BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER No.: ORDER/AP/AS/2021-22/11955 - 11956]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992.

In respect of:

Noticee No.	Noticee Name	PAN No.
1	Indiabulls Venture Limited	AAACO0870B
2	Mr. Lalit Sharma	BFXPS4859C

In the matter of Indiabulls Venture Limited (currently known as Dhani Services Limited)

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1. Indiabulls Ventures Limited (hereinafter referred as "**IVL/the Company/ Noticee No. 1**"), is a listed company having its shares listed on Bombay Stock Exchange Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**") and its Global Depository Receipts ("**GDRs**") are listed on the Luxembourg Stock Exchange. The Company is also registered with Securities and Exchange Board of India ("**SEBI**") as a Stock Broker, a Depository Participant, a Research Analyst and a Merchant Banker in Category I. On March 15, 2017 at 08:53 AM, the Company informed NSE that on March 14, 2017, Indiabulls Distribution Services Limited ("**IDSL**"), a wholly owned subsidiary ("WOS") of the Company had signed a definitive agreement to sell its 100% shareholding in India Land and Properties Limited ("**ILPL**"), at a consideration of Rs. 685 Cr, to Indiabulls Infrastructure Limited ("**IIL**"), a WOS of Indiabulls Real Estate Limited ("**IREL**"). Post the above announcement the price of the scrip of the Company was observed to have moved from an open price of Rs. 39.20 on March 15, 2017 to a closing price of Rs.166.95 on July 06, 2017 i.e. its registered a price rise of 325.89% in 38 trading days and it touched a high price of Rs. 199.40 on June 22, 2017. SEBI observed that the connected entities of the Company, *viz.* Ms. Pia Johnson (hereinafter referred as "**Pia**") and Mr. Mehul Johnson (hereinafter referred as "**Mehul**"), together bought 8.44 lakh shares of the Company during February, 2017 and March 2017. Further, no trading by the Ms. Pia and Mr. Mehul was observed in the scrip during six months prior to February 2017.

2. Accordingly, SEBI had conducted an investigation into suspected insider trading activities of Ms. Pia and Mr. Mehul in the scrip of the Company for the period January 01, 2017 to November 03, 2017 (hereinafter referred as "**Investigation Period**") to ascertain whether or

not the aforesaid entities have traded in the aforesaid scrip on the basis of unpublished price sensitive information (hereinafter referred as "**UPSI**"), in contravention of the provisions of SEBI Act, 1992 (hereinafter referred as "**SEBI Act**") read with SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred as "**PIT Regulations")**.

3. On completion of the investigation in the said matter, following was observed by SEBI:

a. The Company is an integral part of capital market providing securities and derivative broking services. The Company's subsidiary, 'Indiabulls Commodities Limited', provides commodities services. The Company was formerly known as 'Indiabulls Securities Limited' and changed its name to Indiabulls Ventures Limited in March 2015. IVL was incorporated in the year 1995. The details of Directors / Managerial Personnel of the Company are tabulated hereunder:

Table 1

IVL's Management during the Investigation Period (Source: IVL reply dated August 10, 2018)			
Board			
Name	**Designation**	**Appointment Date**	**Cessation Date**
Divyesh B. Shah	Whole-time Director & CEO	09/03/2005	-
Aishwarya Katoch	Independent Director	06/10/2003	18/09/2017
Brig. Labh Singh Sitara	Independent Director	15/01/2008	-
Prem Prakash Mirdha	Independent Director	15/01/2008	23/09/2017
Amiteshwar Choudhary	Whole-time Director	28/09/2016	28/08/2017
Pia Johnson	Non-Executive Director	10/03/2015	28/08/2017
Sameer Gehlaut	Non-Executive Chairman	28/08/2017	-
Gagan Banga	Non-Executive Director	28/08/2017	-
Ajit Kumar Mittal	Non-Executive Director	28/08/2017	23/09/2017
Pinank Jayant Shah	Executive Director	28/08/2017	-
Vijayalakshmi Rajaram Iyer	Independent Director	28/08/2017	-
Shyam Lal Bansal	Independent Director	28/08/2017	-
Alok Kumar Misra	Independent Director	28/08/2017	-
Others			
Lalit Sharma	Company Secretary	20/01/2016	-
Rajeev Lochan Agrawal	Chief Financial Officer	22/04/2014	-

b. IREL, a group company is primarily engaged in the business of construction and development of real estate. It has net worth of Rs. 5,480 Cr, as on June 30, 2017, with presence in both commercial and residential real estate development. IREL was incorporated in the year 2006 and is listed on BSE and NSE.

c. The corporate announcements made by the Company during the investigation period with respect to Sale of ILPL / investment of IIL in ILPL along with its impact on the price of the scrip is tabulated as under:

Table 2

<table>
<tr><th>Sr. No</th><th>Date & Time of display on Exchange Website</th><th>Particulars</th><th>Price Impact</th><th>Remarks</th></tr>
<tr><td rowspan="2">1.</td><td>NSE

20-Jun-2016

12:01 hours</td><td rowspan="2">IVL informed Exchanges that the Extraordinary General Meeting (EGM) of the company will be held on 15-Jul-2016 to inter alia transact the following special business:

Sale of investment

Sale of up to 100% of shares held by IDSL, a WOS of the company, in ILPL a WOS of IDSL.</td><td>17-Jun-2016 (NSE)<table><tr><th>Open</th><th>High</th><th>Low</th><th>Close</th><th>Traded vol.</th></tr><tr><td>22.05</td><td>22.80</td><td>21.80</td><td>21.95</td><td>1268763</td></tr></table>20-Jun-2016 (NSE)<table><tr><th>Open</th><th>High</th><th>Low</th><th>Close</th><th>Traded vol.</th></tr><tr><td>21.70</td><td>22.15</td><td>21.20</td><td>21.70</td><td>1189250</td></tr></table></td><td>On June 20, 2016, the price of the scrip closed at ₹ 21.70 i.e. 1.14% fall against the previous day closing price.</td></tr>
<tr><td>BSE

20-Jun-2016

12:07 hours</td><td>17-Jun-2016 (BSE)<table><tr><th>Open</th><th>High</th><th>Low</th><th>Close</th><th>Traded vol.</th></tr><tr><td>22.30</td><td>22.80</td><td>21.85</td><td>22.00</td><td>224613</td></tr></table>20-Jun-2016 (BSE)<table><tr><th>Open</th><th>High</th><th>Low</th><th>Close</th><th>Traded vol.</th></tr><tr><td>21.15</td><td>22.15</td><td>21.15</td><td>21.75</td><td>373395</td></tr></table></td><td>On June 20, 2016, the price of the scrip closed at ₹ 21.75 i.e. 1.14% fall against the previous day closing price.

(June 18, 2016 and June 19, 2016 were trading holidays)</td></tr>
<tr><td rowspan="2">2.</td><td>NSE

15-Jul-2016
15:19 hours</td><td rowspan="2">IVL informed Exchanges that members of company in EGM held on 15-Jul-2016 approved the following:

Preferential Issue of an aggregate of up to 5.83 crores Convertible Warrants to Promoter group entities and CEO & Whole-time Director of the company.

Sale of up to 100% of shares held by IDSL, a WOS of the company, in ILPL a WOS of IDSL.</td><td>14-Jul-2016 (NSE)<table><tr><th>Open</th><th>High</th><th>Low</th><th>Close</th><th>Traded vol.</th></tr><tr><td>31.55</td><td>33.65</td><td>29.60</td><td>33.00</td><td>5597645</td></tr></table>15-Jul-2016 (NSE)<table><tr><th>Open</th><th>High</th><th>Low</th><th>Close</th><th>Traded vol.</th></tr><tr><td>33.25</td><td>34.00</td><td>31.50</td><td>32.55</td><td>4004040</td></tr></table></td><td>On July 15, 2016, the price of the scrip closed at ₹ 32.55 i.e. 1.36% fall against the previous day closing price.</td></tr>
<tr><td>BSE

15-Jul-2016
15:01 hours</td><td>14-Jul-2016 (BSE)<table><tr><th>Open</th><th>High</th><th>Low</th><th>Close</th><th>Traded vol.</th></tr><tr><td>31.60</td><td>33.55</td><td>30.00</td><td>33.00</td><td>1586220</td></tr></table>15-Jul-2016 (BSE)<table><tr><th>Open</th><th>High</th><th>Low</th><th>Close</th><th>Traded vol.</th></tr><tr><td>33.80</td><td>33.90</td><td>31.55</td><td>32.70</td><td>946263</td></tr></table></td><td>On July 15, 2016, the price of the scrip closed at ₹ 32.70 i.e. 0.91% fall against the previous day closing price.</td></tr>
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<table>
<tr><th>Sr. No</th><th>Date & Time of display on Exchange Website</th><th>Particulars</th><th>Price Impact</th><th>Remarks</th></tr>
<tr><td rowspan="2">3.</td><td>NSE

15-Mar-2017
08:53 hours</td><td rowspan="2">IVL informed Exchanges that:

IDSL (a WOS of IVL) has signed a definitive agreement to sell its 100% shareholding in ILPL, at a consideration of Rs.685 crores, to IIL, a WOS of IREL and the deal is expected to be completed in the current financial year.

A meeting of the Board of Directors of the Company will be held on Friday the 17th March, 2017 to consider, inter alia, declaration of interim dividend, if any, on the Equity shares of the Company, for the financial year 2016-17.</td><td>14-Mar-2017 (NSE)
<table><tr><td>Open</td><td>High</td><td>Low</td><td>Close</td><td>Traded vol.</td></tr><tr><td>37.00</td><td>38.75</td><td>36.80</td><td>38.15</td><td>2495800</td></tr></table>
15-Mar-2017 (NSE)
<table><tr><td>Open</td><td>High</td><td>Low</td><td>Close</td><td>Traded vol.</td></tr><tr><td>39.20</td><td>41.95</td><td>39.20</td><td>41.95</td><td>11450940</td></tr></table></td><td>On March 15, 2017, the price of the scrip opened at ₹ 39.20 i.e. 2.75% rise against the previous day closing price and closed at ₹ 41.95 i.e. 9.96% rise against the previous day closing price.</td></tr>
<tr><td>BSE

14-Mar-2017
23:05 hours</td><td>14-Mar-2017 (BSE)
<table><tr><td>Open</td><td>High</td><td>Low</td><td>Close</td><td>Traded vol.</td></tr><tr><td>36.50</td><td>38.70</td><td>36.50</td><td>38.15</td><td>750175</td></tr></table>
15-Mar-2017 (BSE)
<table><tr><td>Open</td><td>High</td><td>Low</td><td>Close</td><td>Traded vol.</td></tr><tr><td>40.00</td><td>41.95</td><td>39.30</td><td>41.95</td><td>20793277</td></tr></table></td><td>On March 15, 2017, the price of the scrip opened at ₹ 40.00 i.e. 4.85% rise against the previous day closing price and closed at ₹ 41.95 i.e. 9.96% rise against the previous day closing price.</td></tr>
</table>

d. The term "*unpublished price sensitive information*" has been defined under Regulation 2(1)(n) of the PIT Regulations as follows:

"unpublished price sensitive information" means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –

(i) financial results;
(ii) dividends;
(iii) change in capital structure;
(iv) mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions;
(v) changes in key managerial personnel; and
(vi) material events in accordance with the listing agreement.

***NOTE**: It is intended that information relating to a company or securities, that is not generally available would be unpublished price sensitive information if it is likely to materially affect the price upon coming into the public domain. The types of matters that would ordinarily give rise to unpublished price sensitive information have been listed above to give illustrative guidance of unpublished price sensitive information.*

Unpublished Price Sensitive Information (UPSI)

e. As mentioned above, the Company made the following corporate announcements with respect to sale of the shareholding of ILPL and/or investment of IIL in ILPL:

   i. On June 20, 2016, the Company informed the exchanges that an Extraordinary General Meeting ("**EGM**") will be held on July 15, 2016 for seeking/enabling authorization for sale of investment by IDSL in the shares of ILPL and submitted the notice convening an EGM.

   ii. On July 15, 2016, the Company had submitted voting result of EGM held on July 15, 2016, wherein shareholders approved the resolution of sale of upto 100% of shares held by IDSL in ILPL, to any prospective buyer.

   iii. Thereafter, on March 14, 2017, the company informed exchanges that IDSL has signed a definitive agreement to sell its 100% shareholding in ILPL, at a consideration of Rs.685 Cr, to IIL and the deal is expected to be completed in the current financial year.

f. Further details were sought from the Company, IDSL, ILPL, IIL and IREL w.r.t. sale of ILPL and/or investment of IIL in ILPL. From the information/documents submitted by the Company, IDSL, ILPL, IIL and IREL, inter-alia, following was observed:

   i. Board of Directors of IDSL in their meeting dated May 04, 2016 accorded their consent for sale of ILPL.

   ii. Board of Directors of IVL in their meeting dated June 15, 2016 accorded approval, subject to approval of shareholders, for sale of ILPL and decided to call an EGM on July 15, 2016.

   iii. The shareholders of IVL in an EGM held on July 15, 2016 approved the sale of upto 100% of shares held by IDSL in ILPL, to any prospective buyer and the same was announced on exchanges.

   iv. On January 24, 2017 during a meeting between Mr. Divyesh Shah (CEO of IVL & Director of ILPL) and Mr. Gurbans Singh (CEO of IREL & Director of IIL) a request was made to Mr. Gurbans Singh, seeking loan facility of approximately Rs.500-550 crores against securities from IIL for ILPL.

   v. On January 25, 2017, Notice for convening Board Meeting on February 03, 2017 was issued by IIL to consider convening of an EGM.

   vi. In IIL's Board Meeting held on February 03, 2017 it was decided to convene an EGM on March 01, 2017 for seeking enabling authorization to the board to invest surplus funds, by way of loan which may inter-alia be in the form of Debentures or Non-Convertible Redeemable Preference Shares of ILPL or any other security as may be offered by ILPL.

Draft Notice of the proposed EGM was also placed and approved by the Board in the same Board Meeting.

vii. In IIL's EGM held on March 01, 2017 an enabling composite authorization in terms of Section 186 of the Companies Act, 2013 was approved and following special resolution was passed:

*"**RESOLVED THAT** pursuant to the provisions of Section 186 and other applicable provisions, if any, of the Companies Act, 2013, read with the Rules framed there under, as may be amended from time to time, consent of the members be and is hereby accorded to the Board of Directors of the Company:*

(a) <u>to grant loans</u>, give guarantee(s) or provide security, in connection with a loan made by any person to or to any person, <u>up to an aggregate value of Rs.600,00,00,000/- (Rupees Six Hundred Crore)</u> from time to *time in one or more trenches, <u>to India Land and Properties Limited</u> on such terms and conditions as may be considered expedient in the interest of the Company, and*

(b) <u>to invest Company's fund by way of subscription, purchase or otherwise, in the securities of India Land and Properties Limited</u> from time to time in one or more trenches up to the aggregate of Rs.600,00,00,000/- (Rupees Six Hundred Crore) on such terms and conditions as may be considered expedient in the interest of the Company,

notwithstanding that the aggregate of loans, investment already made or to be made and the guarantees or securities already provided or to be provided, may exceed the limits prescribed under the said Section."

viii. In this regard, IIL and ILPL confirmed that no amount of surplus funds was provided as loan to ILPL by IIL pursuant to above authorization. Further, IIL has submitted that on March 07, 2017 during a meeting between Mr. Gurbans Singh and Mr. Divyesh Shah pursuant to abovementioned EGM dated March 01, 2017, the loan proposal was discussed and it was agreed in principle that IIL will rather purchase shareholding of ILPL.

ix. The Company submitted that no buyer or acquirer approached IVL/IDSL/ILPL or gave any formal/informal proposal for purchasing ILPL prior to March 07, 2017. Further, it was observed from the replies of the Company and statement recording of CEO of the Company that real estate market was sluggish and not conducive at that time.

g. In view of the above, despite the fact that the Company had announced its intention to sell ILPL on June 20, 2016, it was crucial to find a suitable buyer and finalize the consideration to execute their intention. Hence, the information regarding identification of the buyer, finalizing the consideration and the actual event of signing of the definitive agreement to sell 100% shareholding in ILPL, to IIL, is considered to be price sensitive information. Accordingly, the information announced on March 14, 2017 i.e. the investment of IIL in ILPL is considered as UPSI in terms of Regulation 2(1)(n) of the PIT Regulations.

Period of UPSI

h. In order to ascertain the date when the UPSI came into existence, the Company, IDSL, ILPL, IIL and IREL were advised to provide the chronology of all events pertaining to investment of IIL in ILPL, till the date of announcement. From the replies of aforementioned entities, the chronology of events with respect to investment of IIL in ILPL has been tabulated as given hereunder:

Table 3

Date	Particulars (Details of the matter discussed and conclusions)
May 04, 2016	IDSL Board of Directors (BOD) in the meeting held on May 04, 2016 considered sale of ILPL to improve liquidity of IDSL and decided to sell the entire investment in ILPL.
June 15, 2016	From the minutes of IVL Board Meeting held on June 15, 2016, it was observed that BOD decided to call an EGM on July 15, 2016 for seeking approval of shareholders.
June 20, 2016	IVL had sent EGM Notice dated June 15, 2016 to its Shareholders, inter-alia, for seeking / enabling authorisation for sale of investment by IDSL in the shares of ILPL, subject to the approval of shareholders. Same was informed to stock exchanges.
July 15, 2016	Shareholders of IVL in their EGM held on July 15, 2016, approved the sale of investment by IDSL, in the shares of ILPL, to any prospective buyer(s). Same was informed to stock exchanges.
July 27, 2016	In IVL's Board Meeting, Management Committee was authorized to authorise IDSL to sell its stake in ILPL. Members of the committee were Mr.Divyesh Shah, Mr. Ashok Sharma (till Sept 28, 2016), Mr.AishwaryaKatoch and Ms. Pia Johnson (w.e.f. Sept 28, 2016)
January 24, 2017	During a meeting between Mr.Divyesh Shah (CEO of IVL & Director of ILPL) and Mr.Gurbans Singh (CEO of IREL & Director of IIL) a request was made to Mr.Gurbans Singh, seeking loan facility against securities from IIL for ILPL
January 25, 2017	Notice for convening Board Meeting on February 3, 2017 was issued by IIL to consider convening of an EGM
February 3, 2017	In IIL's Board Meeting held on February 03, 2017 it was decided to convene an EGM on March 01, 2017 for seeking enabling authorization to the board to invest surplus funds, by way of loan which may inter-alia be in the form of Debentures or Non-Convertible Redeemable Preference Shares of ILPL or any other security as may be offered by ILPL. Draft Notice of the proposed EGM was also placed and approved by the Board in the same Board Meeting
March 01, 2017	In IIL's EGM enabling composite authorization in terms of Section 186 of the Companies Act, 2013 was approved
March 07, 2017	During a meeting between Mr. Gurbans Singh and Mr. Divyesh Shah pursuant to EGM dated March 01, 2017, the loan proposal was discussed and it was agreed in principle that IIL will rather purchase shareholding of ILPL
March 07, 2017 to March 14, 2017	Discussions and finalization of the terms and conditions w.r.t. sale of ILPL to IIL. The idea of IIL purchasing IDSL's 100% shareholding in ILPL was proposed and agreed to in-principle. This was subject to the price which was to be discussed further to meet with the conditions on pricing for disinvestment as proposed by the shareholders of IVL. The legal team of IREL Group prepared the documentation on behalf of IIL, as IREL's Group legal team works for IREL and all its subsidiaries.

Date	Particulars (Details of the matter discussed and conclusions)
March 14, 2017	Pursuant to IDSL, ILPL & IIL's BOD Meeting held on March 14, 2017, a definitive agreement among IDSL, ILPL and IIL has been executed w.r.t. sale of ILPL by IDSL to IIL. Same has been Intimated to stock exchanges.

i. Upon analysis of facts and chronology of events and the information received from the Company, it was observed that the proposal relating to grant of loan from IIL to ILPL against securities originated on January 24, 2017, i.e. the date when Mr. Divyesh Shah (CEO of IVL & Director of ILPL) approached Mr. Gurbans Singh (CEO of IREL & Director of IIL) for seeking loan facility against securities, from IIL for ILPL. The said proposal ultimately culminated in sale of ILPL to IIL / investment of IIL in ILPL. Thus, the date of abovementioned proposal for grant of loan against securities of ILPL i.e. January 24, 2017 is considered as the origin point of the UPSI, which was published on BSE on March 14, 2017 at 23:05 hours and on NSE on March 15, 2017 at 08:53 hours. Thus, the period from January 24, 2017 to March 14, 2017 is determined as the UPSI period.

4. Regulation 9(1) of the PIT Regulations mandates the board of directors of every listed company to formulate a code of conduct to regulate, monitor and report trading by its employees and other connected persons, adopting the minimum standards set out in Schedule B of the PIT Regulations, without diluting the provisions of the PIT Regulations in any manner. As per Clause 4 and 5 of the Minimum Standards for Code of Conduct to regulate, monitor and report trading by insiders as specified in Schedule B of the PIT Regulations, 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 UPSI. Designated persons and their immediate relatives shall not trade in securities when the trading window is closed. Further, the timing of re-opening of trading window shall not be earlier than 48 hours after the UPSI becomes generally available.

5. As the UPSI i.e. sale of ILPL to IIL pertains to both the Company, closure of trading window by the Company was examined and observations in this regard are as follows:

a. On May 30, 2018, during statement recording, Mr. Lalit Sharma, Company Secretary of IVL (hereinafter referred as "**Noticee No. 2**") submitted copy of '*Code of Conduct for Prevention of Insider Trading*' adopted by the Company (hereinafter referred as "**Code of Conduct**"). As per Clause (V) of the Company's Code of Conduct, the trading window shall be closed during the period till Price Sensitive Information is unpublished and trading window will open 48 hours after the UPSI is made public.

b. The Company, Noticee No. 1 in its reply dated May 03, 2018 to SEBI stated that the trading window was not required to be closed and therefore not closed in connection with the deal i.e. sale of ILPL to IIL, announced on March 14, 2017, as the information about the proposed sale was available in public domain from June 20, 2016.

c. However, the submissions made by the Company with respect to non-closure of trading window was not accepted due to the following reasons:

   i. The Company in its reply dated May 15, 2018 mentioned that no formal/informal proposal was made or interest evinced by any entity for purchasing ILPL till March 07, 2017. Further, it was observed from the reply dated May 03, 2018 of the Company and statement recording of CEO of the Company dated May 30, 2018 that real estate market was sluggish and not conducive at that time.

   ii. Considering the above, despite the fact that the Company had announced its intention to sell investment in ILPL on June 20, 2016, it was crucial to find a suitable buyer and finalize the consideration to execute their intention.

   iii. The information regarding finalization / identification of the buyer and the actual event of signing of the definitive agreement to sell 100% shareholding in ILPL, to IIL, is considered to be material information.

   iv. Hence, the major development or announcement dated March 14, 2017 relating to identifying a buyer, finalizing the consideration and the actual event of signing of the definitive agreement to sell 100% shareholding in ILPL, to IIL is a UPSI.

   v. Therefore, the Company was under the obligation to close the trading window with respect to the UPSI announced on March 14, 2017.

6. As detailed in para 3(i) above, it was observed that period of UPSI was from January 24, 2017 to March 14, 2017 and therefore, the aforementioned submissions by the Noticees No. 1 and 2 with regard to UPSI were found tenable.

7. As per the replies of the Company, IDSL, ILPL, IIL and IREL, it was observed that there were 29 entities, who were privy to the UPSI and out of these 29 entities, eight entities, *viz.*, Manish Rustagi, Niraj Tyagi, Anil Mittal, Pramod Singh, Anil Malhan, Matbeer Singh, Satish Chand and Ajit Kumar Singh have traded in the scrip of the Company during the UPSI period. Apart from the aforesaid 8 entities, two more entities, *viz.*, Ms. Pia and Mr. Mehul, who were connected to

the Company /Indiabulls Group, have traded in the scrip of the Company during the UPSI period. It was further observed that the wrongful gains made by the aforementioned ten entities were in the range of Rs.11,620/- to Rs.35,10,739/-, wherein, the total wrongful gains made by the aforementioned ten entities through their trades in the shares of the Company during UPSI period was Rs. 74,51,836.53/-.

8. In view of the above, the Company had the responsibility to notify the period of closure of trading window and the compliance officer of the Company had the responsibility to monitor adherence to the same. It was observed that the trading window was not notified and closed during the UPSI period, therefore, it was alleged that the Company, Noticee No. 1 and its compliance officer, Mr. Lalit Sharma, Noticee No. 2 have violated Clause 4 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of the PIT Regulations and Clause (V) of the Company Code of Conduct adopted for Prevention of Insider Trading. The summary of charges and the action against the Noticees No. 1 and 2 is as under:

Table 4

Noticee No.	Name of the Entities (PAN)	Violations	Actions
1.	Indiabulls Ventures Limited (PAN: AAACO0870B)	**Noticees No. 1 & 2** Clause 4 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule- B r/w Regulation 9(1) of the PIT Regulations, 2015 and Clause (V) of the Code of Conduct adopted by the company as required under Regulation 9(1) of the PIT Regulations, 2015	**Noticees No. 1 & 2** Adjudication Proceedings under Section 15HB of SEBI Act, 1992.
2.	Mr. Lalit Sharma (PAN: BFXPS4859C), Company Secretary of IVL		

9. In view of the above, SEBI *prima facie* felt satisfied that there are sufficient grounds to inquire and adjudicate upon the aforesaid alleged violations of the provisions of the PIT Regulations by the Noticees No. 1 and 2 (hereinafter collectively referred to as "the Noticees"). Accordingly, undersigned was appointed as Adjudicating Officer in the matter by a *communication-order* dated July 17, 2020 to inquire and adjudge under Rule 5 of the SEBI (Procedure for Holding Inquiry and imposing penalties) Rules, 1995 (hereinafter referred as "Adjudication Rules") and under section 15HB of the SEBI Act, for the alleged violations of the aforesaid provisions by the Noticees.

10. Accordingly, in terms of Rule 4(1) of the Adjudication Rules read with section 15(I) of the SEBI Act, the notice to show cause no. EAD-2/ADJ/AP/AKS/13546/1-2/2020 dated August 20,

2020 (hereinafter referred to as "SCN") was issued to the Noticees, calling upon them to show cause as to why an inquiry should not be held against them in terms of Rule 4 of the Adjudication Rules and penalty be not imposed under 15HB of the SEBI Act, for the alleged violations of the aforesaid provisions by the Noticees.

11. The SCN was duly served upon the Noticees, wherein, vide letter dated September 11, 2020, the Noticees have requested for complete inspection of documents along with copies of all relevant records and documents and investigation report along with annexures. Their request for inspection of relied upon documents in the proceedings was accede to and vide letter dated September 11, 2020, the Noticees were informed regarding undertaking the said inspection of documents. Further, vide aforesaid letter, it was informed to the Noticees that, in terms of judgment of Hon'ble SAT in the matter of Shruti Vora vs SEBI, (Appeal 28 of 2020, dated February 12, 2020), their request for non-relied upon documents was rejected, as all the relevant relied upon material were already provided to them along with the SCN.

12. Thereafter, the authorized representatives of the Noticees, Mr. Robin Shah, Advocate, Parinam Law Associate (hereinafter referred to as "AR") have undertaken the inspection of documents on December 11, 2020 and recorded on minute sheet that the Noticees seek inspection of complete set of documents including investigation report and statement of Mr. Lalit Sharma. Subsequently, vide letter dated December 22, 2020, the Noticees reiterated their request for inspection of complete set of documents including investigation report and statement of Mr. Lalit Sharma. Accordingly, vide e-mail dated January 05, 2021, it was informed to the Noticees that, they have been granted inspection of all relied upon documents in the matter and it is a settled position of law that only the relied upon documents has to be provided for inspection to the Noticee and the same position has been upheld by the Hon'ble Supreme Court, Bombay High Court and also by the Hon'ble SAT in number of its rulings in the matters of *[Kanwar Natwar Singh v. Directorate of Enforcement [(2010) 2 SCC 497], Chandrama Tewari Vs. Union of India, Through General Manager, Eastern Railways, (1988) 1 SCR 1102 and M/s Haryana Financial Corporation vs. Kailashchand Ahuja [2008(9) SCC31]; Shruti Vora Case (Supra); RRPR Holdings Pvt. Ltd. vs SEBI dated August 29, 2018]*. Considering the same, the request of the Noticees for inspection of non-relied upon documents was found untenable and rejected.

13. Thereafter, in terms of principle of natural justice and in terms of Rule 4(3) of the Adjudication Rules, the opportunity of hearing was granted to the Noticees on January 13, 2021, wherein, they were also allowed to file their replies to the SCN two days before the date of scheduled hearing. After seeking several adjournments of hearing, the Noticees appeared before me for

hearing through their ARs, Mr. Somsekhar Sundreshan, Advocate, Mr. Ravichandra Hegde, Advocate, Ms. Ankita Roy, Advocate and Mr. Robin Shah, Advocate on February 09, 2021. Meanwhile, the Noticees filed their joint reply vide e-mail dated February 08, 2021. During the hearing, Ld. Advocate Mr. Somsekhar Sundaresan made the submissions on behalf of the Noticees and made submissions on the basis of Noticees joint reply dated February 08, 2021. The ARs requested for additional time to make a brief written submission in the matter. Accordingly, they were granted time upto February 18, 2021 to file additional written submission. Thereafter, the Noticees filed *aide-de-memoire* vide letter dated February 19, 2021.

14. The submissions/ replies/ *aide-de-memoire* of the Noticees made during the instant proceedings vide letters dated February 08, 2021 and February 19, 2021 *inter alia* are as follows:

a. The *information alleged to be UPSI was generally available information since it was always present in the public domain* and therefore, there was no requirement to shut the trading window. The desire of IVL and its subsidiary IDSL to sell the investment in ILPL so long as at least the amount invested originally is recovered, was well available in the public domain at least since June 20, 2016 when the exchanges were notified of the notice (dated June 15, 2016) for convening Extra Ordinary General Meeting of Shareholders of the Company, on July 15, 2016 for seeking shareholder approval. Also, the resolution of the Board of IVL expressly stated that the *"consideration…<u>shall be more than the amount invested by IDSL in such shares</u>…"*. The amount invested by IDSL in ILPL was Rs 600 crores which was in the public domain since November 19, 2014.

b. Mr. Lalit Sharma has been effectively complying with all the requirements of PIT Regulations without any default. IVL had circulated the Code of Conduct to the designated persons and the Directors with a strict directive to follow the same in letter and spirit. Mr. Lalit Sharma always maintained high standards of ethical integrity and has always been compliant with all the rules and regulation prescribed by the regulators from time to time.

<u>Closure of trading window was optional and not warranted:</u>

c. The intent behind enacting the PIT Regulations and the Code of Conduct in it, was to administer and monitor the prohibitions on insiders trading in the securities of a company should they be in possession of any UPSI.

d. Under Clause 4(1) of the Code of Conduct ("**COC**") under Schedule B of PIT Regulations, the compliance officer is given the discretion and power to close a *"notional trading window"* in order to monitor trading by designated persons. Whether any designated person is reasonably likely to have UPSI, which designated persons are likely to have which element of UPSI, and what measure of closure of trading window should be adopted (whether for all designated persons or some) – are all matters left to the discretion of the compliance officer.

e. The definition of UPSI as envisaged under Regulation 2(n) lays down an inclusive list of information which can be considered as UPSI. A reading of the definition of UPSI would make it clear that the information which relates to a company and which when published is likely to *materially* affect the price of its securities would be price sensitive. The list is illustrative, and the inherent discretion of the compliance officer has to be brought to bear to determine whether particular piece of information is UPSI and thereby decide whether to close the trading window.

f. It will be seen from the Reply that:

    i. The price at which ILPL had been acquired (Rs. 600 crores) was in the public domain since November 19, 2014;

    ii. That there was a stated desire and intent to sell out ILPL was in the public domain at-least since June 20, 2016;

    iii. On June 15, 2016, the Board of Directors of IVL resolved to convene a shareholders' meeting to get authorization to sell ILPL and on July 15, 2016shareholders approved it – all of this was in the public domain with the premise that the sale would be for not less than the amount invested (Rs. 600 crores, which was well known);

    iv. On January 24, 2017, when the two CEOs met, they discussed a potential loan to infuse monies into ILPL, which did not entail UPSI;

    v. On February 03, 2017, when shareholder approval was sought by IIL, evidently, there was no question of any share purchase transaction – it was to seek permission to invest surplus funds by way of loan;

    vi. For the first time, on March 7, 2017, the idea to conduct an *intra-group* transfer came about. Being an internal matter, there was no need for an elaborate involvement of external advisors and the deal was agreed upon and signed on March 14, 2017 and immediately announced – the final terms of the deal too became generally available information.

g. Since there was no contemplation of the sale-purchase transaction in January - 2017, there was no question of closing the trading window then. When the transaction actually got ideated in principle between two CEOs, it was March 7, 2017 and it was a professional best judgement of the compliance officer not to use the tool of the trading window and instead use his discretion to handle trading requests through the pre-clearance model.

No rationale in consideration of UPSI:

h. The starting date of UPSI is taken the date of discussing a loan, and the UPSI itself is taken as the agreement for transfer of shares – inherently, a dichotomy. There is no rationale or basis to correlate the events of March 14, 2017 with the events of January 24, 2017. In any case, consideration of January 24, 2017 as starting point of UPSI is also flawed because:

   i. a definitive agreement could only have been signed after *'identification of buyer'*.

   ii. even on March 7, 2017, the meeting was not scheduled for discussing the sale purchase terms but to discuss the loan proposal. At this meeting, the discussion turned into an informal discussion on sale purchase negotiation, an event which was never contemplated until the two CEO's met and regarded their positions – a fact borne out by their recorded statements which are on record.

   iii. the outcome of the proposal and initial decision to purchase the shares which was offered by Mr. Gurbans Singh (CEO of IREL) could not have attained finality on March 7, 2017 as the essential terms of the sale and the definitive terms was to be deliberated in the respective companies and thereafter the decision would have to be made.

   iv. there is no mention of any date or event in the Impugned Order pointing to any discussion on the sale – purchase of shareholding of ILPL by IDSL to IIL, prior to March 7, 2017

i. The requirement to close the trading window under Clause 4(1) of the COC is attracted only when the designated persons can *reasonably* be expected to have possession of UPSI. The mere fact of discussion between two CEO's on a loan proposal cannot lead to any reasonable inference about a potential share transfer transaction being on the table.

j. The share transfer proposal and the initial offer were made for the first time on March 7, 2017 and that was subject to various approvals which were obtained on March 14, 2017. The Hon'ble SAT has ruled that such uncertain information cannot be the basis of alleging UPSI (*ref: Samir Arora's case* and *Reliance Petro Investment's case*).

k. What is relevant to note that the closure a trading window is an additional tool granted to the compliance Officer to ensure that no insider trades on the basis of any UPSI. Even when the

Compliance Officer decides to not utilise this discretionary tool to monitor trading, there are other mandatory tools such as the requirement of taking pre-clearance from the Compliance Officer to ensure that intent of the PIT Regulations is followed.

l. Without prejudice to the foregoing, and even if there are instances of unconnected designated person having allegedly failed to comply with their obligations, the general allegation that the Company failed to monitor the Code of Conduct is far-fetched and unwarranted. As stated above, if there is a competing professional judgement that the trading window measure should have been deployed, it can never be the basis of imposing a penalty – by doing so, SEBI would transform from being a watchdog into being a hound (to cite the analogy deployed by the Hon'ble SAT in the *Piramal Enterprises case decided on May 15, 2019*.

m. Therefore, there was no UPSI element in existence and nothing in the material on record points to any remote assessment of the information in existence being UPSI. Therefore, in the best professional judgement of the Noticees, the question of closing of the trading window did not arise.

n. The Minutes of Meeting dated March 1, 2017 which was signed on March 7, 2017 clearly reflects that there was no decision taken on the sale of shares even on March 7, 2017. The Minutes does not reflect any concrete decision/discussion pertaining to purchase of shareholding of ILPL by IIL. It is a settled law that mere proposals cannot be considered as UPSI as observed by the Whole Time Member ("WTM") of SEBI in the case of *Arun Jain: Polaris Software Lab Limited [WTM/GM/EFD/109/2017-18]*.

o. Further, Mr. Divyesh Shah in his statement has expressly stated on oath that "*no information has been passed to an outsider during the period <u>of 7th March 2017 and 14th March 2017</u>*". This confirms the fact that there was no discussion pertaining to sale of shareholding of ILPL to IIL before March 7, 2017 and hence treating January 24, 2017 as a starting point of the purported UPSI has led to fundamental error which vitiates and cuts at the root of the Show Cause Notice. Also as is evident from the Minutes of Meeting dated March 14, 2017 of IDSL and ILPL, the proposed sale was brought into the notice of IDSL and ILPL only on March 14, 2017. Without obtaining the accord from the Board of IDSL and ILPL, the question of the Proposed Sale being conclusive does not arise.

p. The SCN fails to take into account an important fact that the purchase of security is a material development for the purchaser and the UPSI could at all be stated to have existed as regards IIL and not IVL which already had seen a market reaction, when the decision to sell was announced. The identification of a counter party, cannot be yet again, considered price sensitive information as the public was made aware of the same as on June 2016. It is settled law that once the information is published and it was already digested by the public, such information ceased to be "sensitive" as is observed by the Hon'ble Securities Appellate Tribunal in the case of *Hindustan Lever Limited vs. SEBI [Appeal Nos. 1 and 2 of 1998]* and SEBI in thecase of *63 Moons Technologies Limited [WTM Order dated January 31, 2018]*.

q. It is submitted that the obligation to close the trading window arises only when the information enlisted is unpublished and not any other information. It is an undisputed fact that the information with respect to sale of ILPL was in the public domain since 2016. In the case of *Hindustan Dorr Oliver Ltd. and Ors v. SEBI, [Appeal No. 107 of 2011],* the Hon'ble SAT has held that the definition of price sensitive information for the purpose of closing the trading window by the company under its code of conduct is much narrower than the definition of price sensitive information as given in PIT Regulation.

r. The WTM of SEBI by his Order dated February 5, 2020 has already passed certain directions against Mr. Mehul and Mrs. Pia ("*Johnson Order*") for trading in shares of IVL during the relevant period. Hence, ends of justice have already been met as far as the regulator is concerned.

s. The Noticees have been informed that the subject matter of Johnson Order is under challenge and Hon'ble Securities Appellate Tribunal ("SAT") is seized of the matter. Hence, to jump the gun on the proposition that UPSI did exist at relevant time and consequently there was violation of part of Noticees is arbitrary and unsustainable.

t. In any case, even if the Appeal is decided in favour of SEBI, there is no reason or rationale to extend the scope of said investigation to allege that the Noticees did not effectively monitor trading activities of designated person. Such an approach is far-fetched and unwarranted since allegation there is no direct violation committed by the Company or Compliance Officer who are vicariously charged under the SCN. In the case of *Piramal Enterprise Limited [Appeal No. 466 of 2017],* the Hon'ble Securities Appellate Tribunal had observed that for an alleged small infraction imposing monetary penalty mechanically is unwarranted.

u. The Noticees submit that as per the Regulation 9 (1) of PIT Regulations, IVL had implemented the Code of Conduct as per the model code of conduct prescribed under Schedule B of the PIT Regulations. As seen from the Code of Conduct, all the required mandatory provisions as directed by SEBI are contained in the Code. There is no deviation or any relaxation whatsoever from what is required from a listed company.

v. It is humbly submitted that if the learned Adjudicating Officer decides to impose a monetary penalty on a listed company for an alleged procedural lapse it would be an unwarranted loss to the lay investors of the Company. Further, for a person who have been compliant and diligent and discharging the role of a Compliance Officer, a monetary penalty for indirect breach and technical lapse would blemish his reputation and put a dent on his career. More-so, when the underlying details of the consideration amount invested by IDSL in ILPL (being Rs 600 crores) was in the public domain since November 19, 2014 and desire of IVL (and its subsidiary IDSL) to sell the investment in ILPL so long as at least the amount invested originally is recovered was generally available since June – 2016.

w. In light of the above, it is respectfully submitted that the SCN be disposed of without any monetary penalty against the Noticees.

15. Before dealing with the issues involved in the matter, it would be appropriate to refer to the provisions of laws which have been alleged to have been violated by the Noticees and the relevant extracts of the same are reproduced below:

PIT Regulations, 2015

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.*

NOTE: It is intended that every company whose securities are listed on stock exchanges and every market intermediary registered with SEBI is mandatorily required to formulate a code of conduct governing trading by its employees. The standards set out in the schedules are required to be addressed by such code of conduct.

SCHEDULE B
[See sub-regulation (1) and sub-regulation (2) of regulation 9]
Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders

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.*

Code of Conduct

[See sub-regulation (1) of regulation 9]

Clause V

V) <u>Prevention of misuse of " Unpublished Price Sensitive Information"</u>

1. The Company shall specify a trading period from time to time to be called "Trading Window", for trading in the Company's Securities. The trading window shall be closed during the time the information referred to in para (V) 3 is un-published.

2. Employees / Designated Persons and Immediate Relatives shall not trade in the Securities of the Company during the Closure of the "Trading Window" i.e. the period during which trading in Securities of the Company is prohibited.

3. The "Trading Window" shall be, closed Inter alia at the time of : -

   (i) periodical financial results of the Company;

   (ii) intended declaration of dividends (both interim and final);

   (iii)mergers, de-mergers, acquisitions, delisting, disposal and expansion of business; and

   (iv)any material events in accordance with the listing agreement.

   The period of commencement of closure of Trading Window shall be intimated, in advance, by the Company, from time to time.

4. The Trading Window shall be opened 48 hours after the information referred to in para 3 or any other information which could be deemed to be of a price sensitive nature, becomes public.

5. All Employees / Designated Persons and Immediate Relatives shall trade in the Securities of the Company only during the free period and not during the periods when Trading Window is closed, as referred to in para (V) 3 above or during any other period as may be specified by the Company from time to time.

16. I have considered the allegation levelled in the terms of reference, the relevant material brought on record, reply/ submissions of the Noticees, documents produced by the Noticees and oral submissions made during the personal hearing before undersigned. In the instant proceedings the limited question for determination is (a) whether the information of the investment of IIL in ILPL is considered as UPSI, if yes, when; (b) whether the Noticee No. 1 failed to notify the period of closure of trading window during the UPSI period; and (c) Noticee No. 2 failed to

monitor adherence to closure of trading window in relation to the UPSI; and thus, violated the provisions of Clause 4 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations and Clause (V) of the Company Code of Conduct adopted for Prevention of Insider Trading.

17. The first facet of the charge in the instant proceedings is existence of UPSI as the Noticees have contended that the information regarding the sale of shares of ILPL by IDSL for a consideration more than the amount invested (i.e. Rs. 600 crore) by IDSL in such shares, which is termed as UPSI in this matter was already available in the public domain since June 20, 2016 when IVL had sent EGM Notice dated June 15, 2016 to its shareholders. In this regard, the SCN alleges that "sale of shares of ILPL to IIL/investment in ILPL by IDSL is an UPSI". I note that IVL decided to sell its 100% shareholding of ILPL held by IDSL, a wholly owned subsidiary of IVL for a consideration more than the amount invested by IDSL. I further note that, on January 24, 2017 the two CEOs of IVL and IREL held discussions regarding loan to ILPL by IIL. During the investigation, I note IVL had submitted that no buyer or acquirer approached IVL/IDSL/ILPL or gave any formal/informal proposal for purchasing ILPL prior to March 07, 2017. Further, it stated that real estate market was sluggish and not conducive at that time. After the said meeting a notice convening the meeting of the board of directors on February 03, 2017 was sent by IIL on January 25, 2017. On February 03, 2017, board of directors of IIL decided to convene an EGM on March 01, 2017 for seeking enabling authorization to the board to invest surplus funds, by way of loan which may *inter-alia* be in the form of Debentures or Non-Convertible Redeemable Preference Shares of ILPL or any other security as may be offered by ILPL. Draft Notice of the proposed EGM was also placed and approved by the board of IIL in the same board meeting. In the EGM held on March 01, 2017, an enabling composite authorization in terms of Section 186 of the Companies Act, 2013 was approved and following special resolution was passed:

"RESOLVED THAT pursuant to the provisions of Section 186 and other applicable provisions, if any, of the Companies Act, 2013, read with the Rules framed thereunder, as may be amended from time to time, consent of the members be and is hereby accorded to the Board of Directors of the Company:

(a) to grant loans, give guarantee(s) or provide security, in connection with a loan made by any person to or to any person, up to an aggregate value of Rs.600,00,00,000/- (Rupees Six Hundred Crore) from time to time in one or more trenches, to India Land and Properties Limited on such terms and conditions as may be considered expedient in the interest of the Company, and

(b) to invest Company's fund by way of subscription, purchase or otherwise, in the securities of India Land and Properties Limited from time to time in one or more tranches up to the aggregate of Rs.600,00,00,000/- (Rupees Six Hundred Crore) on such terms and conditions as may be considered expedient in the interest of the

Company, notwithstanding that the aggregate of loans, investment already made or to be made and the guarantees or securities already provided or to be provided, may exceed the limits prescribed under the said Section."

18. Pursuant to aforesaid EGM of IIL on March 01, 2017, during a meeting between Mr. Gurbans Singh and Mr. Divyesh Shah, the loan proposal was discussed and it was agreed that IIL will purchase shares of IDSL in ILPL. On March 14, 2017, an definitive agreement was executed amongst IDSL, ILPL and IIL and was intimated to the stock exchanges by IVL *inter alia* as:

"we wish to inform that today i.e. March 14, 2017, Indiabulls Distribution Services Limited (IDSL) (a wholly owned subsidiary of Indiabulls Ventures Limited {IVL}) has signed a definitive agreement to sell its 100% shareholding in India Land and Properties Limited (ILPL), at a consideration of Rs. 685 crores, to Indiabulls Infrastructure Limited (IIL), a wholly owned subsidiary of Indiabulls Real Estate Limited. The deal is expected to be completed in the current financial year."

19. In view of above, the proposal relating to grant of loan from IIL to ILPL or investment by IIL in ILPL, which originated on January 24, 2017, i.e. the date when CEOs of IVL and IREL met and discussed loan facility against securities, from IIL for ILPL, ultimately culminated in sale of ILPL shares held by IDSL to IIL/ investment of IIL in ILPL, for a consideration of Rs. 685 crore. The said information was "price sensitive" information, which could likely materially affect the price of securities of IVL. The said UPSI on being made public, on March 15, 2017 had materially affected the price of the scrip of IVL i.e. an increase of 9.96% over the previous day's closing price of Rs. 38.15/- per share, as closing price on March 15, 2017 of the scrip of IVL was Rs. 41.95/- per share. In view of aforesaid discussion, facts and circumstances, I am of an opinion that the information regarding investment by IIL in ILPL or sale of shares ILPL was an UPSI in the instant matter, which came into existence on January 24, 2017 and became generally available, when published on March 14, 2017. Therefore, contending that UPSI was "uncertain information" and cannot be a basis of alleging UPSI and placing reliance upon the Hon'ble SAT judgments in the matter of *Samir Arora's case* and *Reliance Petro Investment's case* is an out of place argument and thus, I reject the contentions of the Noticees in this regard.

20. I further note that, on June 20, 2016, IVL forwarded a notice regarding, convening of an EGM of its shareholders on July 15, 2016 to transact the special business, to the stock exchanges, wherein, relevant extract provides as under:

> ***"Item No. 2. Sale of Investment***
>
> *To consider and, if thought fit, to pass the following Resolution as a Special Resolution:*
>
> *RESOLVED THAT pursuant to the provisions of the Companies Act, 2013, as amended, read with applicable Rules framed thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force), and applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, approval be and is hereby accorded to the Board of Directors of the Company and of its subsidiary (hereinafter referred to as the "Board" which term shall include any committee thereof), to sell upto 100% of shares held by Indiabulls Distribution Services Limited, a wholly owned subsidiary of the Company ("IDSL"), in India Land and Properties Limited, a wholly owned subsidiary of IDSL, on the terms and conditions, including the consideration, which shall be more than the amount invested by IDSL, in such shares, as the Board may finalize.*
>
> *RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred by above resolutions to any Director or to any Committee of Directors or any other executive(s) / officer(s) of the Company or any other person as the Board at its discretion deem appropriate; to do all such acts, deeds, matters and things as also to execute such documents, writings, etc. as may be necessary in connection therewith and incidental thereto as the Board in its absolute discretion deem fit without being required to seek any fresh approval of the shareholders of the Company and to settle all questions, difficulties or doubts that may arise in this regard and that the decisions of the Board shall be final, binding and conclusive in all respects."*

21. The aforesaid agenda item was approved by the shareholders of IVL on July 15, 2016. From the said resolution passed by the shareholders of IVL, it is noted that, firstly, authorisation was given to sell "upto 100% shares" of IDSL in ILPL, secondly, there was no timeline prescribed for selling the said shares and thirdly, resolution merely stated that sale consideration shall be more than the amount invested by IDSL, in such shares. It is further noted that the said resolution did not have any mention that amount invested by the IDSL in the shares of ILPL was Rs. 600 crore. I note that, said amount of Rs. 600 crore becomes known from the disclosure made by the IVL on May 19, 2014 to the stock exchanges that its subsidiary IDSL had acquired 100% shares of ILPL. Accordingly, to know the minimum consideration amount expected by IVL, an investor expected to be aware of the disclosure made by IVL on May 19, 2014, wherein, it was informed that, Rs. 600 crore was the amount invested by IDSL in purchase of 100% shares of ILPL. Therefore, I am of the opinion that the said notice of EGM was in public

domain since June 20, 2016, however, it was a raw information and it could crystallise in concrete UPSI, only when there is an identified purchaser, ascertained number of shares to be sold, ascertained consideration amount, agreed time between buyer/seller to close the deal and other terms and condition. All these facts were not ascertained as on June 20, 2016, therefore, in the absence of critical facts like identified purchaser, ascertained number of shares to be sold, ascertained consideration amount, agreed time between buyer/seller to close the deal and other terms and condition, the contention of the Noticees that the alleged UPSI was in public domain since June 20, 2016 are not tenable.

22. I note that the proposal relating to grant of loan from IIL to ILPL or investment by IIL in ILPL was originated on January 24, 2017. This was for the first time that the approval accorded by the shareholders of IVL regarding the sale of stake of IDSL in ILPL on July 15, 2016, moved from in-principle approval to actual execution stage and on the said date information regarding investment by IIL in ILPL came into existence. The said proposal was different from the decision of IVL i.e. selling the shares of ILPL held by IDS, taken in the meeting of board of directors of IVL held on June 15, 2016 and informed to the stock exchanges on June 20, 2016 because the said loan was subject to the approval by the board of IVL. Further, on this date, a real investor in the form of IIL came forward to actually discuss the granting of loan against the shares of ILPL. The said proposal of loan against the shares of ILPL ultimately culminated in sale of shares ILPL held by IDSL to IIL/investment of IIL in ILPL, for a consideration of Rs. 685 crore i.e. an amount which was not known earlier at the time of in-principle given by the board of IVL on June 15, 2016. However, from January 24, 2017, the in-principle approval accorded by the board of IVL on June 15, 2016 entered into execution stage which could have resulted either into "loan (as discussed)" or "sale (as it actually happened)". The said information was "price sensitive" information which could likely materially affect the price of securities of IVL. As discussed above, the said UPSI on being made public on March 15, 2017 had materially affected the price of the scrip of IVL. I also note that on March 07, 2017, the two CEOs agreed in principle that instead of giving loan, IIL would be purchasing the shares in ILPL which resulted into a formal agreement amongst IDSL, ILPL and IIL, on March 14, 2017, however, IIL came forward as willing investor (as lender) in ILPL, first time on January 24, 2017 and finally ended up in purchasing the shares in ILPL, on March 14, 2017. Therefore, in my opinion there is no ambiguity that UPSI came into existence on January 24, 2017 and thus, any of the contention of the Noticees in this regard is rejected hereby.

23. In view of aforesaid discussion, UPSI came into existence on January 24, 2017, therefore, the Noticees reliance upon the judgment of Hon'ble SAT in the matter of *Hindustan Lever Limited*

case [Appeal No. 1&2 of 1998] and SEBI in the *63 Moons Technologies Limited* ***case*** [Order dated January 31, 2018] regarding information ceased to be "*sensitive*" is not applicable in the instant matter.

24. The Noticees have also contended that the alleged UPSI was not material information and therefore it is not price sensitive information. In this regard, I note that the said UPSI was securing of loan from IIL against the shares of ILPL, finally resulting into sale of the shares of ILPL by IDSL in favour of IIL, for a consideration of Rs. 685 crore. Such an information regarding sale of the shares for a consideration of Rs. 685 crore, will reasonably be considered by an investor, to have likely material effect on the shares of IVL, though in fact it may not have any such effect. In the instant matter, said UPSI on becoming generally available resulted in surge in the price of the scrip of IVL by 9.96% i.e. Rs. 41.95/- per share from its previous day's closing price of Rs. 38.15/- per share. However, increase in price of shares post dissemination of UPSI is a corroborative event though not mandatory. Therefore, I reject such contentions of the Noticees.

25. Now coming to the second facet of the charge that, whether, Noticee No. 1 had identified and closed the trading window during UPSI period. In this regard, I note that in terms of Regulation 9 (1) of the PIT Regulations, the onus lies on the board of directors of every listed company to formulate a code of conduct to govern, regulate, monitor and report trading by its employees and other connected persons towards achieving compliance with PIT Regulations, adopting the minimum standards as set out in Schedule B to the PIT Regulations. The Note to Regulation 9 (1) of the PIT Regulations clearly spells out the intention behind framing of the said provision. It mandates every listed company to formulate a code of conduct governing trading by its employees without diluting the provisions of PIT Regulations in any manner. The minimum standards as set out in Schedule B to the PIT Regulations standards are required to be addressed by such code of conduct. Clause 4 of Code of Conduct under Schedule B to the PIT Regulations mandates that a notional trading window shall be used by the listed company as an instrument of monitoring trading by the designated persons. Further, it envisages that the trading window shall be closed when the compliance officer of the listed company determines that a designated person or class of designated persons can reasonably be expected to have possession of UPSI. Such closure shall be imposed in relation to such securities to which such UPSI relates and that the designated persons and their immediate relatives shall not trade in such securities when the trading window is closed. Further, Clause V of the Code of Conduct of the Company (hereinafter referred to as "CoC") mandates a listed company to specify a trading period from

time to time to be called "trading window" for trading in the securities of the Company and which shall be closed during the UPSI specified under Clause V (3).

26. I note that the charges in this case clearly falls under the abovementioned provisions of PIT Regulations read with CoC, as the Noticee No. 1 is a listed company which is mandated to formulate a code of conduct governing trading by its employees without diluting the provisions of PIT Regulations in any manner and effectively use the notional trading window as an instrument for monitoring trading by the designated persons.

27. In view of aforesaid discussions, it is observed that the information regarding sale of ILPL by IDSL to IIL is an UPSI in the instant matter, which came into existence on January 24, 2017 and disclosed to stock exchanges on March 14, 2017 on signing of definitive agreements. Thus, the period of UPSI was observed to be from January 24, 2017 to March 14, 2017. It is an admitted position that the Noticee No. 1 had not closed the trading window from January 24, 2017 to March 14, 2017 i.e. during the alleged UPSI period and there is no dispute on this count. All the contentions of the Noticees regarding information of investment/ sale of ILPL by IDSL to IIL not being UPSI, the UPSI period, the pre-existence of information or information already available in public domain since June 15, 2016, etc., have been suitably dealt in the aforesaid paras and found to be devoid of merit.

28. I note that Regulation 9 (1) of the PIT Regulations mandates every listed company, including the Noticee No. 1, to formulate a code of conduct without diluting the provisions of PIT Regulations in any manner. Therefore, the language of regulation 9 (1) of the PIT Regulations is a direct command to the listed company to comply with this requirement without any exemption or relaxation.

29. I further note that, in terms of definition provided of a "compliance officer" under Regulation 2(1)(c), he is responsible for monitoring of trades and the implementation of the codes specified in PIT Regulations under the overall supervision of the board of directors of the listed company or the head of an organization. The PIT Regulations require listed companies to use a trading window for monitoring trades by designated persons and their immediate relatives. The compliance officer is responsible for closing the trading window under certain circumstances when designated persons are reasonably expected to be in possession of unpublished price sensitive information. With certain exceptions, designated persons and their immediate relatives are not permitted to trade when the trading window is closed. Further, in terms of Clause 4 of Schedule B of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report

Trading by Insiders as specified in Schedule B, a compliance officer has an obligation to determine, whether the designated person or class of designated persons are reasonably expected to have in possession of UPSI and in such scenario he is expected to close the trading window so that the Designated persons and their immediate relatives shall not trade in securities when the trading window is closed. In the instant matter, as per the replies of the Company, IDSL, ILPL, IIL and IREL there were 29 entities, who were privy to the UPSI and out of these 29 entities, eight entities have traded in the scrip of the Company during the UPSI period. Apart from the aforesaid 8 entities, two more entities, *viz.*, Ms. Pia and Mr. Mehul, who were connected to the Company /Indiabulls Group, have traded in the scrip of the Company during the UPSI period and together these ten entities made total wrongful gains of Rs. 74,51,836.53. In view of aforesaid discussion, facts and circumstances, I am of a view that the compliance officer, Noticee No. 2 has failed in his duty and responsibility of identifying the material event and to monitor adherence to the closure of window during the UPSI event.

30. The Noticees have contended that, the matter of determining whether any designated person is reasonably likely to have UPSI, which designated persons are likely to have which element of UPSI, and what measure of closure of trading window should be adopted (whether for all designated persons or some) are left to the discretion of the compliance officer. Further, in terms of Regulation 2(n), the list of determining material event is illustrative and the inherent discretion of the compliance officer has to be brought to bear to determine whether particular piece of information is UPSI and thereby decide whether to close the trading window. In this regard, I note that in PIT Regulations the "*materiality*" of event has already been discussed in previous paras and there is not an iota of doubt that the events occurred during January 24, 2017 to March 14, 2017 were not related to material event of investment by IIL in ILPL or sale of shares ILPL. In my opinion, a compliance officer being a professional and integral part of compliance of all the events of a company is reasonably expected to have access to all the major events culminating in a company. Therefore, it will be too naïve to assume that the compliance officer, Noticee No. 2 is not aware of such material event in the Company and taking the shield of 'discretion' in making the decision of not closing the trading window is against the professional acumen of an expert such as 'compliance officer'. Assuming that the compliance officer has discretion in deciding to close window, even then the said discretion has to be exercised reasonably and within the four corners of applicable laws. In this case the compliance officer has in disregard of the existence of UPSI, has exercised the so called discretion by not closing the trading window. Considering aforesaid facts, circumstances and argument, I reject such contentions of the Noticees.

31. The Noticees have contended that the closing of a trading window is an additional tool granted to the compliance Officer to ensure that no insider trades on the basis of any UPSI. Even when the Compliance Officer decides to not utilise this discretionary tool to monitor trading, there are other mandatory tools such as the requirement of taking pre-clearance from the Compliance Officer to ensure that intent of the PIT Regulations is followed. In this regard, I note that, 'trading window' is a tool framed with a view to prevent insider who is reasonably expected to have access to UPSI, from dealing in the securities of the Company to the disadvantage of common investors. 'Pre-clearance' is a mechanism provided to ensure that designated persons obtain preclearance from the compliance officer, if the value of their proposed trades is above such thresholds as the board of directors of the company may stipulate in the Company's code. Further, compliance officer is required to seek declarations to the effect that the applicant for pre-clearance is not in possession of any UPSI prior to approving any trades. In my opinion, a designated person(s) shall not trade when the trading window of the Company is closed by Compliance Officer, even if pre– clearance approval was taken before the closure of trading window. They still cannot make the trade if the trading window gets closed thereafter. Therefore, in my opinion, the requirement of pre-clearance of trade is a preventive measure to contain the insider trading, however, closing of trading window is more efficient tool, especially when an UPSI already exists. In my view, a compliance officer shall close the trading window, at the very first instance at which UPSI may occur and thus, I reject such contentions of the Noticees.

32. The Noticees have contended that even if there are instances of unconnected designated person having allegedly failed to comply with their obligations, the general allegation that the Company failed to monitor the Code of Conduct is far-fetched and unwarranted. The Noticees have placed reliance upon the judgment of Hon'ble SAT in the matter of *Piramal Enterprise Limited [Appeal No. 466 of 2017]* with regard to their aforesaid contention and submitted that imposing monetary penalty mechanically is unwarranted. In this regard, I note that the Company was well aware of the occurring events, meetings of CEOs, Board Members, formulation of management committee, etc., in respect of sale of investment by IDSL, in the shares of ILPL. Further, the trades of the designated person in the scrip of the Company during the UPSI period resulted into the unlawful gain of Rs 74,51,836.53. Had the Company taken pro-active steps and identified and closed the trading window during said UPSI period, then other investors would not have been at loss due to undue advantage to designated persons. In the instant matter, the Noticees have failed in performing their responsibility and duty towards the stakeholders and therefore, the principle pronounced by the Hon'ble SAT in the matter of *Piramal Case (Supra)* cannot be applied in this case. Thus, the contention of the Noticees in this regard is not tenable.

33. The Noticees have contended that obligation to close the trading window arises only when the information enlisted is unpublished and not any other information and it is an undisputed fact that the information with respect to sale of ILPL was in the public domain since 2016. In this regard Noticees have placed reliance upon the judgment of Hon'ble SAT in the matter of *Hindustan Dorr Oliver Ltd. and Ors v. SEBI, [Appeal No. 107 of 2011],* wherein, the Hon'ble SAT has held that the definition of price sensitive information for the purpose of closing the trading window by the company under its code of conduct is much narrower than the definition of price sensitive information as given in PIT Regulation. In this regard, I note that, though the information regarding sale of ILPL came into existence in June 15, 2016, however, the events related to investment/ sale of ILPL to IIL at a price of Rs 685/- Crore have taken place during January 24, 2017 to March 14, 2017. I have perused the aforesaid judgment of Hon'ble SAT and I am of a view that facts of the said case are not applicable to the present proceedings, as the said judgment of Hon'ble SAT is based on deemed 'price sensitive information' related to 7 events provided under provision of Regulation 2h(a) of the PIT Regulations, 1992. In the instant matter, Notes provided under Regulation 2(n) of the PIT Regulations, 2015 clearly states that the 'price sensitive information' provided under Regulation 2(n) are only to give 'illustrative guidance' and ordinarily not restricted to the 5 events mentioned there under. Therefore, I am of the view that the reliance upon the aforesaid judgment of Hon'ble SAT by the Noticees are misplaced and thus, their contention in this regard is not tenable.

34. The Noticees have further contended that, vide order dated February 5, 2020, Ld. WTM has already passed certain directions against Mr. Mehul and Mrs. Pia for trading in shares of IVL during the relevant period and therefore, ends of justice have already been met. They also contended that the subject matter of aforesaid order is challenged before Hon'ble SAT and therefore, to jump the gun on the proposition that UPSI did exist at relevant time and consequently there was violation of part of Noticees is arbitrary and unsustainable. In this regard, I note that, the Noticees in this case were not the noticees in the proceedings before the Ld. WTM of SEBI. Moreover, it is a settled position that adjudication proceedings under Section 15I of the SEBI Act are independent to the proceedings under Section 11 and 11B of the SEBI Act, as such the order on merits can be passed based on the material available on record, in this matter.

35. In view of aforesaid facts and circumstances, submissions made by the Noticees in their replies and during hearings, I am of the view that the failure of the Noticees No. 1 and 2 as found in this case stands established and hence, deserves imposition of monetary penalty under section 15HB of the SEBI Act for the violation of the provisions of Clause 4 of Code of Conduct under

Schedule B of Regulation 9(1) of the PIT Regulations read and Clause (V) of the Code of Conduct adopted by the Company as required under Regulation 9(1) of the PIT Regulations, 2015. The aforesaid penalty provision is mentioned as under:

<u>SEBI Act, 1992</u>

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.*

36. For the purpose of adjudication of quantum of penalty, it is relevant to mention that under section 15I of the SEBI Act imposition of penalty is linked to the subjective satisfaction of the Adjudicating Officer. The words in the section that "*he may impose such penalty*" are of considerable significance, especially in view of the guidelines provided by the legislature in section 15J of the SEBI Act. The factors stipulated in Section 15J of the SEBI Act reads as follows: -

> ***15J - Factors to be taken into account by the adjudicating officer***
>
> *While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -*
>
> *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
>
> *(b) the amount of loss caused to an investor or group of investor/+s as a result of the default;*
>
> *(c) the repetitive nature of the default.*

37. Having regard to the factors listed in section 15J and the guidelines issued by Hon'ble Supreme Court of India in *SEBI Vs Bhavesh Pabari Civil Appeal No(S).11311 of 2013* vide judgment dated February 28, 2019, it is noted from the material available on record, i.e. details of investigation, that unconnected designated persons along with Ms. Pia and Mr. Mehul, totaling 10 in number, have made wrongful gain of ₹74.52 Lakhs (approx..) by trading in the scrip of the Company, (Noticee No. 1) during the UPSI period when the trading window ought to have been closed by the Noticees. I note that had the Noticees effectively used the trading window mechanism as an instrument for preventing insider trading by the designated persons and their immediate relatives who are 'insiders', such wrongful gain made by them could have been averted. Thus, the extent of loss suffered by the investors as a result of the default in this case can be assessed to the tune of ₹74.52 Lakhs (approx..) which is equivalent to the wrongful gain made by the insiders. Further, the compliance officer, Noticee No. 2 failed to fulfill his responsibility and

duties in ensuring compliance with code of conduct to regulate and monitor trades of the unconnected designated persons. In view of the same, I am of the view that non-adherence to the laid down obligations under the PIT Regulations by the Noticee No. 1 being a listed company and Noticee No. 2, being a compliance officer, needs to be viewed seriously.

38. The PIT Regulations prohibits trading in the shares of the company by the insiders while in possession of UPSI. Such regulation of trades of the insider is necessary to protect the interest of investors in the securities market and also for regulation and development of the market. If insider trading is not contained, prohibited and dealt with firmly, it would hamper and jeopardize the interest of a normal shareholder. I am of an opinion that, the laxity and carelessness shown by the Noticees No. 1 and 2 as found in this case has put the investors in dis-advantage position in comparison to "insiders" and same cannot be in the interest of securities market. The law does not permit any allowance to be made for such act as found in this case.

39. Considering all the facts and circumstances of the case and exercising the powers conferred upon me under section 15I of the SEBI Act read with rule 5 of the SEBI Adjudication Rules, I hereby impose penalty of Rs 50,00,000/- (Rupees Fifty Lakh Only) on Noticee No. 1 *viz.* Indiabulls Venture Limited and of Rs 5,00,000/- (Rupees Five Lakh Only) on the Noticee No. 2 *viz.* Mr. Lalit Sharma. The said penalty according to me is commensurate with the violations committed by the Noticees.

40. The Noticees shall remit / pay the said total amount of penalty within 45 days of receipt of this order by way online payment on SEBI website at following tabs on SEBI website www.sebi.gov.in – ENFORCEMENT -> Orders ->Orders of AO -> Pay Online or by way of using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html.In case you face any difficulties in payment of penalties, you may contact the support at portalhelp@sebi.gov.in .

41. The said confirmation of e-payment made in the format as given in table below should be sent to "*The Division Chief, EFD-DRA-II, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C-4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051*" and also to e-mail id:- tad@sebi.gov.in

1	Case Name	
2	Name of the 'Payer/Noticee'	
3	Date of Payment	

4	Amount Paid	
5	Transaction No.	
6	Bank Details in which payment is made	
7	Payment is made for(like penalties/disgorgement / recovery/ settlement amount and legal charges along with order details)	

42. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

43. In terms of Rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticees and also to SEBI.

Date: May 21, 2021 **Amit Pradhan**

Place: Mumbai **Adjudicating Officer**