of SEBI. The objective behind such requirement is that the investing public shall not be deprived of any vital information in respect of their investments in the securities market. SEBI is duty bound to ensure that the investing public are not deprived of any statutory rights available to them. I am of the opinion that, the disregard for the law depicted by the Noticees as in this case may have placed investors in disadvantageous position in comparison to the Noticees, which cannot be in the interest of the securities market. The law in this case does not permit any allowance to be made for such act as found in this case. Thus, in the present matter the facts of the case clearly bring out the default made by the Noticees. Hence, I note that the Noticees are insiders who have communicated UPSI to persons authorized for trading in the scrip of the company who then traded while in possession of UPSI. Therefore, the Noticees have violated Section 12 A (d) & (e) of SEBI Act, 1992 and Regulation 3(ii) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015.
26. Further, I also note that securities market is based on free and open access to information, and that protection of the interests of the investors is the prime objective of SEBI. Disclosures in respect of the vital information of any company has been made mandatory for the protection of the investors so as to enable them to take suitable informed investment decisions. The objective behind such requirement is that the investing public shall not be deprived of any vital information in respect of their investments in the securities market. If any person who is to make such disclosures doesn't make it and are depriving the investing public the statutory rights available to them, then SEBI is duty bound to ensure that the investing public are not deprived of any statutory rights available to them. Thus, in the present matter the facts of the case clearly bring out the default made by the Noticee No.4. Hence, I note that Noticee No. 4 had made wrong disclosures as regards the invocation of

its pledge on 10,00,000 shares in December 2014, which was rectified only in July 2015. Therefore, Noticee No. 4 has also violated the provisions of Regulation 13(4A) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015.

F. ORDER

27. In view of the above, after considering all the facts and circumstances of the case and the factors mentioned in the provisions of Section 15-I of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, I hereby impose the following penalty on the Noticees;

Noticee Nos.	Name of Noticee	Violation	Penalty in Rs. & Penal provision
1	Anjali krishnadev Bahuguna (Noticee No.1)	Section 12A(d) & (e) of SEBI Act, 1992 and Regulation 3(ii) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015	Rs. 10,00,000/- (Rupees Ten Lakhs Only) Under Section 15G Act, 1992
2	Inderdev Harshdev Bahuguna (Noticee No.2)	Section 12A(d) & (e) of SEBI Act, 1992 and Regulation 3(ii) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015	Rs. 10,00,000/- (Rupees Ten Lakhs Only) Under Section 15G Act, 1992
3	Krishandev Harshdev Bahuguna (Noticee No. 3)	Section 12A(d) & (e) of SEBI Act, 1992 and Regulation 3(ii) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015	Rs. 10,00,000/- (Rupees Ten Lakhs Only) Under Section 15G Act, 1992
4	Asha Mohan Kala (Noticee No. 4)	Section 12A(d) & (e) of SEBI Act, 1992 and Regulation 3(ii) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015	Rs. 10,00,000/- (Rupees Ten Lakhs Only) Under Section 15G Act, 1992
		Regulation 13(4A) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015	Rs. 1,00,000/- (Rupees One Lakh Only) Under Section 15 HB of SEBI Act, 1992
5	Mohan Prasad Kala (Noticee No.5)	Section 12A(d) & (e) of SEBI Act, 1992 and Regulation 3(ii) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015	Rs. 15,00,000/- (Rupees Ten Lakhs Only) Under Section 15G Act, 1992
6	Savita Satish Gowda (Noticee No. 6)	Section 12A(d) & (e) of SEBI Act, 1992 and Regulation 3(ii) of PIT Regulations read with Regulation 12 of SEBI (PIT) Regulations, 2015	Rs. 15,00,000/- (Rupees Ten Lakhs Only) Under Section 15G Act, 1992

28. I am of the view that the said penalty is commensurate with the violation committed by the Noticees in this case.

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

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW.

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

Date: July 12, 2023

Place: Mumbai

G. RAMAR

ADJUDICATING OFFICER