BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. Order/JS/AU/2022-23/21506-21507

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

In respect of:

Jayshree Petrochemicals Private Limited

and

Shri. Saurabh Tayal

In the matter of M/s KSL & Industries Limited

FACTS OF THE CASE

1) Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted investigation in trading in the scrip of M/s KSL & Industries Limited (hereinafter referred to as "**KSL**") for the period April 06, 2005 to June 15, 2005 (hereinafter referred to as "investigation period"). The shares of KSL were listed at Bombay Stock Exchange (hereinafter referred to as "**BSE**"). BSE observed that during the investigation period the price of the scrip went up from Rs. 272 on April 06, 2005 to Rs. 1923 on June 15, 2005 in 51 trading days, mainly in first trades. Investigation observed that during the period of investigation, KSL has made various corporate announcements during the investigation period, which are in the nature of price sensitive information. It is alleged that Jayshree Petrochemical Pvt. Ltd. (hereinafter referred to as "**Jayshree/JPPL/Noticee 1**") and Shri Saurabh Tayal (hereinafter referred to as "**Saurabh/Noticee 2**") (collectively referred to as Noticees)are violated the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as **PFUTP Regulations, 2003**), SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as **PIT Regulations, 1992**).

APPOINTMENT OF ADJUDICATING OFFICER

2) SEBI appointed the undersigned as Adjudication Officer (AO), vide SEBI order dated February 03, 2009, 2009 (Annexure-1), to inquire into and adjudge under sections 15G(i) & 15G(ii) and 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as SEBI Act, 1992) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as **Adjudication Rules**), the violations of the provisions PFUTP Regulations, 2003, PIT Regulations, 1992, alleged to have been committed by Noticee 1 and Noticee 2 in respect of their dealings in the scrip KSL. Pursuant to my transfer, the matter was transferred to another AO. Subsequently, the matter was transmitted to the undersigned for further proceedings.

SHOW CAUSE NOTICE AND REPLY

3) Show Cause Notice dated June 30, 2009 (hereinafter referred to as **'SCN'**) was issued to the Noticee under rule 4 of the Rules to show cause as to why an inquiry should not be held and penalty be not imposed under section 15G(i) & 15G(ii) 15G(ii) read with 12A(e) of the SEBI Act, and 15HA read with for the alleged violation specified in the said SCN. Pursuant to the transfer of the instant matter to the undersigned now, supplementary Show cause Notices was sent to the Noticees on November 07, 2022 to the Noticees. The allegations levelled against the Noticees in the SCN are summarized as follows:-

   a) Investigation observed that KSL is a Public Limited Company having corporate office at Raghuvanshi Mills Compound, 11/12, Senapati Bapat Marg, Lower Parel (W), Mumbai -400 013 and regd. Office at Plot no 69, Dhanu Udyog Industrial Area, Piperia, Silvassa. Registered in 1975 as a partnership firm, Krishna Hosiery Mills was converted into a private limited company in 1983, and subsequently into a public limited company on April 1, 1992. The name was changed to Krishna Texport & Capital Markets in Sep.'94. It is a part of the Krishna group, with interests in cotton yarn, knitted fabrics, synthetics and polyester yarn, processing, printing and mercerising of knitted fabrics. The company, now known as KSL & Industries, is promoted by Ram Pratap Tayal, Pravin K Tayal, Navin K Tayal and Sanjay K Tayal, of the Tayal family.. The company made public issue in Feb.'95 to part-finance its expansion-cum-diversification programme. KSL is planning to diversify its activities by undertaking new business of cotton farming and cultivation, bio-technology.During the period of Investigation, the Directors of the company were Shri Saurabh Kumar Tayal - Chairman, Shri Ramit Aggarwal - Managing Director, Shri Samir Antani, Shri Romil Aggarwal, Shri S.N. Dubey, Shri Mahendra Patel, Shri Farindra Bihari Rai, Shri Pravin Sharma, Shri Harinder Kumar, Shri Anil Kumar Dubey, Shri Rajshekhar S. Ganiger, Shri Satyendra Kumar Singh and Shri Sanjay Nimbalkar.

b) Shareholding Pattern: Investigation observed that holding of promoters in both the quarters was same i.e. 16,35,162 shares (15.43%). It is observed from the shareholding pattern that the status of seven bodies corporate appearing under 'Person acting in concert (PAC)' holding 28,65,774 shares (27.04%) as on March 31, 2005 changed to 'Private Corporate Bodies (PCB)\ as on June 30, 2005. The company replied that due to resignation of two directors i.e. Shri Santosh Ghumatkar & Shri Ashok Soni on January 21, 2005, the said seven bodies corporate ceased as PAC and hence shown as PCBs.

c) Performance of the Company: Quarterly results of KSL for the quarters June 2005, September 2005, December 2005 and March 2006 are as follows:

(Unaudited) (Rs. in million)

	June 2005	September 2005	December 2005	March 2006
Sales	750.23	875	852.21	1011.52
Other Income	2.45	0.8	0.8	3.16
Total Income	752.68	875.8	853.01	1014.69
Profit after Tax	78.73	81	82.9	68.38
Net profit	78.73	81	82.9	68.38
Equity	105.99	318	318	318

d) The audited annual results for the financial years 2004-05, 2005-06, 2006-07 & 2007-08 are as under:

(Rs. in million)

Period	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Sales	1536.21	3489.03	5164.27	6776.65
Total income	1543.13	3496.29	5171.97	6795.57
Expenditure	1371.31	2920.46	4192.86	5975.19
Profit before Tax	119.07	403.24	536.48	544.71
Tax	12.33	84.01	168.40	93.28
Net profit	106.74	319.23	368.08	451.43
Equity	106	318	387.17	399.51

e) Corporate Announcements: KSL made following corporate announcements during the investigation period:

S.N.	Date	News	Price movement in the scrip
	April 21,2005 Informed to Exchange at 02:06:16	Informed BSE about board meeting on April 28, 2005 for Audited Financial results for the year ended March 31, 2005 and recommend Dividend/Bonus shares to the shareholders and/or to consider spilt of Face Value of equity shares of the Company.	There was only one trade on April 21, 2005 and that was prior to the announcement. On April 22, 2005, the price of the scrip opened at Rs. 428.00 (4.52% higher than the previous close of Rs. 409.50) and continued to increase till April 28, 2005, when the price of the scrip touched Rs. 522.45. This rise was of around 22% in 6 trading days with 13 trades.
	April 28, 2005 Informed to Exchange at 4:27:33*	Informed BSE about approval of the following in the Board meeting on April 28, 2005: • Dividend @ Rs 5/- per share. • Bonus of 2 shares for every 1 share. • Results for the year ended March 31, 2005 taken on record.	The price of the scrip opened at Rs. 548.55 on April 29, 2005 (4.99% higher than the previous close price of Rs. 522.45). After this the scrip was opening at upper circuit rate and risen by 79.48% to close at Rs, 984.55 on May 17, 2005.

	May 18, 2005 Informed the Exchange at 1:12:05**	Announcement for undertaking a major expansion programme involving capital expenditure to the tune of Rs 6000 million in the next two years. For funding the project, the Company will take benefit of Textile Upgradation Fund (TUF) scheme of the Government of India. While Rs 4000 million will come as debt under TUF scheme, the balance of Rs 2000 million will be funded through equity and internal accruals.	The scrip opened at Rs. 1033.75 on May 18, 2005 (5% higher than the prev. cl. Price of Rs, 984.55). There were no trades after the announcement. The scrip closed at Rs. 1033.75 on May 18, 2005. After this the scrip was opening at circuit rate and reached intra day high at Rs. 1870.00 on June 04, 2005.
	May 19, 2005 Informed to Exchange at 10:00:05	Informed BSE about closure of Register of Members & Share Transfer Books from June 10, 2005 to June 14, 2005 (both days inclusive) for the purpose of dividend & AGM to be held on June 14, 2005.	
	June 15, 2005 Informed to Exchange at 1:00:57	Informed BSE about approval of members at the AGM on June 14, 2005, for issue of bonus shares in ratio of 2:1.	The scrip opened at Rs. 1835.00 and has touched its intraday and all time high of Rs. 1923.00 after the news was announcement was made to the Exchange. At the announcement, the market price was Rs, 1839.

* News relating to KSL & Industries results also appeared in Business Standard on May 19, 2005

** News relating to KSL & Industries expansion plan also appeared in Economic Times in their edition dated 9th and 15th June 2005

f) From the submissions made by KSL, Investigation observed that the corporate announcements made by the company were genuine and necessary follow up actions were initiated/taken by the company.

g) Trading in the scrip: During the period of investigation, the scrip of KSL was listed and traded at BSE (Indonext segment) only. The price volume data recorded at BSE during the period of investigation is as below:

(Face value of Rs. 10)

Exchange	Open	High	Low	Close	Volume
BSE	272.00 (06/04/2005)	1923.00 (15/06/2005)	272.00 (06/04/2005)	1897.75 (15/06/2005)	15,544

During the period of investigation, the scrip of KSL got traded for 51 days. The volume at BSE was 15,544 shares and daily average volume was 305 shares. During April 06, 2005 to June 02, 2005, there was price rise from Rs. 272 to Rs. 1767.75 when the trading volume was only 2,045 shares. Subsequently spurt in volume was observed from June 03, 2005 to June 15, 2005 when the trading volume was 13,499 shares and the price increased from Rs. 1856.10 to Rs. 1923.00.

The price volume chart of KSL indicating the movement in price and volume of the scrip at BSE during the period of investigation provided to the Noticees as Annexure II and comparison of sensex with the price of KSL provided to the Noticees as Annexure III. It can be observed that price of KSL had gone up from Rs. 272.00 on April 06, 2005 to Rs.1923.00 on June 15,2005 whereas the volume was highest i.e. 2,370 shares on June 15,2005. Annexure III of the supplementary notice indicates that during investigation period, price of the scrip went up by Rs. 1651.00(606.98%) and sensex increased by 351.06 points (5.35%) from 6555.92 points to 6906.98 points. The closing price of the scrip on November 25, 2008 was Rs149.85 on face value of Rs.4.00.

h) Price/Volume before & after the period of Investigation: PV Data of the scrip was analyzed for the period during January 01. 2005 to April 05, 2005 and June 16, 2005 to September 30, 2005 to see the movement of scrip before and after the period of investigation. It was observed that during pre investigation period from January 01, 2005, 52,229 shares were traded on 32 days and average volume was 1,632 shares. On January 04, 2005 price of KSL opened at Rs. 236.25 and increased to Rs. 266.70 on April 01, 2005. Similarly, during post investigation period till September 30, 2005, 3,29,465 shares were traded on 74 trading days and average volume was 4,455 shares. On June 16, 2005, price of KSL opened at Rs. 1860.00 and increased to Rs. 1959.00 on June 30,

2005. Low price of Rs. 230.65 was observed on last date i.e. September 30, 2005. The shares of KSL split from Rs. 10 to Rs. 4 w.e.f. September 23, 2005.

i) It was observed from the trade log that top 10 brokers bought 13,680 shares (88.00%) and sold 13,046 shares (83.93%). Trading details of top 10 brokers (buy & sell) provided to the Noticees as Annexure IV. The top buying broker was Networth Stockbroking Ltd. who bought 10,618 shares (68.31%) and top seller was also Networth Stockbroking Ltd. who sold 10,008 shares (64.38%). The details of top 3 brokers' alongwith client details are as follows:

Sr. No.	Member	Clients	Gross Purchase (Quantity)	Gross Sell (Quantity)	Net (Quantity)
1	Networth Stock Broking Ltd.	Jayshree Petrochemicals Pvt. Ltd.	6,290 (40.46%)	5,580 (35.90%)	710
		Ramesh Mehta	4,327 (27.84%)	4,327 (27.84%)	-
		Mahendra Agarwal		100 (0.64%)	(100)
		Other	1	1	-
	Total		**10,618 (68.31%)**	**10,008 (64.38%)**	**610**
2	Anagram Stockbroking Ltd.	Iti Sarkar	701 (4.51%)	478 (3.07%)	223
		S Shridhar	99 (0.64%)	-	99
		Others	36	11	25
	Total		**836 (5.38%)**	**489 (3.14%)**	**347**
3	Wellworth Share & Stock Broking Ltd.	Tirath Parikh	663 (4.26%)	120 (0.77%)	543
	Total		**663 (4.26%)**	**120 (0.77%)**	**543**
	Sub. Total		**12,117 (77.95%)**	**10,617 (68.30%)**	**1500**
	Others		**3,427 (22.05%)**	**4,927 (31.70%)**	**(1500)**
	Total		**15,544**	**15,544**	

j) In the period of price rise, broker Anagram Stockbroking Ltd. had major concentration of 644 (31%) shares and 599(41%) shares in gross purchase and net purchase respectively. No major concentration was observed in sales.

During the period of volume spurt, broker Networth Broking Ltd. had major concentration of 10529 shares (78%), 9961 shares (74%) and 568 shares (32%) in gross purchase, gross sales and net purchase respectively.

k) Trade & Order Log Analysis: It was observed from the analysis of order log that 2,247 buy orders were placed for 1,35,995 shares by 128 brokers trading for 446 clients and 657 sell orders were placed for 30,563 shares by 65 brokers trading for 112 clients. The analysis of order log indicated that buy quantity exceeded sell quantity by 1,05,432 shares showing that there was a buying pressure. Trade log indicated that 530 trades were executed for 15,544 shares. During the period of volume spurt i.e. June 3, 2005 to June 15, 2005, reversal of trades was observed to be executed between two clients of Networth Broking Ltd. viz. Ramesh Mehta and Jayshreei..e. Noticee 1 (promoter related entity) as under:

Name of the Broker	**Name of the Client**	**No of trading days / reversal trading days**	**Reversal Buy Qty (no of orders)**	**% to Market traded Quantity**	**Reversal Sell Qty (no of orders)**	**%to Market traded Quantity**	**Gross Reversal traded Qty (% to total broker's trading)**
Networth Broking Ltd.	Jayshree Petrochemicals Pvt. Ltd.	51/8	4351 (18)	43.28	3789 (23)	37.69	8140 (39.46)
Networth Broking Ltd.	Ramesh Mehta	51/8	3765 (10)	37.45	4327 (12)	43.04	8092 (39.23)
		Total	**8116**	**80.73**	**8116**	**80.73**	
Market Volume during June 04-14, 2005			**10053**		**10053**		**20106**

It was observed that this reversal of trades ranged from 58% to 94% of the daily volume during June 04, 2005 to June 14, 2005 (Annexure V to the supplementary notice). There was no delivery of shares for these trades. It was observed that the time gap between the buy and sell orders ranged between 32 seconds to 4 hrs 29 minutes. However, during this period, 24 other brokers were also buying for 35 clients and 26 brokers were selling for 37 clients.

l) LTP Analysis: From LTP analysis, it was observed that 24 brokers placed buy orders for 2,183 shares at 1 % or more than the last traded price of the scrip. Similarly, 9 brokers placed buy orders for 550 shares at 1 % or less than the last traded price of the scrip. Since price of the scrip had gone up mostly with first trades an analysis of all first trades was done, the orders for which were placed at a price higher than the last traded price. Analysis revealed that total 40 buy orders were placed at a price higher by 1 % or more than the last traded price and resulted into 40 first trades (Annexure VI to the supplementary notice). Further analysis reveals that from April 6 2005 to April 20, 2005 i.e. before the first corporate announcement was made by the company, Jayshree, trading through Networth Stock Broking Ltd., was the major client for whom the broker was placing orders for the first trades more than LTP. Out of 10 trading days during the above period Networth placed 7 orders on 7 days at a price higher than LTP which resulted into 7 trades for 89 shares and the price increased from Rs. 282 to Rs. 389.90. During this period there were hardly any market participants and trades were negligible. From April 21, 2005 to June 2, 2005 other brokers were putting orders higher than LTP; however such brokers were 17 in numbers and no major concentration was observed. From April 21, 2005 to June 2, 2005 the price went up from Rs. 409.50 to Rs. 1767.73 which might have been due to positive corporate announcement made by the company regarding bonus, stock split, audited results and also the expansion plans of the company announced in May 2005. From June 03, 2005 to June 15, 2005 the price increased from Rs. 1856.10 to Rs. 1923.00, however, no consistent effort by any broker or client was observed to influence the price of the scrip.

m) BSE observed that promoter related entity Jayshree had traded prior to the announcement of the corporate news, hence analysis was done from Insider trading angle. Trading details of the entity and comments sought from them are discussed below. As on March 31, 2005, Jayshree holds 300973 shares. From April 1 2005 to June 15, 2005 the trading of Jayshree is as below:

Date	Period	Bought	(%) of Mkt. volume	Sold	(%) of Mkt. Volume
01.04.05	Before the intimation of Board meeting on 21.04.05 for considering the audited financial results, recommendation of dividend/bonus and split of shares.	51500	99.61	100	0.19
04.04.05		0	0	1	100
05.04.05		40	85.11	0	0
06.04.05		10	100	0	0
07.04.05		05	100	0	0
08.04.05		03	11.54	0	0
11.04.05		25	92.59	0	0
12.04.05		20	100	0	0
13.04.05		00	0	20	100
15.04.05		10	100	0	0
18.04.05		05	100	0	0
19.04.05		00	0	05	31.25
20.04.05		11	100	0	0
	Total	**51629**		**126**	
21.04.05	Intimation to BSE about above discussions	NIL	NIL	NIL	NIL
02.05.05	Before announcement of undertaking major expansion program under TUF scheme on May 18, 2005.	00	0	02	100
06.05.05		00	0	05	100
	Total	**00**		**07**	
23,05.05	After announcement of expansion plan and closure of register of members for dividend and bonus.	00	0	05	100
03.06.05		263	24.44	639	59.39
04.06.05		665	50.49	565	42.90
06.06.05		983	56.27	518	29.65
07.06.05		901	59.71	525	34.79
08.06.05		656	54.53	536	44.55
09.06.05		560	52.33	352	32.90
10.06.05		505	49.41	472	46.18
13.06.05		610	54.56	450	40.25
14.06.05		556	52.11	511	47.89
15.06.05	Information about approval of bonus shares in AGM.	502	21.18	975	41.14
		6201		**5548**	
	Grand Total	**57830**		**5681**	

n) BSE observed from the documents submitted along with the Know Your Client (KYC) form of Jayshree, that Shri Saurabh Tayal (Noticee 2) was appointed authorised signatory for Jayshree. On analysing the signature of Mr. Tayal on the supporting document submitted alongwith the KYC and notice issued by

KSL, it was observed that Saurabh is the promoter/director of KSL. Also, as per the holding statement of the demat account of Jayshree, it was observed that the authorized signatory for operating the said demat account was Shri Pravin Kumar Tayal, Chairman of KSL as on Feb 28, 2000. Investigation reveals that Saurabh was authorized signatory of Jayshree, as per board resolution passed on January 29, 2004. Shri Pravin Kumar Tayal (father of Saurabh) & his brother Shri Navin Kumar Tayal were subscribers to the Memorandum of Association of Jayshree. Thus, Jayshree was promoted by Tayals and during investigation period, Saurabh acted as authorized signatory. Hence Jayshree was found connected to the company KSL as per Regulation 2c (ii) of SEBI (Prohibition of Insider Trading) Regulations, 1992. Saurabh was a director of KSL and as per the documents/evidences available he was aware of the price sensitive information. In view of the above Jayshree was reasonably expected to be in possession of unpublished price sensitive information and hence may be treated as Insider as per Regulation 2(e) of PIT Regulations, 1992.

o) Saurabh in his reply stated that he was authorized signatory of Jayshree since January 2004 and ceases as such from June 2007. His responsibility was to sign cheques as per the instructions of the Board of Jayshree. The said arrangement of signing cheques was made on the basis of convenience and expediency of the Board of Jayshree since they were frequently out of Mumbai. He has denied any interference in the daily management of the company Jayshree. Similarly, Jayshree replied that the trading activities were handled by Shri Jodh Ram Dhaka (Director). With regard to the knowledge of the information, they have stated that the person authorized for trading had not received any communication from Saurabh regarding corporate announcements made by KSL during January 01, 2005 - June 30, 2005 in any form.

p) From the trading details of Jayshree, it is observed that they also traded in this scrip prior to and after the investigation period. During June 16, 2005 - December 31, 2005, Jayshree bought and sold 2,15,210 shares through NSL. Similarly in pre investigation period i.e. during January 01, 2005 - April 05, 2005

Jayshree bought 51,684 shares and sold 107 shares through NSL. From the trading details submitted by Jayshree it is observed that out of the above 51,684 shares they bought 51,500 shares on April 1, 2005 and 40 shares on April 5, 2005. Hence from January to March there was hardly any trading done by Jayshree. From April 1, 2005 to April 20, 2005 i.e. before the first corporate, Jayshree bought 51,629 shares at the weighted average price of Rs. 263.01. The weighted average price on April 22, 2005 (i.e. after the announcement on April 21, 2005) was Rs.429.67. If we consider their buying after the announcement the profit comes to Rs. 86,04,521.43.

q) From the bank account of Jayshree, it is observed that during the investigation period, majority of the transactions pertains to payment to NSL. Few payments amounting to Rs. 1.30 lakh were also made to Nina Tayal, promoter of KSL but these payments do not commensurate with the sale transactions of Jayshree. Jayshree has informed that Ms Neena Tayal has paid all the dues but the reasons for fund transfer are not disclosed. During the investigation period, it is also observed that funds were coming from KSL and related entities on account of 'sale of fabrics' and the same are found to be in consonance with Sales shown in Annual Report for the year 2005-06.

r) Investigation observed that Jayshree, promoter related entity traded prior to the announcement of the annual results, dividend & bonus issue on April 21, 2005. Considering the above trading pattern, reply of Jayshree & Saurabh and considering the trading pattern, relation with the company KSL and the available facts, records and documents it is alleged that Jayshree was privy to the unpublished price sensitive information and their trading is in violation of Regulation 3 (i) of SEBI (Prohibition of Insider Trading Regulations), 1992. Further the above facts also indicate that Saurabh failed to avoid communication of such price sensitive information to Jayshree (who traded in the market) in violation of Regulation 3(ii) of the SEBI (PIT) Regulations, 1992.

s) During the period of price rise till June 02, 2005, only Jayshree was trading whereas Ramesh Mehta started trading only during the period of volume spurt since June 04, 2005 onwards. Jayshree placed orders through its broker at a price higher than the last traded price and these trades led to the increase in the price of the scrip during the initial period of the investigation. It is observed that the price, due to the first trades of the above client, was increasing by Rs10 or more. The details of first trades are enclosed at Annexure VI. For instance, the closing price on April 06, 2005 was Rs. 272.00. On April 07, 2005, the first buy order was placed by Jayshree for Rs. 282.00 and creating an increase in the price of the scrip by Rs. 10. It was also observed that Jayshree did not place any order lower than LTP during the above period. The acts of the client are in violation of PFUTP Regulations, 2003.

t) Information was sought from KSL on the details of promoters, directors, their shareholding, corporate announcements made by the company, shareholding pattern of the company, details of market and off-market transactions done by promoters, directors, copy of the agenda and minutes of board and general meeting, etc. KSL submitted the details and stated that none of the promoters/directors traded during the years 2003-04, 2004-05 and till June 30, 2005. KSL admitted the relationship between Shri Saurabh Tayal (son) & Shri Pravin Kumar Tayal (father) but denied any relationship of the promoter/director with Jayshree Petrochemicals or Ramesh Mehta. It was also informed that the expansion project is completed and funding was done by Term Loans aggregating 280 Crores from Banks and 320 Cores from Internal accruals, preferential allotment, unsecured loans etc.

u) The aforesaid findings lead to the allegation that Noticee 1 i.e. Jayshree Petrochemicals Pvt. Ltd. (promoter related entity) placed orders at a price higher than the LTP which influenced the price of the scrip and dealt in the scrip when in possession of price sensitive information anf hence violated the provisions of violation of regulations 4(1) and 4(2)(e) of the PFUTP Regulations and regulation 3(i) and 3(A) of PIT Regulation. Further, it is alleged that Noticee 2 i.e. Saurabh Tayal communicated or counseled, directly or indirectly, unpublished price sensitive information to a person who dealt in the scrip of KSL while in possession of that information and hence violation of regulation 3(ii) of PIT Regulation .

4) Notice 1 vide its e-mail dated November 18, 2022 requested for additional 15 to 20 days to submit its reply to the SCN. Noticee 2 vide letter dated November 18, 2022 requested for 30 more days to submit reply to the SCN.

5) In the light of the allegations contained in the SCN and relevant material available on record, I hereby proceed to decide the case on merits.

CONSIDERATION OF ISSUES AND FINDINGS

6) The SCN alleged that JPPL (Noticee 1) was connected to KSL through Saurabh Tayal (Noticee 2), who was the promoter/ director of KSL and also Noticee 2 was the authorized signatory of Noticee 1 during the investigation period. Therefore, Noticee 1 and Noticee 2 were connected persons as prescribed under Regulation 2(c)(ii) of the PIT Regulations and consequently insiders as defined under Regulation 2(e) of PIT Regulations. Further, Noticee 2 being an insider and connected to the KSL has access to unpublished price sensitive information (UPSI) of KSL and had communicated the said information, to the Noticee 1, who traded in the scrip of KSL,when in possession of the information and thereby violated the provisions of Regulations 3(i) and 3A of PIT Regulations. Noticee 1 placed orders at the price higher than the last traded price and contributed to the rise in price of the scrip the ERA through first trades, entered into manipulative transactions which were not genuine and resulted in the increase in the price of scrip of KSL which is violation of Regulation 4(1), 4(2)(e) of the PFUTP Regulations.

7) The SCN further alleged that Noticee 2 being a promoter/ director of the company KSL and authorized signatory of Noticee 1 was coming under connected person as defined under Regulation 2(c)(ii) of the PIT Regulations and consequently an insider as defined under Regulation 2(e) of PIT Regulations and had access to the unpublished price sensitive information of the Company KSL. Noticee 2 being an insider and connected to the KSL and had communicated the unpublished price sensitive information to Noticee 1, who traded when in possession of the information and thereby violated the provisions of Regulation 3(ii) of PIT Regulations.

8) Before moving forward, it will be appropriate to refer to the relevant provisions of Regulation 2(c)(ii), 2(e) and 3 (i) & (ii) of PIT Regulations and PFUTP Regulations which reads as under:

PIT Regulations, 1992

2. *In these regulations, unless the context otherwise requires:—*

(c) "connected person" means any person who—

(ii) occupies the position as an officer or an employee of the company or holds a position involving a professional or business relationship between himself and the company whether temporary or permanent] and who may reasonably be expected to have an access to unpublished price sensitive information in relation to that company:

Explanation:—For the purpose of clause (c), the words "connected person" shall mean any person who is a connected person six months prior to an act of insider trading

(e) "insider" means any person who,, is or was connected with the company or is deemed to have been connected with the company, or who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or who has received or has had access to such unpublished price sensitive information;

Prohibition on dealing, communicating or counselling on matters relating to insider trading.

3. *No insider shall—*

(i) either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange when in possession of any unpublished price sensitive information.

(ii) communicate counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities :

Provided that nothing contained above shall be applicable to any communication required in the ordinary course of business or profession or employment or under any law.

3A. *No company shall deal in the securities of another company or associate of that other company while in possession of any unpublished price sensitive information.*

PFUTP Regulations, 2003

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-

(e) any act or omission amounting to manipulation of the price of a security;

9) The issues arising for consideration in the instant proceedings are:-

i. **Whether Noticees are "connected person" as defined under Regulation 2(c)(ii) of the PIT Regulations and an "insider" as defined under Regulation 2(e) of PIT Regulations and had access to the unpublished price sensitive information?**

ii. **Whether Noticee 2 communicated the unpublished price sensitive information to Noticee 1 and contravened the provisions of Regulation 3(ii) of PIT Regulations.**

iii. **Whether Noticee 1 was in possession of unpublished price sensitive information before placing orders and contravened the provisions of Regulation 3(i) and 3A of PIT Regulations.**

iv. **Whether Noticee 1 placed orders at the price higher than the last traded price and contributed to the rise in price of the scrip through first trades, entered into manipulative transactions which were not genuine and resulted in the increase in the price of scrip of KSL and violated the provisions of Regulation 4(1), 4(2)(e) of the PFUTP Regulations?**

v. **Does the violations, if any, on the part of the Noticees attract monetary penalty under Sections 15 HA and 15G (i) & (ii) read with 12A(d & e) of SEBI Act?**

vi. **If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?**

10)Now, I deal with the issues on merit in the matter. The scrip of KSL was listed at BSE and traded for 51 days during the period of investigation. The volume at BSE was 15,544 shares and daily average volume was 305 shares. During the period of investigation i.e. April 06, 2005 to June 02, 2005, there was price rise from Rs. 272 to Rs. 1767.75 when the trading volume was only 2,045 shares. Subsequently, spurt in volume was observed from June 03, 2005 to June 15, 2005, when the trading volume was 13,499 shares and the price increased from Rs. 1856.10 to Rs. 1923. It was observed that during the investigation period, price of the scrip went up by Rs. 1651 (606.98%) and SENSEX increased by 351.06 points (5.35%) from 6555.92 points to 6906.98 points.

11)KSL made the following corporate announcements during the investigation period and following price movement in the scrip was observed:

S. No.	Date	News	Price Movement in the Scrip
1	April 21, 2005 (Informed to Exchange at 02:06:16)	Informed BSE about Board Meeting on April 28, 2005 for Audited Financial results for the year ended March 31, 2005 and recommend Dividend/ Bonus shares to shareholders and/or to consider split of Face Value of equity shares of the Company.	There was only one trade on April 21, 2005 and that was prior to the announcement. On April 22, 2005, the price of the scrip opened at Rs. 428 (4.52% higher than the previous close of Rs. 409.50) and continued to increase till April 28, 2005 where the price of the scrip touched Rs. 522.45. This rise was of around 22% in 6 trading days with 13 trades.
2	April 28, 2005 (Informed to Exchange at 4:27:33)	Informed BSE about approval of the following in the Board Meeting on April 28, 2005: 1. Dividend at rs. 5/- per share. 2. Bonus of 2 shares for every 1 share. 3. Results for the year ended March 31, 2005 taken on record.	The price of the scrip opened at Rs. 548.55 on April 29, 2005 (4.99% higher than the previous close price of Rs. 522.45). After thus the scrip was opening at upper circuit rate at Rs. 984.55 on May 17, 2005.
3	May 18, 2005 Informed the Exchange at 1:12:05)	Announcement for undertaking a major expansion programme involving capital expenditure to the tune of ` 6000 million in the next two years. For funding the project, the company will take benefit of Textile Upgradation Fund (TUF) scheme of the Government of India. While Rs. 4000 million will come as debt under TUF scheme, the balance of Rs. 2000 million will be funded through equity and internal accruals.	The scrip opened at Rs.1033.75 on May 18, 2005 (5% higher than the previous close price of Rs. 984.55). There were no trades after the announcement. The scrip closed at Rs. 1033.75 on May 18, 2005. After this the scrip was opening at circuit rate and reached intraday high at Rs. 1870 on June 4, 2005.

S. No.	Date	News	Price Movement in the Scrip
4	May 19, 2005 (Informed to Exchange at 10:00:05)	Informed BSE about closure of Register of Members & Share Transfer Book from June 10, 2005 to June 14, 2005 (both days inclusive for the purpose of dividend & AGM to be held on June 14, 2005.	
5	June 15, 2005 (Informed to Exchange at 1:00:57)	Informed BSE about approval of members at the AGM on June 14, 2005, for issue of bonus shares in ratio of 2:1.	The scrip opened at Rs. 1835 and had touched its intra day and all time high of Rs. 1923 after the news announcement was made to the Exchange. At the announcement, the market price was Rs. 1839.

12)It is alleged that Noticee 2 was one of the promoter/ director of KSL and was also authorized signatory of Noticee 1. Also, it is alleged that Shri Pravin Kumar Tayal, who is Noticee 2's father, was observed to be authorized signatory for JPPL's (Noticee 1) Demat account and was signatory to the Memorandum of Association of JPPL along with Noticee 2's brother Shri. Navin Kumar Tayal. Investigation observed that Noticee 2 being the promoter/ director of KSL and authorized signatory of JPPL is a connected person in terms of Regulation 2(c)(ii) of the PIT Regulations and an insider as defined under Regulation 2(e) of PIT Regulations and had access to the unpublished price sensitive information of KSL. In this regard, I note that, the available record do not contain any evidence, which can even remotely indicate that the Noticee 2 were holding the position of Director or employee / officer either with the KSL or JPPL or were enjoying any connection in any form whatsoever with any of the above noted companies or with Directors / Officers of the aforesaid two companies.

13)I now discuss the alleged violation of the Noticee 2 of Regulation 3(ii) of PIT. As per Regulation 3(ii) No insider shall communicate *counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities.* It was alleged in the SCN that Noticee 2 being a director/ promoter of

KSL, was privy to unpublished price sensitive information and disseminated the same to JPPL, who traded when in possession of the information prior to the announcement of the corporate news by KSL. It is observed from the SCN that the unpublished price sensitive information was with regard to consideration of audited financial results, recommendation of dividend/ bonus and split of shares. From the available record, I note that no evidence or supporting material has been brought on record to show that Noticee 2 had passed/ communicated the alleged unpublished price sensitive information to Noticee 1 and the inference has been drawn based on the trading done by Noticee 1. There is no document on record which shows that Noticee 2 was aware of the price sensitive information or was part of any internal discussion of KSL regarding the proposal of dividend/ bonus to the shareholders and/ or to consider split of face value of equity shares etc. of the company during the period of investigation.

14) In the SCN reliance is placed on the trading pattern of Noticee 1 during the investigation period for framing the charges of insider trading against Noticee 1. It is observed from the investigation report that Noticee 1 had traded in the scrip of KSL before and after the investigation period. During June 16, 2005 to December 31, 2005, Noticee 1 bought and sold 2,15,201 shares through Networth Stock Broking Limited (NSL). During pre-investigation period i.e. January 01, 2005 to April 05, 2005, Noticee 1 bought 51,648 shares and sold 107 shares through NSL. It is observed that out of above 51,468 shares, Noticee 1 bought 51,500 shares on April 1, 2005 and 40 shares on April 5, 2005 i.e. before the first corporate announcement, Noticee 1 bought 51,629 shares at the weighted average price of Rs. 263.01. It is observed that during the period April 1, 2005 to April 20, 2005, Noticee 1 bought 51,629 shares and sold 126 shares before the corporate announcement and subsequent to the corporate announcement made on April 21, 2005, Noticee 1 bought further 6,201 shares and sold 5,548 shares. From the trading of Noticee 1 in the scrip of KSL, I did not find any abnormal trading pattern as Noticee 1 was observed to be buying 57,830 shares and selling only 5,681 shares before and after the corporate announcement and also, traded in the scrip of KSL before and after the period of investigation.

15)Investigation observed that, Noticee 2 was an insider and had possession of the unpublished price sensitive information, however there is no document on record to show that Noticee 2 communicated the information to Noticee 1. Further, I did not find any abnormal trading pattern in the trading of Noticee 1 leading to the allegation that the Noticee 1 traded while in possession of the price sensitive information since Noticee 2 traded in KSL before the UPSI, during the UPSI and also after the UPSI period. I further note that the present proceedings are civil in nature and the charges are required to be proved on the principle of preponderance of probability. So, in the facts of the present case, even in the absence of any evidence of direct or actual receipt of the UPSI by the Noticee 1, it has to be examined as to whether the attending facts and circumstantial evidences are so strong so as to guide a person of ordinary prudence, following a logical process of reasoning from the totality of the circumstances, to an irresistible inference that the trades of the Noticee 1 was nothing but based on or while in possessions of UPSI. Such an inference has to also stand the scrutiny of a proceedings against an entity, who may not enjoy any connection with the company nor there is any documentary/oral evidence to substantiate actual receipt of or access to UPSI by such entity, but the circumstantial evidences against such entity would have to so strong so as to suggest conclusively that his / its trades were influenced by the access to or receipt or possession of UPSI. Hon'ble Supreme Court in SEBI vs. Kanhaiyalal Patel has rightly held that an inferential conclusion from proved and admitted facts would be permissible and legally justified so long as the same is reasonable. In support of the above view, I also rely on the observations made by the Hon'ble SAT in the case of Rajiv B. Gandhi, vs. SEBI (Appeal Number 50 of 2007): "…. *Insider is a person who is or was connected with the company and who is reasonably expected to have access by virtue of such connection to unpublished price sensitive information in respect of securities of the company. A person who has received such information or has had access to such information is also an insider.*" In view of above, I hold that the charges of the aforesaid violations as alleged in SCN do not stand established against the Noticees.

16)With regard to the alleged violations PFUTP Regulations against Noticee 1, it was alleged that Noticee 1 had entered into first trades and these trades were allegedly placed at the prices higher than the last trade price and thus have influenced the price of the scrip of KSL. Given the above, I am of the view that there is no sufficient evidence to establish that Noticee 1 had role to manipulate the price of the scrip of KSL by placing the orders that is higher than the last trade price. A simplistic observation without supporting evidence does not help to hold one guilty of a charge of PFUTP Regulations. The corroborative evidence available on record is insufficient to substantiate the charge as alleged in SCN contributed to price rise in the scrip of KSL during the investigation period. In view of the aforesaid observations and findings, I conclude that the alleged violation of provisions of PFUTP Regulations against Noticee 1 do not stand established.

17)In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under section 15-I of the SEBI Act, 1992 read with rule 5 of the Adjudication Rules, I hereby conclude that the alleged violations of the aforesaid provisions of the PIT Regulations and PFUTP Regulations do not stand established against the Noticees.

ORDER

18)In the light of the findings noted hereinabove, the adjudication proceedings initiated against the Noticees are disposed off without imposition of any monetary penalty.

19)In terms of Rule 6 of the Adjudication Rules, copies of this order are sent to the last known address of the Noticees and also to SEBI.

Date: November 29, 2022
Place: Mumbai

Adjudicating Officer under Securities and Exchange Board of India Act, 1992

Jeevan Sonparote
Adjudicating Officer