

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

**[SETTLEMENT ORDER No. – SO/VV/AS/2023-24/7028]**

**In respect of:**

<b>Applicants</b>	<b>Application No</b>	<b>Name of the entities</b>	<b>PAN</b>
Applicant 1	7026/2022	Habil Khorakiwala	AABPK4415C
Applicant 2	7027/2022	Murtaza Khorakiwala	AAZPK7040H
Applicant 3	7028/2022	Huzaifa Khorakiwala	ABLPK6715C
Applicant 4	7029/2022	Wockhardt Ltd.	AAACW2472M

*Hereinafter Applicant 1 to Applicant 4 are collectively referred to as “Applicants”*

**in the matter of Wockhardt Limited**

1. Securities and Exchange Board of India (hereinafter referred to as ‘SEBI’) conducted an investigation in the matter of trading activity in the scrip of Wockhardt Ltd (hereinafter referred to as the “**Wockhardt/Company**”) for the period January 07, 2012 to August 07, 2013 (hereinafter referred as “**Investigation Period/ IP**”) to find any violation of SEBI (Prohibition of insider trading) Regulations, 1992 (hereinafter referred to as ‘**PIT Regulations, 1992**’) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”), due to trading activity in the scrip during the investigation period. Based upon the same SEBI observed as follows:

- i. Wockhardt is a global pharmaceutical and biotechnology organization incorporated on July 8, 1999. The company is headquartered in Mumbai, India and involved into researchbased global healthcare enterprises.
- ii. During the period January 07, 2012 to March 08, 2013, price of the scrip of Wockhardt rose from Rs. 273.25 to Rs. 2065 (*655% increase within 14 months*). Announcement was made by Wockhardt to the stock exchanges on May 24, 2013 regarding a letter issued by

USFDA (United States' Food and Drugs Administration) to the Company about '*Import Alert*'. It was observed that price of the scrip fell sharply around the said announcement. The price of the scrip fell from Rs. 1798.30 on May 17, 2013 to Rs. 1229.70 on May 24, 2013. On August 07, 2013, the scrip closed on Rs. 362.25.

- iii. Based on Company's replies dated April 03, 2014, October 21, 2015 and publicly available information, following is the detailed chronology of events related to USFDA visit, form 483, import alert, warning letter and share price of Wockhardt:

**Table 1**

<b>Date</b>	<b>Event</b>
14/03/2013	First information regarding possible USFDA inspection of Waluj Factory
15/03/2013	Confirmation of dates of USFDA inspection of Waluj Factory
18/03/2013 – 22/03/2013	USFDA visit to Waluj Factory
22/03/2013	Form 483 issued to Wockhardt
09/04/2013	Clarification letter to USFDA from Wockhardt
10/04/2013 – 16/04/2013	Price fall (close price of Rs. 2020 on 10/04/2013 to Rs 1699 on 16/04/2013. Fall by 15.9% in 5 trading days)
15/04/2013	Press release by Wockhardt on their website confirming receipt of Form 483
16/05/2013 – 29/05/2013	Price fall (close price of Rs. 1848 on 16/05/2013 to Rs 1121 on 29/05/2013. Fall by 39% in 10 trading days)
23/05/2013	Import alert published by USFDA on its website
24/05/2013	Import alert Corporate announcement to BSE and NSE from Wockhardt
15/07/2013	Hard copy letter (import alert) receipt from USFDA
19/07/2013	USFDA warning letter receipt by Wockhardt
20/07/2013	Announcement of warning letter to BSE and NSE from Wockhardt

- iv. USFDA visited the manufacturing facility of Wockhardt at Waluj near Aurangabad, Maharashtra during March 18-22, 2013. The purpose of the visit was to inspect the factory and data pertaining to Abbreviated New Drug Application filed by Wockhardt with USFDA for Zoledronic acid injection. USFDA then issued Form 483 which is regarded as adverse observations on factory facilities. After Form 483, the company

offered clarification to the inspecting agency (USFDA), which then considered the clarifications and corrections offered by the Company about the manufacturing and exporting facility under consideration. After considering the submissions, USFDA then issued import alert, if required. Therefore, issuance of Form 483 to Wockhardt on March 22, 2013 was considered as Price Sensitive Information (hereinafter referred to as “**PSI**”) in terms of Regulation 2 (ha) of the PIT Regulations, 2015.

- v. It was observed that the price of the scrip of Wockhardt fell by over 15% during April 10 - April 15, 2013 (4 trading days). Around this time, the form 483 murmurs had started in the market and on April 15, 2013, Wockhardt had confirmed the receipt of form 483.
- vi. The PSI related to Form 483 came into existence on March 22, 2013 i.e., the day of issue of Form 483 and the issuance of Form 483 was confirmed by Wockhardt on April 15, 2013 through a press release on its website. Thus, period from March 22, 2013 to April 15, 2013 is considered as period of unpublished price sensitive information (“**UPSI**”).
- vii. During Investigation, it is observed that Wockhardt did not disclose the information related to Form 483 issuance by USFDA to its Waluj factory to the stock exchanges immediately. Further, Wockhardt vide replies dated November 19, 2014 and October 21, 2015 submitted that no action under code of conduct was taken against any designated employee for any trading activity during investigation period.
- viii. In view of the above observations, it was alleged that
  - a) Company (Applicant 4) has violated Clause 36 of the listing agreement read with Sec 21 of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as ‘**SCRA**’) and Regulation 12(2) read with clause 2.0 of schedule II of the SEBI (PIT) Regulations, 1992 read with regulation 12(2) of the SEBI (PIT) Regulations, 2015. Further, Applicant 4 being the company failed to enforce the code of internal procedures and conduct of insider trading and failed to ensure compliance of the same, has violated Regulation 12 (1), (3) of SEBI (PIT) Regulations, 1992 read with Regulation 12 (2) of SEBI (PIT) Regulations, 2015.

- b) Applicant 1 to Applicant 3, are being the directors on the Board of the Company, by failing in supervision and ensuring the required compliances with regard to implementation of code of conduct as specified in Part-A of Schedule-I of SEBI (PIT) Regulations, 1992, have violated clause 1.2 of the code of conduct specified under Part A of the Schedule I read with Regulation 12 (1) of the PIT Regulations, 1992 read with Reg. 12 (2) of the SEBI (PIT) Regulations 2015.
2. In view of the above, it was decided to inquire into and adjudicate upon the alleged violations as aforesaid and Ms. Asha Shetty, Chief General Manager was appointed as Adjudicating Officer (hereinafter referred to as “erstwhile AO”) under Section 15-I (1) of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as ‘Adjudication Rules’) to inquire into and adjudicate under Section 15HB of the SEBI Act, 1992 and 23E of SCRA for the aforesaid alleged violations by Applicants. Accordingly, in terms of Rule 4(1) of the Adjudication Rules, the notice to show cause notice dated September 15, 2022 (hereinafter referred to as ‘**the SCN**’) was issued to the Applicants. Thereafter, pursuant to transfer of erstwhile AO, undersigned has been appointed as the Adjudicating Officer vide communication order dated October 06, 2022. It has been advised that except for the change of the Adjudicating Officer, the other terms and condition of the original orders (whereby the aforesaid Adjudicating Officers was appointed) ‘shall remain unchanged and shall be in full force and effect’. It has also been advised that ‘I should proceed in accordance with the terms of reference made in the original orders’.
3. Pending the instant proceedings commenced by the aforesaid SCN, Applicant 1, Applicant 2, Applicant 3, and Applicant 4 has filed Settlement Applications bearing no. 7026/2022, 7027/2022, 7028/2022, and 7029/2022 respectively with SEBI in terms of SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as ‘**Settlement Regulations**’) proposing to settle the pending proceedings, without admitting or denying the findings of fact and conclusions of law, through a Settlement Order.
4. The authorized representative of the Applicants had a meeting with the Internal Committee of SEBI on December 21, 2022, wherein, the settlement terms were deliberated. Thereafter, the IC had deliberated on all applicable base values and recommended Rs 36,70,875/- (Rupees Thirty-

Six Lakh Seventy Thousand Eight Hundred and Seventy-Five Only) to Applicant 4 and Rs 13,32,500/- (Rupees Thirteen Lakh Thirty-Two Thousand Five Hundred Only) each to Applicant 1 to Applicant 3 towards full and final settlement of alleged default contained in the SCN. Accordingly, vide revised settlement terms dated January 10, 2023 Applicant 4 proposed settlement amount of Rs 36,70,875/- (Rupees Thirty-Six Lakh Seventy Thousand Eight Hundred and Seventy-Five Only) and Applicant 1 to 3 (each) proposed settlement amount of Rs 13,32,500/- (Rupees Thirteen Lakh Thirty-Two Thousand Five Hundred Only) as settlement amount.

5. The High Powered Advisory Committee on Settlement ('HPAC') considered the proposed settlement terms on February 22, 2023 and accordingly, recommended the settlement of instant proceedings upon payment of Rs 36,70,875/- (Rupees Thirty-Six Lakh Seventy Thousand Eight Hundred and Seventy-Five Only) to Applicant 4 and Rs 13,32,500/- (Rupees Thirteen Lakh Thirty-Two Thousand Five Hundred Only) to Applicant 1 to Applicant 3 towards settlement charges. The Panel of Whole Time Members of SEBI approved and accepted the said recommendation of the HPAC on April 03, 2023 and the same was communicated to the Applicants vide e-mail dated April 06, 2023. Pursuant to the same, Applicants vide email dated May 04, 2023 informed about the remittance of the settlement amount has been done towards settlement charges.
6. Accordingly, in terms of Regulation 23(1) and Regulation 28 read with Regulation 34 of the Settlement Regulations, it is hereby ordered that the instant adjudication proceedings initiated against the Applicants vide SCN dated September 15, 2022 are disposed of in terms of the above accepted settlement terms. The summary of settlement proceedings is mentioned below:

	<b>Deliberation in the meeting of IC on</b>	<b>HPAC considered the proposed settlement terms on</b>	<b>Panel of WTM approved and accepted the said recommendation of the HPAC on</b>	<b>Settlement Amount paid</b>
Applicant 1	December 21, 2022	February 22, 2023	April 03, 2023.	Rs 13,32,500/- (Rupees Thirteen Lakh Thirty Two Thousand Five Hundred Only)
Applicant 2	December 21, 2022	February 22, 2023	April 03, 2023.	Rs 13,32,500/- (Rupees Thirteen Lakh Thirty Two Thousand Five Hundred Only)
Applicant 3	December 21, 2022	February 22, 2023	April 03, 2023.	Rs 13,32,500/- (Rupees Thirteen Lakh Thirty Two Thousand Five Hundred Only)
Applicant 4	December 21, 2022	February 22, 2023	April 03, 2023.	Rs 36,70,875/- (Rupees Thirty Six lakh Seventy Thousand Eight Hundred and Seventy Five Only)

7. This order is without prejudice to the right of SEBI to take any enforcement action including restoring or initiating the proceedings in respect to which this settlement order is passed, if:
- i. any representations made by the Applicants in the Settlement Proceedings are subsequently found to be untrue; or
  - ii. the Applicants breaches any of the clauses /conditions of undertakings/ waivers filed during the Settlement Proceedings.
8. This settlement order shall come into force with immediate effect.
9. In terms of Regulation 25 of the Settlement Regulations, copy of this order is sent to the Applicants and shall also be published on the website of SEBI.

**Date: May 22, 2023**

**Place: Mumbai**

**Vijayant Kumar Verma**  
**Adjudicating Officer**