

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11(1), 11(4), 11B(1), 11B(2), 11(4A) and 15HB 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:

NOTICEE NAME	PAN
SANJAY DHINGRA	AAFPD9561J

In the matter of suspected insider trading in the scrip of Kquality Limited

Background:

1. The Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) based on the complaints alleging price manipulation in the scrip of Kquality Limited (hereinafter referred to as “**Kquality/ the Company**”) had conducted an investigation and prima facie found that Mr. Sanjay Dhingra (hereinafter referred to as “**Noticee**”), who was single promoter and Managing Director of the Company and also the Designated Person, executed the contra trade as well as traded during trading window closure period.
2. In view of the aforesaid, it was alleged that the Noticee has violated the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and the Securities and Exchange Board of India (Prohibition of

Insider Trading) Regulations, 2015 (hereinafter referred to as “**PIT Regulations**”) during the period from March 01, 2018 to July 31, 2018 (hereinafter referred to as “**Investigation Period/IP**”). However, in case where there is a need for reference to a period other than the IP, the same has been accordingly considered.

3. On examination, it was observed that during the IP, the Noticee had bought 44,60,225 shares and sold 2,03,30,184 shares of Kquality, which have been alleged to be contra trades (opposite transactions) and are in contravention of Clause 10 of Schedule B read with Regulation 9(1) of SEBI (PIT) Regulations, 2015. It was also observed that Noticee made a profit of Rs.2,12,16,943.52 out of such alleged contra trades which was not been disgorged and remitted to SEBI.
4. Further, it was observed and alleged that the Noticee had executed trades on some of the dates when the trading window was closed and sold 90,68,710 shares amounting to gross trade value of Rs.22,14,47,831.55 during the said period which have contravened Clause 4 of Schedule B read with Regulation 9(1) of the PIT Regulations.
5. In this regard, Show Cause Notice dated September 22, 2023 (hereinafter referred to as “**SCN**”) was issued to the Noticee to called upon him to show cause as to why suitable directions u/s 11(1), 11(4) and 11B(1) of the SEBI Act, 1992 including disgorgement of the unlawful profits, be not passed against him and why penalty under Section 15HB read with Section 11(4A) and 11B(2) of SEBI Act read with

provisions of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, be not imposed on him for the alleged violations mentioned above.

6. The SCN was served upon the Noticee via Speed Post Acknowledgement Due (SPAD) as well as by email dated September 25, 2023. In response, the Noticee vide letter dated October 26, 2023 submitted his reply. Thereafter, in the interest of principals of natural justice, an opportunity of personal hearing was granted on November 20, 2023 which was communicated vide hearing notice dated October 31, 2023. On the scheduled date of hearing, Authorized Representative of the Noticee has attended the hearing in person and reiterated the submission made vide earlier aforesaid reply and also sought time to submit additional reply, which was granted to him and accordingly hearing qua the Noticee was concluded on November 20, 2023. Noticee submitted the additional reply vide letter dated November 27, 2023.

7. The Noticee vide his replies dated October 26, 2023 and November 27, 2023, has *inter alia* submitted the following:

7.1. *M/s Union Bank of India, by way of Company Petition No. (1.B.) 276(ND)/2021 before the Ld. NCLT, New Delhi Court No. II, has sought initiation of Personal Insolvency Proceedings against the Noticee, under Section 95 of the Insolvency and Bankruptcy Code, 2016 and in terms of Section 96, Interim Moratorium has been imposed from the date of filing of the aforesaid Petition i.e., with effect from 26.03.2021 on initiation of any legal*

action or proceeding for recovery of any debt payable by the Debtor. Accordingly, no action for recovery of the alleged amount can be initiated against the Noticee, since the same shall be in violation of the Interim Moratorium imposed under the Insolvency and Bankruptcy Code.

7.2. Noticee also preferred a Writ Petition No. WP(C) No. 700 of 2022 before the Hon'ble Supreme Court, wherein the constitutional validity of certain provisions pertaining to Personal Insolvency was challenged. The Hon'ble Supreme Court recently dismissed the complete batch of writ petitions including the writ petition filed by our Client vide in the matter of **Dilip B. Jiwrajka vs. Union of India & Ors., W.P. (Civil) No, 128] of 2021** judgment dated November 9, 2023 wherein the Hon'ble Supreme Court has upheld the constitutional validity of the provisions of Part III of the Code.

As per the ratio held in paragraph 57 of the said judgment, once the application has been filed under Sec. 95 of the Code, the interim moratorium under Sec. 96 of the Code is automatically imposed and any legal action or proceedings initiated or pending in respect of any debt is deemed to be stayed. No legal action or proceedings can be initiated or continued against the Noticee by any creditor, including any statutory body.

7.3. The interim moratorium under Sec. 96 of the Code is protective and insulating in nature and the Hon'ble Supreme Court in the aforesaid judgment has clearly held that the benefit of Sec. 96 of the Code is available to the Corporate Debtor i.e. Personal Guarantor herein, against all legal proceedings, and therefore, no

legal action or proceedings of any nature, including the present recovery proceedings initiated by SEBI can be continued against the Noticee.

7.4. The Corporate Debtor was admitted into CIRP on 11.12.2018 and all the documents of M/s Kwalitiy Ltd. and that of the Noticee were seized by the IRP appointed by the Hon'ble NCLT. Thereafter, the Corporate Debtor was sold as an going concern to M/s Sarda Mines Pvt. Ltd. by the Liquidator under the clean slate principle. Today, the new management has taken over the Corporate Debtor and the erstwhile management of the Corporate Debtor have ceased to be in possession of any documents related to M/s Kwalitiy Ltd. Therefore, the Noticee is unable to rebut the allegations levelled against him in the Show Cause Notice dated 22.09.2023 as he is not in possession of the documents to rebut the said allegations.

Consideration of submissions and findings:

8. I have carefully examined and considered the allegation against the Noticee, replies of the Noticee and the documents/ material available on record.
9. After considering the allegation levelled against the Noticee in the instant matter, the following issue arise for consideration:

Issue No. I. Whether the Noticee has violated the provisions of Clause 4 and Clause 10 of Schedule B read with Regulation 9(1) of PIT Regulations?

Issue No. II. If the answer to issue No. I is in affirmative, then what action should be taken u/s 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the SEBI Act, 1992 ?

10. Before dealing with the replies of the Noticee on specific charges on merit, I deem it appropriate first to deal with the following preliminary objections raised by him:

10.1. M/s Union Bank of India has filed an application for personal insolvency proceedings against the Noticee, under Section 95 of the Insolvency and Bankruptcy Code, 2016. Accordingly, the interim moratorium under Sec. 96 of the Code is automatically imposed and any legal action or proceedings initiated or pending in respect of any debt is deemed to be stayed. No legal action or proceedings can be initiated or continued against the Noticee by any creditor, including any statutory body.

10.2. The Noticee is unable to rebut the allegations levelled against him in the Show Cause Notice dated 22.09.2023 as he is not in possession of the documents to rebut the said allegations

11. With regards to the contention of the Noticee that no legal action or proceedings can be initiated or continued against the Noticee by any creditor, including any statutory body as M/s Union Bank of India has filed an insolvency application under Section 95 of the Insolvency and Bankruptcy Code, 2016 and interim moratorium under Sec. 96 of the Code is automatically imposed.

12. In this regard, I note that the Section 94 of IBC provides for filing of the application by debtor to initiate insolvency resolution process whereas Section 95 provides for filing of such application by the creditor. Further, Section 96 provides for the interim moratorium and relevant part of the same reads as under:

"96. Interim moratorium. - (1) *When an application is filed under section 94 or section 95:*

(a) an interim-moratorium shall commence on the date of the application in relation to all the debts and shall cease to have effect on the date of admission of such application; and

(b) during the interim-moratorium period -

(i) any legal action or proceeding pending in respect of any debt shall be deemed to have been stayed; and

*(ii) the creditors of the debtor shall not initiate any legal action or proceedings in respect of any **debt**.....". [Emphasis supplied]*

13. From the above, I note that the interim moratorium is applicable only on the legal action or proceedings in relation to "debt" and not the debtor. I note that the same has also been established vide the judgment of Hon'ble Supreme Court dated November 9, 2023 in the matter of ***Dilip B. Jiwrajka vs. Union of India & Ors., W.P. (Civil) No, 128] of 2021***, wherein the Court noted that the interim moratorium under Section 96 of the Code is intended to be protective in nature, in contrast to the moratorium provided under Section 14, which restrains the transfer, encumbrance, alienation, or disposal by the corporate debtor of any of its assets

or any legal right or beneficial interest therein. The Court further noted that **the interim moratorium primarily applies to a debt rather than a debtor.**

14. From the reading of the aforesaid observation of the Hon'ble Court, it can be clearly said that in case of interim moratorium provided under Section 96 of IBC, initiation of legal action or proceedings cannot be done against a debt but can be initiated against the debtor. Therefore, I find no merit in the contention of the Noticee that during the interim moratorium under Sec. 96 of IBC, no legal action or proceedings can be initiated or continued against the Noticee by any creditor, including any statutory body.

15. With regards to the second contention of the Noticee that all the documents of M/s Kwalitiy Ltd. and that of the Noticee were seized by the IRP appointed by the Hon'ble NCLT and therefore the Noticee is unable to rebut the allegations levelled against him, I note that the allegations made against the Noticee in the current proceeding are related to his own personal trades done in the scrip of Kwalitiy. I further note that the documents which have been relied upon to frame charges have been provided as annexures to the SCN. Further, neither in his reply nor during the hearing, he pointed out the list of relevant documents seized by NCLT or pointed out any particular document or information which he could not obtain due to the said NCLT proceeding and hence could not defend himself. In view of the above, I find no merit in the aforesaid contention of the Noticee.

16. Before proceeding to deal with the allegations as recorded above against the Noticee on merit, for the purposes of easy reference, relevant provisions of the applicable sections, regulations, guidelines, etc. which have allegedly been contravened as per the SCN are reproduced hereunder:

PIT Regulations

Code of Conduct

“9. (1) The board of directors of every listed company and market intermediary shall formulate a code of conduct to regulate, monitor and report trading by its employees and other connected persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B to these regulations, without diluting the provisions of these regulations in any manner.”

Schedule B

Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders

“Clause 4-

Designated persons may execute trades subject to compliance with these regulations. Towards this end, a notional trading window shall be used as an instrument of monitoring trading by the designated persons. The trading window

shall be closed when the compliance officer determines that a designated person or class of designated persons can reasonably be expected to have possession of unpublished price sensitive information. Such closure shall be imposed in relation to such securities to which such unpublished price sensitive information relates. Designated persons and their immediate relatives shall not trade in securities when the trading window is closed.”

“Clause 10-

The code of conduct shall specify the period, which in any event shall not be less than six months, within which a designated person who is permitted to trade shall not execute a contra trade. The compliance officer may be empowered to grant relaxation from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these regulations. Should a contra trade be executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to the Board for credit to the Investor Protection and Education Fund administered by the Board under the Act.”

Issue No. I. Whether the Noticee has violated the provisions of Clause 4 and Clause 10 of Schedule B read with Regulation 9(1) of PIT Regulations?

17. I note that as per the minimum standards set out in Schedule B of PIT Regulations, Clause 3 defines designated persons who shall be governed by such code of conduct as under:

“Clause 3 of Schedule B:

*Employees and connected persons designated on the basis of their functional role (“**designated persons**”) in the organisation shall be governed by an internal code of conduct governing dealing in securities. The board of directors shall in consultation with the compliance officer specify the designated persons to be covered by such code on the basis of their role and function in the organisation. Due regard shall be had to the access that such role and function would provide to unpublished price sensitive information in addition to seniority and professional designation.”*

18. I further note that as per the Code of Conduct of the Company, framed pursuant to Clause 10 of Schedule B read with Regulation 9(1) of the PIT Regulations, the Company had provided a period of 6 months during which a specified person shall not execute a contra trade. Further, in terms of Clause 10 of the Code of Conduct read with Regulation 9(1) of the PIT Regulations, in case of any contra trade be executed, inadvertently or otherwise, profit arising out of such contra trade is liable to be disgorged for remittance to the SEBI for credit to the Investor Protection and Education Fund (IPEF).

19. It was also observed from the Code of Conduct (“CoC”) of Kquality, that the term **“Specified Persons”** were defined and used instead of the term **“Designated Persons”**. As per CoC of the Company, the Directors, connected persons, the insiders, the Designated Employees and the promoters and immediate relatives are collectively referred to as “Specified Persons”. I also note that the Noticee, being promoter and MD of the Company, in his statement dated February 20, 2023 to SEBI stated that in Code of Conduct of the Company, “Specified Persons” term was used which is a broader term and includes “Designated Persons”, board of directors and officials viz. employees associated with MD office for preparation of MIS report.
20. Accordingly, I note that the Noticee, being a single promotor and Managing Director of the Company during the IP, was a designated person of the Company during the said IP.

A. Contra trade executed by the Noticee

21. In the present case, I note that the first allegation in the SCN is that Noticee has executed contra trades within 6 months of their prior transaction, in violation of Clause 10 of Schedule B w.r.t. Minimum Standards for Code of Conduct to Regulate, Monitor and Report trading by designated persons read with Regulation 9(1) of PIT Regulations, 2015 and thus, made a total profit of Rs.2,12,16,943.52/-

The details of transactions of the Noticee in the scrip of Kquality during the investigation period are as follows:

Date	Buy Qty.	Buy Value (Rs.)	Sell Qty.	Sell Value (Rs.)
12-Apr-18	-	-	10,00,000	5,90,00,075.00
18-Apr-18	-	-	10,00,000	5,54,00,886.10
03-May-18	10,00,000	4,81,47,005.80	-	-
04-May-18	9,13,584	4,69,05,669.10	-	-
07-May-18	4,50,000	2,33,40,987.45	-	-
11-May-18	5,96,641	3,02,28,485.85	-	-
16-May-18	8,00,000	3,90,45,573.20	-	-
17-May-18	1,00,000	47,39,997.50	-	-
04-Jun-18	6,00,000	2,25,70,820.00	-	-
06-Jun-18	-	-	19,892	6,62,403.60
07-Jun-18	-	-	20,69,867	6,55,69,886.40
08-Jun-18	-	-	1,43,386	43,23,087.90
11-Jun-18	-	-	5,81,230	1,66,52,239.50
12-Jun-18	-	-	2,23,965	61,03,046.25
13-Jun-18	-	-	19,00,000	4,97,12,944.65
14-Jun-18	-	-	2,00,000	60,00,000.00
15-Jun-18	-	-	1,00,000	29,34,060.30
20-Jun-18	-	-	3,00,000	90,15,000.00
21-Jun-18	-	-	2,50,000	71,46,657.00
25-Jun-18	-	-	12,00,000	3,13,70,431.55
26-Jun-18	-	-	7,00,000	1,73,66,923.35
29-Jun-18	-	-	22,28,451	4,99,66,972.95
02-Jul-18	-	-	13,00,000	2,86,91,875.55
03-Jul-18	-	-	8,90,259	1,92,42,966.20
10-Jul-18	-	-	13,42,424	2,57,92,730.10
11-Jul-18	-	-	7,30,710	1,31,79,647.75
20-Jul-18	-	-	10,00,000	1,30,79,055.65
24-Jul-18	-	-	31,50,000	3,97,82,035.60

22. I note that the profit alleged to be made by the Noticee from contra trades is as under:

Sell Date	Sell Qty.	Sell Value (Rs.)	Buy Date	Buy Qty.	Buy Value (Rs.)	Profit/ Loss (Sell Value - Buy Value)
12-Apr-18	10,00,000	5,90,00,075.00	03-May-18	10,00,000	4,81,47,005.80	1,08,53,069.20
18-Apr-18	10,00,000	5,54,00,886.10	04-May-18	9,13,584	4,69,05,669.10	
			07-May-18	86,416	44,82,299.49	
				10,00,000	5,13,87,968.59	40,12,917.51
06-Jun-18	19,892	6,62,403.60	07-May-18	19,892	10,31,775.38	-3,69,371.78
07-Jun-18	20,69,867	6,55,69,886.40	07-May-18	3,43,692	1,78,26,912.57	
			11-May-18	5,96,641	3,02,28,485.85	
			16-May-18	8,00,000	3,90,45,573.20	
			17-May-18	1,00,000	47,39,997.50	
			04-Jun-18	2,29,534	86,34,617.66	
				20,69,867	10,04,75,586.79	-3,49,05,700.39
08-Jun-18	1,43,386	43,23,087.90	04-Jun-18	1,43,386	53,93,899.33	-10,70,811.43
11-Jun-18	5,81,230	1,66,52,239.50	04-Jun-18	2,27,080	85,42,303.01	
			29-Oct-18	3,54,150	26,63,555.23	
				5,81,230	1,12,05,858.24	54,46,381.26
12-Jun-18	45,850	12,49,412.50	29-Oct-18	45,850	3,44,836.95	9,04,575.55
Profit from Contra Trades						2,12,16,943.52

23. From the above tables, I note that the Noticee had both bought and sold the scrip of Kquality i.e. had done contra trades in between April 12, 2018 to July 24, 2018 which is less than the restricted minimum period of six months, as provided in Clause 10 of Schedule B of PIT Regulations, within which a designated person is not allowed to execute contra trade. I also note that the Noticee made a profit of Rs.2,12,16,943.52 for the aforesaid contra trades and the said profit from such contra trades has not been disgorged and remitted to SEBI as stipulated under Clause 10 of Schedule B w.r.t. Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by designated persons read with Regulation 9(1) of PIT Regulations, 2015.

24. I further note that during the investigation, the Noticee, in reply to the queries regarding abovementioned contra trades, had submitted that *“The transactions during April 12 to June 06, 2018 may be considered for contra trades. However, the transactions from June 06 to July 24, 2018 are not considered as contra trades as same were invoked (sold) by lenders.”*
25. The above submission clearly shows that the Noticee admitted to executing contra trades during April 12 to June 06, 2018. Further, with regards to the transactions from June 06 to July 24, 2018, I note that the investigation observed from the trade log of NSE and BSE that the aforesaid trades were executed on exchange platform of BSE and NSE. Further, on perusal of transaction statement of DP, investigation observed that the said sell transactions were normal market transactions and not the transactions related to invocation by lenders, as claimed by the Noticee. Further, I note that Noticee has also not submitted any document in support of the aforesaid claim.
26. From the aforesaid observations, it is clearly evident that Noticee, being a designated person of the Company, had admittedly executed contra trades and thus made a profit of Rs.2,12,16,943.52 and also had not disgorged and remitted such profit to SEBI in line with the provision of Clause 10 of the Code of Conduct read with Regulation 9(1) of the PIT Regulations.

27. In this regard, the principle laid down by the Hon'ble Supreme Court on the point of admission in *Nagindas Ramdas v. Dalpatram Ichharam alias Brijram* [1974 SCR (2) 544] is reproduced herein below:

"Admissions, if true and clear, are by far the best proof of the facts admitted. Admissions in pleadings or judicial admissions, admissible under s.58 of the Evidence Act, made by the parties or their agents at or before the hearing of the case, stand on a higher footing than evidentiary admissions. The former class of admissions are fully binding on the party that makes them and constitute a waiver of proof. They by themselves can be made the foundation of the rights of the parties." [Emphasis supplied]

28. In view of the above, I find that the Noticee has violated Clause 10 of Schedule B, read with Regulation 9(1) of PIT Regulations.

B. Restriction on trading during trading window closure period

29. I note that the other allegation in the SCN is that the Noticee had traded during the trading window closure period and accordingly has violated Clause 4 of Schedule B read with Regulation 9(1) of PIT Regulations.

30. With regards to the aforesaid allegation, I note that the corporate announcement by Kwality for '*Deferment of proposed issues relating to buyback of securities and/or Bonus issue of securities and payment of interim dividend*' was made on

July 03, 2018 at 19:11:51 on BSE and at 19:28:00 on NSE. In compliance with the Clause 4 of Schedule B of PIT Regulations, I note that a trading window closure period was imposed by the company from June 13 to June 22, 2018 which was extended further till July 05, 2018.

31. In this regard, I note that as per Clause 4 of Schedule B read with Regulation 9(1) of the PIT Regulations “.....*Designated persons and their immediate relatives shall not trade in securities when the trading window is closed.*” As already established in this order above, the Noticee was a designated person in the company during the IP and accordingly, I note that the aforesaid clause was applicable to him.

32. However, from the trade log of BSE and NSE, the investigation observed that the Noticee, being a designated person of the Company, executed the following trades during aforementioned trading window closure period:

PAN	Name of designated person	Trade Date	Buy Qty.	Buy Value	Sell Qty.	Sell Value
AAFPD9561J	Sanjay Dhingra	13-Jun-18	-	-	19,00,000	4,97,12,944.65
		14-Jun-18	-	-	2,00,000	60,00,000.00
		15-Jun-18	-	-	1,00,000	29,34,060.30
		20-Jun-18	-	-	3,00,000	90,15,000.00
		21-Jun-18	-	-	2,50,000	71,46,657.00
		25-Jun-18	-	-	12,00,000	3,13,70,431.55
		26-Jun-18	-	-	7,00,000	1,73,66,923.35
		29-Jun-18	-	-	22,28,451	4,99,66,972.95
		02-Jul-18	-	-	13,00,000	2,86,91,875.55
		03-Jul-18	-	-	8,90,259	1,92,42,966.20
Total		-	-	-	90,68,710	22,14,47,831.55

33. From the above, I note that though Kquality imposed a trading window closure period from June 13 to June 22, 2018 and then till July 05, 2018, the Noticee traded in the scrip of Kquality on multiple occasions.
34. Further, I note that during the investigation, the Noticee, in reply to the queries regarding abovementioned trading during trading window closure period, submitted that *“All the transaction mentioned therein were invoked by the lenders. I have not bought/ sold single share by myself. Such invocation by lenders are beyond our control”*.
35. In this regard, from the trade log of NSE and BSE, the investigation observed that the aforesaid trades were executed on exchange platform of BSE and NSE. On perusal of transaction statement of DP, investigation further observed that the said sell transactions were normal market transactions and not invocation transactions by lenders, as claimed by the Noticee in the aforesaid para. I further note that Noticee has also not provided any document in support of his said submission.
36. From the above, it is established that Noticee, being a designated person of the Company, had traded during June 13 to July 03, 2018, when the trading window was closed. Accordingly, I find that the Noticee has violated Clause 4 of Schedule B read with Regulation 9(1) of the PIT Regulations.

37. In view of the above observations, I hereby hold that the Noticee has violated Clause 4 and Clause 10 of Schedule B read with Regulation 9(1) of the PIT Regulations.

Issue No. II. If the answer to issue No. I is in affirmative, then what action should be taken u/s 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the SEBI Act, 1992?

38. I note that the stipulations in the PIT Regulations regarding disclosure and pre-clearance of trades by insiders, and prohibition of contra trades and trading during trading window closure by insiders, are very important in preventing information asymmetry and maintaining a level playing field in terms of the object of the PIT Regulations. There is no second view that indulgence in such thing is considered a very serious charge *inter alia* for the reason that it creates an advantageous position to a person who is an insider or is connected to a company so as to be aware of the true and correctness of information vis-à-vis others, who have no connection with the company and thereby are deprived of any inside information. Knowing more than anybody else about a company being an insider further creates opportunity to indulge in fraudulent activities.

39. To sum up the discussions and factual appreciation of the case on the basis of factual evidence available on record, I find that there is no doubt in my mind to hold that the Noticee, being a designated person of the company, had executed contra trades in the scrip of Kquality and in the process made a profit of

Rs.2,12,16,943.52 which was not disgorged and remitted to SEBI. It is also clearly established that the Noticee traded during June 13 to July 03, 2018 when trading window was closed.

Keeping the aforesaid conclusion in view, I find that the charge of the Noticee being in violation of Clause 4 and Clause 10 of Schedule B - Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by designated persons, read with Regulation 9(1) of the PIT Regulations, 2015 stands established against the Noticee.

40. I further note that the SCN called upon the Noticee to show cause *inter alia* as to why penalty under Section 15HB of SEBI Act read with provisions of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, should not be imposed on him for the violation of Clause 4 and Clause 10 of Schedule B read with Regulation 9(1) of the PIT Regulations, 2015, as alleged against him in the SCN. I note that the power vested under Section 11B(2) is without prejudice to the power to issue directions under Sections 11(1), 11(4), 11(4A) and 11B(1) of the SEBI Act, 1992.

41. In this regard, I note that Sections 15HB of the SEBI Act, 1992 provide as under:

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.”*

42. Keeping in view my observation made at preceding paragraphs and having considered materials available on record and the submissions advanced by the Noticee, I hold that the charges against the Noticee relating to executing contra trades and trading during the trading window closure period are found to be substantially established, thereby attracting levy of penalty under Section 15HB of the SEBI Act, 1992.

Order:

43. In view of the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) and further read with Sections 15A(b), 15G and 15HB of the SEBI Act, 1992 and SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, hereby issue the following directions and impose the following penalty:

43.1. The Noticee is restrained from accessing the securities market, directly or indirectly and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly in any manner whatsoever for a period of 06 months from the date of this order.

43.2. The Noticee shall disgorge the profit made by him i.e. ₹2,12,16,943.52 along with simple interest @ 10% per annum from July 24, 2018 till the date of actual payment. The aforesaid profit made along with interest shall be remitted by the Noticee to Investor Protection and Education Fund (IPEF) as referred to in Section 11(5) of the SEBI Act, 1992, within 45 (forty-five) days from the date of this order and intimation may be forwarded to “Division Chief, Enforcement Department-1, DRA-4, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai-400 051”.

43.3. The Noticee is hereby imposed with penalty of **Rs.5,00,000/- (Rupees Five Lakhs Only)** under Section 15HB of the SEBI Act and is directed to pay the same within 45 (forty five) days from the date of service of this order by way of the online payment facility available on the website of SEBI: www.sebi.gov.in on the following path, by clicking on the payment link: Enforcement » Orders » Orders of ED / CGM (Quasi-Judicial Authorities), or at the link <https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html>.

43.4. The Noticee is directed not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge on any of such assets held in his name, individually or jointly, including money lying in bank accounts except with the prior permission of SEBI until the disgorged amount at sub-para 43.2 and penalty amount at sub-para 43.3 are deposited with SEBI.

- 43.5. The Noticee is directed to provide a full inventory of all assets held in his name, individually or jointly, whether movable or immovable, or any interest or investment or charge on any of such assets, including details of all bank accounts, demat accounts and mutual fund investments, within two weeks from the date of receipt of this order.
44. It is hereby clarified that if the Noticee have any open position in any exchange traded derivative contracts, as on the date of this order, he can close out/ square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. The Noticee is permitted to settle the pay in and pay out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order
45. This order shall come into force with immediate effect.
46. A copy of this order shall be sent to the Noticee, Mr. Sanjay Dhingra, the relevant banks, Depositories and Registrar and Transfer Agents of mutual funds to ensure that the directions given above are strictly complied with.

Date: May 14, 2024
Place: Mumbai

G. Ramar
Chief General Manager
Securities and Exchange Board of India