BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/PM/SM/2022-23/17486

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:

Kabadi Aswatha Narayanasa Rajini

PAN: AENPR8553C

In the matter of Mindtree Ltd.

A. BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received a letter dated October 26, 2018 from Mindtree Ltd. (hereinafter referred to as the "**Company**") informing SEBI regarding instances of violation of the code of conduct framed by the Company under the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as the "**PIT Regulations**") by two of its employees and action taken by the Company pursuant to the same. Accordingly, SEBI initiated an examination in the matter against the said two employees.

2. SEBI also initiated a separate investigation for ascertaining any violation of regulation 7(2)(a) of the PIT Regulations with regard to the transactions of promoters, directors and employees of the Company, in the Company's scrip, during the period from January 01, 2019 to March 31, 2019 (hereinafter referred to as the **"Investigation Period"**).

3. The investigation revealed that Kabadi Aswatha Narayanasa Rajini (hereinafter referred to as the "**Noticee**") was an employee of the Company and had transacted in the Company's scrip during the Investigation Period. It was further observed that the Noticee had done transactions aggregating to a traded value in excess of Rs 10,00,000 over a calendar quarter.

4. Thereafter, the Company was asked to confirm whether the Company or its compliance officer had received any disclosures for trading done by the Noticee in terms of regulation 7(2)(a) of the PIT Regulations. *Vide* emails dated December 07, 2020 and December 14, 2020 (hereinafter referred to as the "**December 2020 Replies**"), the Company confirmed that it had not received any disclosures from the said Noticee. In view of this communication, it was *prima facie* observed that the Noticee had failed to make the required disclosure under regulation 7(2)(a) of the PIT Regulations. Thereafter, SEBI initiated adjudication proceedings against the Noticee for the alleged violation of regulation 7(2)(a) of PIT Regulations in respect of the transactions in the Company's scrip under section 15A(b) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "**SEBI Act**").

B. APPOINTMENT OF ADJUDICATING OFFICER

5. Pursuant to the investigation, SEBI initiated adjudication proceedings against the Noticee and appointed the undersigned as the adjudicating officer *vide* order dated March 04, 2021 under section 19 of the SEBI Act 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 the "**SEBI Adjudication Rules**") to inquire into and adjudge under section 15A(b) of the SEBI Act for the alleged violation of regulation 7(2)(a) of the PIT Regulations by the Noticee.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

6. A show cause notice (hereinafter referred to as "**SCN**") bearing reference no. EAD-8/PM/NJMR/20484/1/2021 dated August 23, 2021 on the Noticee under rule 4 of the SEBI Adjudication Rules to show cause as to why an inquiry should not be held against her in terms of rule 4 of the SEBI Adjudication Rules and penalty should not be imposed under section 15A(b) of the SEBI Act for the violation alleged to have been committed by her. In the SCN, the Noticee was asked to indicate whether he would prefer a personal hearing before the adjudicating officer in the matter.

7. The allegations levelled against the Noticee in the SCN are summarized below as follows:

(i) SEBI *vide* email sent on August 03, 2020, called upon the Company, to provide the names and PAN of its employees, promoters, directors and persons falling under the purview of regulation 6(2) of the PIT Regulations for the period January 01, 2019 to March 31, 2019, duly certified as true and correct by their compliance officer.

(ii) The Company *vide* emails sent on August 07, 2020, August 10, 2020, August 12, 2020, August 25, 2020 and August 26, 2020 submitted the list of their promoters, directors, designated persons, their relatives and employees in India for the period January 01, 2019 to March 31, 2019.

(iii) On receipt of the aforesaid data from the Company, SEBI conducted an analysis of the trading data received from BSE Limited (hereinafter referred to as "**BSE**") and National Stock Exchange of India Limited (hereinafter referred to as "**NSE**") with respect to the employees of the Company, in the Company's scrip, and it was observed that the Noticee had executed transactions aggregating to a traded value in excess of Rs 10,00,000 in a calendar quarter *i.e.* from January 01, 2019 till March 31, 2019.

(iv) In terms of the provisions of regulation 7(2)(a) of the PIT Regulations, as it existed at the time the Noticee committed the alleged violation, promoters, employees and directors of every company were required to disclose to the company the number of securities acquired or disposed of, within two trading days of such transaction, if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregated to a traded value in excess of Rs 10,00,000.

(v) However, it was observed that the Noticee did not disclose her transactions in Company's scrip which exceeded Rs 10,00,000 in value in the calendar quarter from January 01, 2019 to March 31, 2019 to the Company, within two trading days of the transactions, as confirmed by the Company, *vide* the December 2020 Replies.

(vi) Given the above, it was alleged that the Noticee had violated regulation 7(2)(a) of the PIT Regulations. The alleged violation, if established, makes the Noticee liable for monetary penalty under section 15A(b) of the SEBI Act.

8. The Noticee *vide* emails sent on August 29, 2021 and September 03, 2021 submitted her reply to the SCN. The relevant extract from the aforesaid replies is provided below verbatim:

"The notice says I have done 3 transaction in the scrip of Mindtree limited in NSE Derivatives segment, which is correct and I completely agree to it.

Please note that I had joined Mindtree on 1st Feb 2010 and resigned Mindtree and relieved from the service on 18th Feb 2019. Please find the supporting document attached "Mindtree_Relieving Cum Service Certificate-M1010893.pdf:

After I left Mindtree due to my family needs, I had almost decided I will not be able to continue with my profession any further and wanted to learn trading in my free time. I was learning technical analysis and during this time I started doing intra-day trading in derivatives market. I was also using the SMS messages from an agency to buy or sell the scrops. These transactions were not very thoughtful. I was using the margins provided by Zerodha. (later learned intra day trading is not good, and always leads to high loss).

The 3 transactions done in the scrip Mindtree Ltd. were on the below mentioned dates:

- *2 transactions on 15th Mar 2019*
- *1 transaction on 28th Mar 2019*

Please find the details of the transactions attached "Rajini_Tradebook_DT6268.xlsx".

After some time my family conditions were better and could re-start my work profession. Fortunately I got the appointment again in Mindtree Ltd., and rejoined on 11th Nov 2019. Please find the offer letter attached: "Mindtree Offer Letter - signed.pdf". At the time I rejoined Mindtree Ltd, I was not holding Mindtree Scrip as the 3 transactions done earlier were all intraday transactions. So I was of the assumption that I need not disclose it to Mindtree.

*I Apologize my ignorance in not disclosing the **intraday transactions done by me when I was not an employee of the Mindtree**. Please consider the fact that **I have not done any transactions in the scrip of Mindtree, during my employment with Mindtree Ltd**.*

Based on the details mentioned here, I request you to not do any further inquiry and not impose penalty."

9. After considering the facts and circumstances of the case, the undersigned granted an opportunity of personal hearing to the Noticee on January 27, 2022 *vide* notice of hearing sent through email on January 19, 2022. On the scheduled hearing date, the Noticee did not avail the said hearing opportunity. In the interest of principles of natural justice, another hearing opportunity was granted to the entity on June 02, 2022 *vide* email sent on May 27, 2022. Noticee again did not avail the said hearing opportunity. I note that both the aforesaid emails were delivered. Therefore, I find that principles of natural justice have been complied with respect to the Noticee in the current adjudication proceedings.

D. CONSIDERATION OF ISSUES AND FINDINGS

10. I have taken into consideration the material available on record. The issues that arise for consideration in the present case are as follows:

    I. Whether the Noticee has violated regulation 7(2)(a) of the PIT Regulations?

    II. Does the violation, if any, attract monetary penalty under section 15A(b) of the SEBI Act?

    III. If the answer to Issue No. 2 is in affirmative, then what should be the quantum of monetary penalty?

11. Before moving forward, it is pertinent to refer to the relevant provision of the PIT Regulations which is alleged to have been violated by the Noticee. The said provision is reproduced hereunder:

Disclosures by certain persons.

7. (2) Continual Disclosures.

(a). Every promoter [1][member of the promoter group], [2][designated person] and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified;

[1]Inserted by Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2019 (w.e.f. January 21, 2019).

*[2]Substituted for the word "employee" by Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2018 (w.e.f. April 01, 2019) (hereinafter referred to as the "**PIT 2018 Amendment Regulations**")*

12. On perusal of the transaction details of the Noticee, I note that the Noticee had traded in excess of Rs 10,00,000 in the Company's scrip during the Investigation Period (*i.e.,* calendar quarter beginning from January 01, 2019 to March 31, 2019) on three occasions. The details of the said trades of the Noticee are tabulated below:

Date of transaction	Gross quantity in cash market	Gross transaction value in cash market	No. of units in derivatives market	Gross transaction value in derivatives market (in Rs.)	Gross transaction value in cash and derivative market (in Rs.)
January 14, 2019	-	-	1,200	10,01,370	10,01,370
March 15, 2019	-	-	2,400	22,82,370	22,82,370
March 28, 2019	-	-	1,200	11,35,650	11,35,650
Total	**-**	**-**	**4,800**	**44,19,390**	**44,19,390**

13. Regulation 7(2)(a) of the PIT Regulations, as it existed at the time the Noticee committed the alleged violation (*i.e.,* before the PIT 2018 Amendment Regulations came into force), provided that certain specified entities (such as employees) are required to submit disclosures to the company within two trading days of transactions, if the value of the securities traded, in one transaction or a series of

transactions, aggregates to a traded value in excess of Rs 10,00,000 over any calendar quarter.

14. I note that the Noticee in her reply has submitted that she had resigned from the Company on February 18, 2019. In support of the above, Noticee has furnished a relieving cum service certificate which *inter alia* states that Noticee was relieved from the services of the Company effective from closing hours of February 18, 2019. I note from the trades of the Noticee tabulated in paragraph 12 above that Noticee had crossed the threshold of Rs 10 lakhs on the following three dates, January 14, 2019, March 15, 2019 and March 28, 2019. Thus, I find that during her employment with the Company, she had executed only 1 transaction *(i.e,* transaction on January 14, 2019) which was in excess of Rs 10 lakhs. In this regard, I note from the material available on record that adjudication proceedings were not initiated against employees of the Company who had violated regulation 7(2)(a) of the PIT Regulations on one occasion. Thus, even though Noticee had breached regulation 7(2)(a) of PIT Regulations in one instance during the Investigation Period as an employee of the Company, I find that Noticee's case squarely falls under aforesaid category. In view of the above, I am inclined to take a lenient view and conclude the current adjudication proceeding against the Noticee without imposing any monetary penalty.

E. ORDER

15. In view of the paragraphs above, the SCN issued against the Noticee *i.e,* Kabadi Aswatha Narayanasa Rajini is accordingly disposed of.

16. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticee and to SEBI.

Date: June 29, 2022
Place: Mumbai

PRASANTA MAHAPATRA
ADJUDICATING OFFICER