

**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
[ADJUDICATION ORDER NO. Order/JS/YK/2025-26/31599]**

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

**In respect of:**

<b>Noticee</b>	<b>PAN</b>
Integrated Master Securities Private Limited	AAACI2074F

**In the matter of insider trading activities of certain entities in the scrip of Mastek Ltd.**

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**BACKGROUND**

1. Mastek Ltd. is a company listed in BSE Limited and National Stock Exchange of India Limited. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an investigation in the trading activities of certain entities in the scrip of Mastek Ltd. to ascertain whether there was any violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and rules and regulations made thereunder. The investigation was carried for the period from December 01, 2022 to August 31, 2023 (hereinafter referred to as “**Investigation Period/IP**”).
2. Based on the investigation, it was alleged that Integrated Master Securities Pvt. Ltd. (hereinafter referred to as “**Noticee**”) who is registered with SEBI as a stock broker (Registration No. INZ000175931) provided false and misleading information to SEBI during the course of investigation. It was further alleged that Noticee failed to maintain original call recordings of client orders. Therefore, it was alleged that Noticee had violated provisions of section 11C(3) of SEBI Act and paras III, IV and V of SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 (hereinafter referred to as “**SEBI Circular dated March 22, 2018**”) read with paras

34.2, 34.4 and 34.5 of SEBI Master Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/71 dated May 17, 2023 (hereinafter referred to as “**SEBI Master Circular dated May 17, 2023**”) and clauses A(1), A(2) and A(5) of Schedule II of SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as “**Brokers Regulations**”) read with regulation 9(f) of Brokers Regulations.

### **APPOINTMENT OF ADJUDICATING OFFICER**

3. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as “**AO**”) in this matter vide communiqué dated May 29, 2025 under section 15-I of the SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Rules**”), to inquire into and adjudge under the provisions of section 15A(a) of the SEBI Act for the alleged violation of section 11C(3) of the SEBI Act and under section 15HB of the SEBI Act for alleged violation of paras III, IV and V of SEBI Circular dated March 22, 2018 read with paras 34.2, 34.4 and 34.5 of SEBI Master Circular dated May 17, 2023 and clauses A(1), A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations.

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

4. Show Cause Notice Ref. No. SEBI/EAD/EAD-2/JS/YK/14800/1//2025 dated June 04, 2025 (hereinafter referred to as “**SCN**”) was issued to Noticee in terms of rule 4 of the Rules read with section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against Noticee and why penalty, if any, should not be imposed on it in terms of the provisions of sections 15A(a) and 15HB of the SEBI Act for the aforementioned violations alleged to have been committed by Noticee.
5. The SCN dated June 04, 2025, *inter alia*, alleged the following:
  - “During the course of investigation, it was observed that one M/s. SG Realtor Pvt. Ltd. (hereinafter referred to as “**SGRPL**”) had traded in the scrip of the Mastek Ltd. during the IP (bought 40,000 shares on July 05, 2023 and sold 40,000 shares on July 27, 2023). It was observed that the trading member of SGRPL was Noticee and certain information were sought by SEBI from Noticee regarding the orders placed by SGRPL in the scrip of Mastek Ltd. during the IP. Noticee, vide e-mail

dated December 23, 2024, *inter alia*, stated that the mode of order placed by SGRPL for the said trades was offline (through phone call). Noticee in the said e-mail further stated that the call recordings of the orders placed by SGRPL for the said trades were not available with it. Subsequently, vide e-mail dated January 02, 2025, Noticee provided 14 call recordings which were related to the trades placed by SGRPL during the period from June, 2023 to July, 2023.

- It was observed that SEBI, *inter alia*, asked SGRPL to provide the name of the authorised signatory, who placed these orders on behalf of SGRPL. Vide e-mail dated December 27, 2024, SGRPL stated that these orders were placed by Ms. Kanika Gupta, the authorised signatory/Investment Analyst of SGRPL. It was further stated in the said e-mail that orders were generally placed by calling the broker and the contact number used to place orders is 9xxxxxxx2 (mobile number of Ms. Kanika Gupta).
- Call data record (CDR) of Ms. Kanika Gupta (mobile number 9xxxxxxx2) was analyzed by SEBI wherein it was observed that 21 calls were made by Ms. Kanika Gupta to the landline number of Noticee (2xxxxxxx4) on December 31, 2024. Out of 21 calls, 19 calls were made after market hours and duration of calls were from 8 to 90 seconds. It was further observed that the duration of call recordings as provided by Noticee matched with the duration of CDR calls with lag of 1-2 seconds in some calls. Details of the same were as under:

**Table 1**

<b>CDR date</b>	<b>Call duration in CDR (in seconds)</b>	<b>Trade Date</b>	<b>Audio Duration (in seconds) as per Call recording provided by Noticee</b>
31/12/2024	62	02-Jun-23	63
31/12/2024	51	09-Jun-23	51
31/12/2024	66	15-Jun-23	64
31/12/2024	56	15-Jun-23	57
31/12/2024	46	16-Jun-23	46
31/12/2024	36	28-Jun-23	37
31/12/2024	62	30-Jun-23	63
31/12/2024	77	03-Jul-23	78
31/12/2024	40	07-Jul-23	41
31/12/2024	90	10-Jul-23	91
31/12/2024	41	28-Jul-23	42
31/12/2024	77	28-Jul-23	79

- Statement of Ms. Kanika Gupta had been recorded on January 03, 2025 by SEBI wherein she accepted that call recordings for the trades executed in 2023 were made by her on the request of Mr. Rajendra Parihar from the office of Noticee. She

further submitted that the request was made by Mr. Rajendra Parihar on December 28, 2024 and Mr. Rajendra Parihar had also shared the trade details with her on WhatsApp.

- Statement of Mr. Rajendra Parihar was recorded on January 16, 2025 by SEBI wherein he, inter alia, stated that, "I have sent a list of scrips to Ms. Kanika Gupta of M/s SG Realtor Pvt. Ltd. on her WhatsApp on December 28, 2024 to make calls to us at IMSL to record calls related to trades of June-July 2023 carried out by SG Realtor Pvt. Ltd. Mr. Kunal Khaneja asked me to record calls for the given dates. The dates of trades have been mentioned at Annexure A. The calls were recorded on December 31 2024 for the trades mentioned in Annexure A and calls were made by Ms. Kanika Gupta." Hence, it was observed that Mr. Rajendra Parihar had accepted that he had called Ms. Kanika Gupta on December 28, 2024 and asked her to record calls pertaining to trade executed in June-July 2023.
- It was further observed that statement of Mr. Kunal Khaneja had also been recorded on January 17, 2025 by SEBI wherein he, inter alia, stated that, "We were asked by SEBI to provide the documentary evidence on the orders received from the client SG Realtor Pvt. Ltd. for the period between June to July 2023. As we found the call records were not available with us, on my instructions calls were recorded on December 31, 2024 with the client SG Realtor Pvt. Ltd. for the orders placed by the client in June –July 2023 to enable us to submit to SEBI. The data was then submitted to SEBI vide email dated January 02, 2025."
- It was further observed when SEBI team visited the office of Noticee that call recordings were automatically saved in the system. The call recordings were obtained for the dates mentioned in the aforementioned WhatsApp chats sent by Mr. Rajendra Parihar to Ms. Kanika Gupta. From the perusal of the call recordings, it was observed that Ms. Kanika Gupta was placing orders for SGRPL by calling from her mobile number (9xxxxxxx2) to the landline number of the Noticee. However, from the Know Your Client (KYC) documents obtained from Noticee, it was observed that Ms. Kanika Gupta's mobile number (9xxxxxxx2) was not registered with Noticee during that period.
- In view of the aforesaid observations, it was alleged that Noticee had created back dated call recordings with the help of investor analyst of SGRPL, Ms. Kanika Gupta and provided the same to SEBI vide email dated January 02, 2025. Hence, it was alleged that Noticee had provided false and misleading information to SEBI and misled the investigation. It was further alleged that Noticee had failed to maintain call recordings of the orders placed by its client through call. Hence, it was alleged that Noticee had violated the provisions of section 11C(3) of SEBI Act, paras III, IV and V of SEBI Circular dated March 22, 2018 read with paras 34.2, 34.4 and 34.5 of SEBI Master Circular dated May 17, 2023 and clauses A(1), A(2) and A(5) of

*Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations.”*

6. The SCN was duly served upon Noticee in consonance with the Rules. Noticee submitted its reply vide letter dated June 18, 2025. Thereafter, a hearing was held on July 01, 2025 before the undersigned. The authorized representative (hereinafter referred to as “**AR**”) of Noticee, Mr. Subhash Chander Khaneja, attended the hearing and reiterated the submissions made by Noticee vide letter dated June 18, 2025.
7. The relevant extracts of Noticee’s reply dated June 18, 2025, is reproduced below in verbatim:
  - *“In reply to para 1, it is submitted that we had never provided false and misleading information to SEBI during the course of investigation as alleged in the said para. Further, it is stated that we have already installed a proper mechanism to maintain voice recording system (Model-Telrecall USB-4) for recording all calls as mentioned in our reply dated 23.12.2024 as sent through e-mail to SEBI. We always accept the Trade orders over the recorded landline number. Further, it is stated that Ms. Kanika Gupta, the Authorised Signatory of our client namely SG Realtor Pvt. Ltd., has also affirmed on Oath before Investigating Authority on 03.01.2025 in reply to Q6 that “I have placed the order with trading member Integrated Master Securities Pvt. Ltd. by calling them at 02xxxxxxxx4 on July 05, 2023 and July 27, 2023 from my mobile Number 9xxxxxxxx2”. Thereby, it is crystal clear that she has placed the orders and there are no trade disputes therein. We failed to locate the voice recording at that time and hence not provided during the investigation. The same, we have mentioned in our reply dated 23.12.2024 as stated above.*
  - *Further, it is stated that the provision of SEBI Circular dated 22.03.2018 is not applicable in the matter as there are no trade disputes. It is clearly mentioned in the SEBI Circular that “In case where dispute has been raised, such records shall be kept till final resolution of the dispute”. Further, para 34.2; 34.4 and 34.5 of SEBI Master Circular dated 17.05.2023 also applicable in case of “Prevention of unauthorised trading by Stock brokers”. Thereby, it is crystal clear that in case of trade disputes, call recording will be considered for deciding unauthorised trades but in the present matter there are no trade disputes. Further, the Clause A(1), A(2) and A(5) of Regulation 9 of Schedule II of SEBI (Stock Broker) Regulations, 1992 states about Code of conduct for Stock Brokers wherein it is mentioned about Integrity, manipulation, malpractices and duty to the investors. We have never done any manipulation or malpractices while dealing with trades and maintained high standards of integrity, promptitude and fairness in the conduct of our business. Thereby, we deny the allegation as alleged in the said para.*

- *In reply to para 2, it is submitted that there is no violation of alleged regulations due to the reason as stated in the above para. Hence, we deny the allegation as alleged in the said para.*
- *In reply to para 3, it is stated that in our initial reply dated 23.12.2024, we have clearly stated that we failed to locate the voice recording and hence not provided during the investigation. However, the said trades are not disputed and the same you had observed. Thereafter, it is decided to record the placed orders for the sake of our defence as we failed to locate the recorded trade orders in our system. In the said recording, the same person i.e. Ms. Kanika Gupta had placed the original orders, scrips are same, recording taken place at the office of original Trading Member and hence there is no manipulation therein. There is no mens rea either of the parties. Hence, it is crystal clear that there is no concealment therein from our side.*
- *In reply to para 4, it is stated that Ms. Kanika Gupta is the Authorised Signatory of our client namely SG Realtor Pvt. Ltd. and she had accepted that the impugned trades were placed by her. Thereby, there is no disputes in the said executed trades.*
- *In reply to para 5, it is submitted that the said calls were recorded due to the reason as stated in the above para 1 & 3. Further, it is stated that we have not manipulated while recording thereof.*
- *In reply to para 6-8, it is stated that Mr. Rajendra Parihar, Ms. Kanika Gupta or Mr. Kunal Khaneja have never denied the statement as stated in the paras and recorded for the future evidence due to non- availability thereof as trades were executed in June-July 2023. We had never manipulated while recording the trades. You insisted to provide the documentary evidence, so we provided the recording thereof.*
- *In reply to para 9, it is stated that in fact the recorded audio will always be saved in the system automatically as we have never manipulated or defaced the evidence. Further, it is stated that an Authorised Signatory Ms. Kanika Gupta has stated that she is an authorised person on behalf of the said client and was duly authorised to place order as also affirmed by her on oath before SEBI. As per Annexure 12, the attached Board Resolution relates to Depository Participant (DP) having DP Account no. IN3\*\*\*\*\*4 to sign DIS and operate the Depository account and not for Trading Account to place an order. Whereas SG Realtor Pvt. Ltd. has appointed Ms. Kanika Gupta as authorised signatory. Also, Ms. Kanika Gupta, in-person, given statement on oath before the investigating authority that she is an authorised signatory to give an instruction to trade on behalf of SG Realtor Pvt. Ltd. Hence, there is no dispute in the matter.*

- *In reply to para 10, it is submitted that the respective persons have already given statement that the call recording were recorded as evidence for future perspective. Honestly, we have provided the same and not done any manipulation or misled the information. We have stated in the above para 3 that the given orders were recorded for the sake of our defence as we failed to locate the recorded Trade orders. In the said recording the same person i.e. Ms. Kanika Gupta had placed the original orders, scrips are same, recording taken place at the office of original Trading Member and hence there is no manipulation therein. There is no mens rea either of the parties. Hence, it is crystal clear that there is no concealment therein.*
- *Further, it is stated that there is no violation of SEBI circular dated 22.03.2018 and para 34.02, 34.4 and 34.5 of SEBI Circular dated 17.05.2023 and Clause A(1), A(2) and A(5) of Schedule II of Brokers regulations as the reason as stated in the above para 1. The said Regulation will be applicable and considered in case of unauthorised trades/ disputed trades but there is no such case in the instant matter.*
- *In reply to para 11, it is stated that the matter has no merits to inquire the matter under the SEBI Act, 1992 and under the alleged violation of SEBI circular dated 22.03.2018 and para 34.02, 34.4 and 34.5 of SEBI Circular dated 17.05.2023 and Clause A(1), A(2) and A(5) of Schedule II of Brokers regulations.*
- *In reply to para 12, it is submitted that in the facts and circumstance as stated in the above para, we have not violated the alleged regulations as stated and not liable to penalty u/s 15A and 15HB of the SEBI Act.*
- *In reply to para 13-14, it is stated that we are submitting the reply within time frame and send the same as per direction as stated in the para. Further, it is humbly requested to consider our above submissions and do not to penalised for the reasons as stated above.*
- *In reply to para 15, it is submitted that in the facts and circumstance as stated in the above para 15, it is submitted that we don't wish to apply for settlement mechanism as we have not committed any wrong doing or manipulation or malpractices therein.*
- *In reply to para 16, it is submitted that if any changes takes place in our correspondence address or e-mail address, we will keep you and exchanges duly informed and updated.*
- *Hence, in the facts and circumstances as stated above in the instant matter, alleged violation has no merits and liable to be set aside as the reason as stated in the above paras and not penalise."*

## **CONSIDERATION OF ISSUES AND FINDINGS**

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

- I. **Whether Noticee provided false information to SEBI during the course of investigation and failed to maintain original call recordings of client orders and thereby violated provisions of section 11C(3) of the SEBI Act and paras III, IV and V of SEBI Circular dated March 22, 2018 read with paras 34.2, 34.4 and 34.5 of SEBI Master Circular dated May 17, 2023 and clauses A(1), A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations?**
- II. **Does the violation, if any, on the part of Noticee attract monetary penalty under sections 15A(a) and 15HB of the SEBI Act?**
- III. **If so, what would be the quantum of monetary penalty that can be imposed on Noticee after taking into consideration the factors stipulated in section 15J of the SEBI Act?**

9. Before proceeding further, it is pertinent to refer the relevant provisions of law, allegedly violated by Noticee. The same are reproduced as under:

***“SEBI Act***

***11C.***

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

***Brokers Regulations***

***SCHEDULE II***

***CODE OF CONDUCT FOR STOCK BROKERS***

***A. General.***

*(1) Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.*



*(2) Exercise of due skill and care : A stock-broker shall act with due skill, care and diligence in the conduct of all his business.*

*.....*

*(5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.*

***SEBI Circular dated March 22, 2018***

*III. To further strengthen regulatory provisions against un-authorized trades and also to harmonise the requirements across markets, it has now been decided that all brokers shall execute trades of clients only after keeping evidence of the client placing such order, which could be, inter alia, in the form of:*

- a. Physical record written & signed by client,*
- b. Telephone recording,*
- c. Email from authorized email id,*
- d. Log for internet transactions,*
- e. Record of messages through mobile phones,*
- f. Any other legally verifiable record.*

*When a dispute arises, the broker shall produce the above mentioned records for the disputed trades. However for exceptional cases such as technical failure etc. where broker fails to produce order placing evidences, the broker shall justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by client, receipt/payment of funds/ securities by client in respect of disputed trade, etc. shall also be considered.*

*IV. Further, wherever the order instructions are received from clients through the telephone, the stock broker shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.*

*V. The Brokers are required to maintain the records specified at Para III above for a minimum period for which the arbitration accepts investors' complaints as notified from time to time currently three years. However in cases where dispute has been raised, such records shall be kept till final resolution of the dispute.*

***SEBI Master Circular dated May 17, 2023***

*34.2 To further strengthen regulatory provisions against un-authorized trades and also to harmonise the requirements across markets, it has now been decided that all brokers shall execute trades of clients only after keeping evidence of the client placing such order, it could be, inter alia, in the form of:*

- a. Physical record written & signed by client,*
- b. Telephone recording,*
- c. Email from authorized email id,*
- d. Log for internet transactions,*
- e. Record of SMS messages,*

*f. Any other legally verifiable record.*

*34.4 Further, wherever the order instructions are received from clients through the telephone, the stock broker shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.*

*34.5 The Brokers are required to maintain the records specified at para 34.2 above for a minimum period for which the arbitration accepts investors' complaints as notified from time to time currently three years. However, in cases where dispute has been raised, such records shall be kept till final resolution of the dispute."*

**Issue I. Whether Noticee provided false information to SEBI during the course of investigation and failed to maintain original call recordings of client orders and thereby violated provisions of section 11C(3) of the SEBI Act and paras III, IV and V of SEBI Circular dated March 22, 2018 read with paras 34.2, 34.4 and 34.5 of SEBI Master Circular dated May 17, 2023 and clauses A(1), A(2) and A(5) of Schedule II of Brokers Regulations read with regulation 9(f) of Brokers Regulations?**

10. From the material on record, it is noted that Noticee was the trading member of SGRPL which had executed trades in the scrip of Mastek Ltd. in July 2023. During the course of SEBI's investigation, Noticee initially stated that call recordings of the orders placed for these trades through phone call were not available. Subsequently, Noticee submitted 14 call recordings claiming that the recordings pertain to the trades placed during the period from June 2023 to July 2023. SEBI investigation revealed that these calls were actually made on December 31, 2024, after Mr. Rajendra Parihar (employee of Noticee), on instructions from Mr. Kunal Khaneja (director of Noticee), coordinated with Ms. Kanika Gupta (employee of SGRPL) to recreate these calls. Such re-creation of calls were confirmed through call data records, WhatsApp chats and recorded statements of involved persons. It was also found that the mobile number used by Ms. Kanika Gupta (employee of SGRPL) to place these calls was not registered with Noticee during the trade period.

11. In view of the above, it was alleged that Noticee provided false and misleading information to SEBI and misled the investigation. It was further alleged that Noticee failed to maintain original call recordings of client orders placed over the phone.
12. In this regard, I note that Noticee, in its replies, admitted that the original voice recordings pertaining to the July 2023 trades could not be located and therefore, it had recreated the same for the sake of its defense.
13. Noticee submitted that in the said recordings, the same person, i.e., Ms. Kanika Gupta had placed the original orders, scrips are same, recordings had taken place at the office of trading member and therefore it has not done any manipulation or provided false and misleading information to SEBI. Noticee claimed that there was no mens rea and it has acted with integrity, fairness, and without any malpractices.
14. With regard to the Noticee's contention that it did not mislead SEBI, the facts on record contradict this claim. The Noticee initially stated vide email dated December 23, 2024, that call recordings for the relevant trades were not available. However, on January 2, 2025, it submitted 14 audio recordings purportedly representing the original trade instructions. As established through CDRs, WhatsApp chats, and recorded statements of involved persons, these recordings were actually created on December 31, 2024, well after SEBI had sought the original evidence.
15. Even SEBI circulars provide that, in exceptional circumstances where a broker is unable to produce order placement evidence, the broker may justify the same by providing valid reasons along with appropriate evidence such as post trade confirmations from client. However, rather than availing this route, Noticee attempted to provide call recordings recreated on December 31, 2024 as the original call recordings to SEBI investigation team. This deliberate act of furnishing recreated call recordings to SEBI without proper disclosure or disclaimer and active concealment of the fact that these calls were recreated, cannot be considered a bona fide act and amounts to providing false and misleading information.

16. As regards the Noticee's argument that there was no mens rea, I would like to refer to the ruling of the Hon'ble High Court of Bombay in the matter of *SEBI vs. Cabot International Capital Corporation*<sup>1</sup>, wherein the Hon'ble High Court of Bombay, *inter alia*, held that, "31. The adjudication for imposing penalty by Adjudicating Officer, after due inquiry, is neither a criminal nor a quasi criminal proceeding. The penalty leviable under this Chapter or under these Sections, is penalty in cases of default or failure of statutory obligation or in other words breach of civil obligation. The provisions and scheme of penalty under SEBI Act and the Regulations, there is no element of any criminal offence or punishment as contemplated under criminal proceedings. Therefore, there is no question of proof of any mens rea by the Appellants and it is not essential element for imposing penalty under SEBI Act and the Regulations.....32. The SEBI Act and the Regulations, are intended to regulate the Security Market and the related aspects, the imposition of penalty, in the given facts and circumstances of the case, cannot be tested on the ground of "no mens rea, no penalty". For breaches of provisions of SEBI Act and Regulations, according to us, which are civil in nature, mens rea is not essential. On particular facts and circumstances of the case, proper exercise of judicial discretion is a must, but not on a foundation that mens rea is an essential to impose penalty in each and every breach of provisions of the SEBI Act.....According to us, mens rea is not essential for imposing civil penalties under the SEBI Act and Regulations." Further, the Hon'ble Supreme Court of India in the matter of *SEBI vs. Shri Ram Mutual Fund*<sup>2</sup>, *inter alia*, held that, "In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulation is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention

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<sup>1</sup> Appeal No. 7 of 2001 decided on March 03, 2004

<sup>2</sup> [2006] 68 SCL 216(SC)

*must made by the defaulter with guilty intention or not. We also further held that unless the language of the statute indicates the need to establish the presence of mens rea, it is wholly unnecessary to ascertain whether such a violation was intentional or not. On a careful perusal of Section 15(D)(b) and Section 15-E of the Act, there is nothing which requires that mens rea must be proved before penalty can be imposed under these provisions. Hence once the contravention is established then the penalty is to follow.”*

17. In view of the aforesaid settled legal position, it is evident that mens rea is not required to be established for the imposition of penalty in the present proceedings. Once failure to comply with statutory obligations is established, the penalty stands attracted. Hence, the submission of Noticee on this point is misplaced.

18. In view of the discussions in the preceding paragraphs, it is established that Noticee had violated the provisions of section 11C(3) of the SEBI Act by furnishing false information during investigation.

19. Noticee, in its replies, further submitted that no dispute has been raised by its client (SGRPL) with regard to the impugned trades and therefore, the provisions of SEBI Circular dated March 22, 2018 read with SEBI Master Circular dated May 17, 2023 are not applicable in the present matter. In this regard, from the perusal of these circulars, it is noted that stock brokers are mandated to maintain telephone recordings as part of its records (in case where orders were placed through telephone) and such records are required to be maintained for at least 3 years. This obligation is independent of whether or not a dispute is raised. However, as noted above, the SEBI circulars provide that in exceptional circumstances where a broker is unable to produce order placement evidence, the broker may justify the same by providing valid reasons along with appropriate evidence such as post trade confirmations from client. In the present case, although Noticee did not follow this specified procedure, the material on record shows that, Ms. Kanika Gupta (employee of SGRPL), in her statement recorded during the course of investigation, confirmed the trades placed in

July 2023 by SGRPL with Noticee. In view of this, I am inclined to give benefit of doubt to Noticee. Accordingly, alleged violation of the provisions of SEBI Circular dated March 22, 2018 read with SEBI Master Circular dated May 17, 2023 and Brokers Regulations does not stand established.

**Issue II. Does the violation, if any, on the part of Noticee attract monetary penalty under sections 15A(a) and 15HB of the SEBI Act?**

**Issue III. If so, what would be the quantum of monetary penalty that can be imposed on Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?**

20. As it is established that Noticee had furnished false information during investigation and thereby violated the provisions of section 11C(3) of the SEBI Act, Noticee is liable for imposition of a monetary penalty under section 15A(a) of the SEBI Act.

21. Section 15A(a) of the SEBI Act is reproduced below:

***“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 or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty 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.”***

22. While determining the quantum of penalty under section 15A(a), the following factors stipulated in section 15J of SEBI Act are taken into account:

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

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

***(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;***

***(b) the amount of loss caused to an investor or group of investors as a result of the default;***

***(c) the repetitive nature of the default.”***

23. The material available on record has neither quantified the amount of disproportionate gain or unfair advantage, if any, made by Noticee nor the amount of loss, if any, caused to an investor/clients as a result of the default of Noticee. As regards the repetitive nature of the default, it is noted that following directions have been given against Noticee by Whole Time Member of SEBI:

**Table 2**

<b>Sr. No.</b>	<b>Case Name</b>	<b>Date of Order</b>	<b>Violation of provisions of Act/Regulations</b>	<b>Directions</b>
1.	In the matter of Gangotri Textiles Limited	May 15, 2017	Brokers Regulations	Prohibited Noticee from accepting fresh clients for two months which was modified to one month vide Hon'ble Securities Appellate Tribunal (SAT) order dated June 06, 2017.
2.	In the matter of Jindal Steel and Power Ltd.	December 21, 2009	Brokers Regulations	To be careful and cautious in the conduct of its business and to adhere to and comply with all the statutory provisions while carrying out its activities in the securities market.

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

### **ORDER**

25. Having considered the facts and circumstances of the case, the material available on record, the factors mentioned in preceding paragraphs and in the exercise of powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose a monetary penalty of Rs. 1 Lakh (Rupees One Lakh Only) under section 15A(a) of the SEBI Act on Noticee.
26. I am of the view that the said penalty is commensurate with the lapses/omissions on the part of Noticee.

27. Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., [www.sebi.gov.in](http://www.sebi.gov.in) on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW.
28. In terms of the provisions of rule 6 of the Rules, a copy of this order is being sent to Noticee and also to the SEBI.

**Date: August 19, 2025**

**Place: Mumbai**

**JAI SEBASTIAN**

**ADJUDICATING OFFICER**